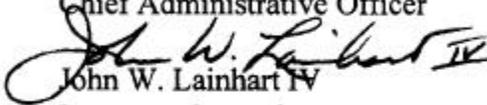


John W. Lainhart IV
Inspector General

Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: James M. Eagen III
Chief Administrative Officer

FROM: 
John W. Lainhart IV
Inspector General

DATE: February 27, 1998

SUBJECT: Audit Report - Improvements Are Needed In House Mail Operations
(Report No. 98-CAO-01)

This is our final report on the mail operations within the U.S. House of Representatives (House). The objectives of our audit were to assess the adequacy of the House's oversight of the Pitney Bowes contract and mail operations security, and evaluate the efficiency and effectiveness of policies and procedures for processing incoming and outgoing mail. In addition, we expanded the scope of our audit to include a review of personnel functions within Postal Operations and Mailing Services. In this report, we identified weaknesses in the mail operations of the House and made specific recommendations for corrective actions.

In response to our August 22, 1997 draft report, your office concurred with our findings and recommendations. The January 20, 1998, management response is incorporated in this final report and included in its entirety as an appendix. The corrective actions taken and planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations. In addition, we ask that you provide us with target completion dates for Recommendation 1, Finding A, and Recommendation 1, Finding E, of this report.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Robert B. Frey III at (202) 226-1250.

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Chairman, Committee on House Oversight
Ranking Minority Member, Committee on House Oversight
Members, Committee on House Oversight

Improvements Are Needed In House Mail Operations

Report No. 98-CAO-01
February 27, 1998

RESULTS IN BRIEF

CONCLUSIONS

Improvements are needed in (1) the oversight of the postal contract between the U.S. House of Representatives (House) and Pitney Bowes Management Services (Pitney Bowes) and (2) Pitney Bowes' operations. Specifically, improvements are needed because: (1) security measures that effectively safeguard the mail and assets of the House are not consistently enforced; (2) Pitney Bowes has not established adequate controls over its postage meters; (3) resources necessary to provide contract oversight and other mail-related services may be improperly allocated to the Offices of Postal Operations and Mailing Services; (4) the contract terms between Pitney Bowes and the House need clarification to ensure that mail delivery meets House expectations; (5) some House offices are using envelopes with missing or incorrect bar codes; (6) fee-paid mail items are not adequately tracked and deposits are not made timely; and (7) postage meter expenses are not reported in accordance with accrual basis accounting. We also addressed another matter concerning the proper handling of inside mail items that, while not as critical as the findings themselves, warrants management's attention.

As a result, the House's ability to secure mail and House assets and to effectively and efficiently track, process, and account for mail items has been diminished. Specifically: (1) House mail and assets are at risk to unauthorized access and destruction; (2) House postage meters are vulnerable to improper and unauthorized use; (3) the House could achieve savings by reducing personnel and consolidating offices performing similar mail-related duties; (4) contract terms need to be clarified; (5) House mail accounts may be improperly charged; (6) fee-paid mail items may be misplaced or delayed in processing, and checks accompanying fee-paid items could be misplaced or misappropriated; and (7) the House does not have an effective methodology for assigning expenses to the period in which they are incurred. In addition, House offices sometimes leave inside mail unattended--subjecting it to possible mishandling or loss.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer (1) direct Pitney Bowes, in concert with the Capitol Police, to develop an overall security plan that protects House mail and assets from unauthorized access and destruction; (2) develop contract oversight procedures which ensure contractor compliance with the security requirements, as defined in the prior recommendation; (3) request the Architect of the Capitol to mechanize the blast door located in the Ford House Office Building, and if deemed appropriate, build a secure mail storage facility on the Ford House Office Building loading dock; (4) expedite the implementation of Pitney Bowes' Disaster Recovery Plan and Emergency Personnel Staffing Contingency Plan; (5) develop a disaster recovery/contingency plan that provides for the continuation of House mail operations and complements the plan developed by Pitney Bowes; (6) direct Pitney Bowes to decrease the elapsed time setting on the password protect feature of the Paragon postage meter from five minutes to one minute; (7) require Pitney Bowes to change the password on the postage meter's password protect feature at least once every 90 days or immediately upon an employee's termination or reassignment; (8) direct Pitney Bowes to keep the backup postage meter locked except when it is in use; (9) conduct a staffing requirements analysis to determine the optimum number of personnel necessary for oversight of the postal services contract and adjust staff accordingly; (10) review the feasibility of merging Mailing Services with House Information Resources' (HIR) list processing function and, if determined feasible, develop a proposal, for approval by the Committee on House Oversight, to consolidate this function; (11) review and revise, as necessary, position descriptions in the Offices of Postal Operations and Mailing Services to accurately reflect current duties and responsibilities; (12) work with Pitney Bowes to ensure appropriate analyses (e.g., workload trends, delivery schedules, and staffing assignments) are used to identify ways to minimize mail delivery delays; (13) review the current terms of the Pitney

Bowes contract to determine where the terms need to be revised or clarified; (14) develop contract oversight procedures which ensure contractor compliance with the Pitney Bowes contract requirements; (15) develop a proposal, for approval by the Committee on House Oversight, that would require Postal Operations to return to the sender any outgoing mail that does not have bar codes printed on the envelope; (16) establish procedures that, on a sample basis, routinely test the bar codes on all House franked postage originating from Washington, D.C. to ensure the accuracy of the bar codes; (17) establish procedures that require tracking incomplete fee-paid mail items received by Postal Operations and Pitney Bowes; (18) establish procedures that require Postal Operations to make daily deposits of fees received on fee-paid mail items; and (19) direct Postal Operations to provide, on a monthly basis, the actual cost of metered mail to Finance. In addition, we recommend that the Chief Administrative Officer distribute a "Postal Patron" letter reminding Members to place inside mail into the inside mail boxes pursuant to the *Members' Congressional Handbook* and *Committees' Congressional Handbook*. For items that are too bulky or too numerous to fit into the inside mail boxes, offices should be instructed to make arrangements with Pitney Bowes to pick up these items at the Member's or Committee's office.

MANAGEMENT RESPONSE

On January 20, 1998, the Chief Administrative Officer formally concurred with the findings and recommendations in this report. According to the response, the CAO: (1) agreed to review security over mail operations with the Sergeant-At-Arms and jointly pursue goals and issues addressed in this audit report to ensure the appropriate level of safety and security for the House; (2) agreed to expedite the updating and implementing of a disaster recovery/contingency plan that integrates and complements the Pitney Bowes plan, that will be submitted to CHO and the Building Commission for approval; (3) directed Pitney Bowes to decrease the elapsed time setting on the password protect feature; (4) directed Pitney Bowes to change the password at least once every 90 days or immediately upon an employee's termination; (5) directed Pitney Bowes to keep the backup meter locked except when in use; (6) agreed to conduct a staffing requirements analysis to determine the optimum number of personnel necessary for oversight of the postal service contract and adjust staff accordingly; (7) agreed to review the feasibility of merging Mailing Services with HIR's list processing function; (8) updated the position descriptions in the Offices of Postal Operations and Mailing Services to reflect current duties and responsibilities; (9) agreed to direct Pitney Bowes to continue their analysis in order to further minimize mail delivery delays; (10) agreed to amend the existing contract or specify language clarifications in a new contract; (11) agreed to develop contract oversight procedures to ensure contractor compliance with the contract requirements; (12) agreed to develop a proposal, for approval by the Committee on House Oversight, requiring Postal Operations to return to the sender any outgoing mail that does not have bar codes printed on envelopes; (13) established written procedures to, on a sample basis, routinely test the bar codes on all House franked postage originating from Washington D.C. to ensure the accuracy of the bar codes; (14) established, documented, and implemented procedures to require tracking incomplete fee-paid items received by postal Operations and Pitney Bowes; (15) established a policy to require deposits of fees received on fee-paid items to be made within one business day of receipt; and (16) agreed, as an alternative corrective action, to move from metering to the frank as the manner of postage payment for all its offices. In addition, the CAO agreed to circulate a memorandum to all House offices outlining options and actions an office may utilize for items too bulky or too numerous to fit into the inside mailboxes.

OFFICE OF INSPECTOR GENERAL COMMENTS

The CAO's current and planned actions are responsive to the issues we identified, and when fully implemented, should satisfy the intent of our recommendations. We also agree with the CAO's alternative corrective action of going to metered mail for all of its offices, as the amount of the remaining user's metered mail cost is immaterial.

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I. INTRODUCTION

Background

At the beginning of the 104th Congress, Mail Operations delivered, collected, accounted for, and dispatched mail for the U.S. House of Representatives (House). However, the Chief Administrative Officer (CAO), in response to an Office of Inspector General (OIG) audit recommendation,¹ proposed to the Committee on House Oversight (CHO) that Mail Operations be closed and that the House competitively procure mail services from private vendors. The CHO approved the proposal on June 14, 1995, and a contract was awarded to Pitney Bowes Management Services (Pitney Bowes) on December 13, 1995. Pitney Bowes began providing full mail services to the House on February 13, 1996. The Offices of Postal Operations and Mailing Services were created to oversee mail-related contracts and provide mail-related services not covered by the contract.

Under the terms of the contract, Pitney Bowe is responsible for collecting, processing, and delivering mail to House offices. Mail is collected from House offices, mail chutes, and mail boxes four times each weekday and once on Saturday. Mail deliveries are scheduled for three times each weekday and once on Saturday. Approximately 2.3 million pieces of incoming mail and 672.4 thousand pieces of outgoing mail are processed on a monthly basis. Pitney Bowes is also responsible for collecting billing data for Member mailing accountability; ensuring all accountable mail is properly manifested and tracked; and providing security to all Members by scanning all mail for explosive devices.

The Office of Postal Operations (Postal Operations) was created to provide oversight of House mail operations contracts and perform other mail-related services not provided by contractors. Specifically, Postal Operations oversees contracts with Pitney Bowes for mail operations and the U.S. Postal Service (USPS) for retail window operations. In addition, the office provides passport and visa services and bulk mail tracking for the House. Postal Operations consists of six full-time positions--three contract administrators, a manager of support services, passport liaison, and receptionist.

The Office of Mailing Services (Mailing Services) provides mail list processing and postal delivery reports. The office also serves as the drop-off point for small mailings and vendor-printed materials. Mailing Services consists of three full-time positions--a lead list processor, data processing coordinator, and senior receiving clerk.

Postal Operations and Mailing Services are located in the same suite of offices and employees in both offices provide administrative and other support to the office as a whole. In addition, several of these employees have been cross-trained to ensure adequate coverage of services when the employee primarily responsible for the service is unavailable.

¹ *Changes in Operating Practices Could Save Publications & Distribution \$5.5 Million Annually* (Report No. 95-CAO-04 dated July 18, 1995).

Objectives, Scope, And Methodology

The objectives of our audit were to assess the adequacy of the House's oversight of the Pitney Bowes contract and mail operations security, and evaluate the efficiency and effectiveness of policies and procedures for processing incoming and outgoing mail. In addition, we expanded the scope of our audit to include a review of personnel functions within Postal Operations and Mailing Services. Our audit was conducted at the offices of House Postal Operations and Mailing Services, Pitney Bowes, and the Capitol Police. The period covered by the audit was February 1996 through January 1997 and our work was performed during the period February 1997 to July 1997.

This audit was conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests as we considered necessary under the circumstances. We identified and reviewed mail operations services for the House by interviewing CAO, Pitney Bowes, and Capitol Police personnel; reviewing contract files and pertinent policies and procedures; observing operations; reviewing management reports; and evaluating the flow of mail within the House.

During May 1997, we sent out 608 postal operations customer satisfaction surveys to all Members, Committees, Subcommittees/Task Forces, and other major House offices. The objective of this survey was to determine the level of customer satisfaction with House mail operations. The survey was completed in July 1997 and the results indicate that customers are generally satisfied with the mail services provided. (See *Results Of The House Postal Operations Satisfaction Survey*, Report No. 98-CAO-02 dated February 27, 1998.)

Internal Controls

We performed a review of the internal controls of House mail operations and found significant weaknesses which are discussed in the "Findings and Recommendations" section of this report.

Prior Audit Coverage

The OIG has previously issued three audit reports containing mail operations issues. All mail-related recommendations in *Changes in Operating Practices Could Save Publications & Distribution \$5.5 Million Annually* (Report No. 95-CAO-04 dated July 18, 1995) were corrected and closed prior to this audit. The Exhibit at the end of this report summarizes the current status of the recommendations related to mail operations in the two remaining audit reports – *Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer* (Report No. 96-CAO-15 dated December 31, 1996) and *Improvements Are Needed In The Creation And Distribution Of Documents Within The House* (Report No. 97-CCS-02 dated March 17, 1997).

II. FINDINGS AND RECOMMENDATIONS

Finding A: Postal Operations' Security Procedures Need Improvement

Security measures that effectively safeguard the mail and assets of the House are not consistently enforced. This condition exists because the Contracting Officer's Representative (COR) has not adequately monitored contract security requirements to ensure contractor compliance. Consequently, both House mail and assets are at risk to unauthorized access and destruction.

Under terms of the Pitney Bowes contract, security responsibilities are shared by Pitney Bowes, the Capitol Police, and Postal Operations. Pitney Bowes is responsible for the security in all areas under its jurisdiction and for developing an overall security plan. The contract required Pitney Bowes, in concert with the Capitol Police, to develop a plan that addresses the unique security needs of the House. The plan was to define the security responsibilities of Pitney Bowes and Capitol Police personnel. Additionally, the Capitol Police were to work with Pitney Bowes to review security requirements in order to establish appropriate levels of security and proper procedures for plan implementation. As the COR, Postal Operations is responsible for ensuring contractor compliance with these security requirements.

Because Postal Operations failed to adequately monitor the contractor, an overall security plan was never developed. As a result, mail was left unsecured on the loading dock, mail screening operations were inadequate, a disaster recovery/contingency plan was not established, and background security checks on employees were not performed according to contract requirements.

Unsecured mail was left on the loading dock

Mail is left unsecured on the loading dock for extended periods awaiting processing by Pitney Bowes. This unsecured mail is vulnerable to unauthorized access or the introduction of hazardous materials or explosive devices. As a result, the integrity of the House mail system and the safety in the Ford House Office Building are questionable.

Although most incoming mail is delivered to the Ford House Office Building loading dock during normal operating hours, mail delivered during the early mornings, at night, and on weekends remains on the loading dock until Pitney Bowes processes it. Early morning and weekend deliveries include all classes of mail. Night deliveries include publications such as the *Wall Street Journal*, *Washington Post*, *Washington Times*, *New York Times*, *National News*, etc. However, night and weekend deliveries are left on the loading dock, unsecured, until processed the next business day.

Because mail left on the dock is unsecured, it is susceptible to unauthorized access which may result in removal, misdirection, and tampering. For example, someone could rummage through the unsecured mail with the intent of removing mail addressed to a specific office or modifying it such that it is delivered to another office. To prevent this from occurring, mail that cannot be processed immediately should be placed in a secure holding area to ensure that the integrity and safety of the mail system is maintained.



Unsecured Mail on the Ford Loading Dock

In addition, unsecured mail could contain undetected hazardous materials and explosive devices which compromise safety in the Ford House Office Building. For example, potentially dangerous packages could be commingled with the mail in the carts or bundles could contain explosives or hazardous materials. According to the Capitol Police, the House's vulnerability to unprocessed mail left on the dock is limited only by the imagination and skill of individuals intent on causing harm.

Upon identifying this vulnerability, we immediately notified Postal Operations of the risk associated with unsecured mail. Subsequently, Postal Operations requested and the Capitol Police implemented a canine screening of all after hour deliveries. However, mail remains vulnerable to unauthorized access because it remains unattended on the loading dock.

Mail screening operations were inadequate

Adequate security precautions are not taken in mail screening operations in the Ford House Office Building. Specifically, not all mail is scanned, USPS makes deliveries that exceed the weight limits and blast capabilities of the screening room in the Ford House Office Building, and the blast door is not closed when unscanned mail is present. These conditions exist because the scanning equipment in the Ford House Office Building is not large enough or powerful enough to scan all items received, USPS does not deliver all packages that weigh two pounds or greater to the P Street Facility, and Pitney Bowes does not follow the proposed screening room work flow pattern. As a result, safety within the Ford House Office Building is compromised.

Not all mail is scanned. The mail services contract states that all letters, flats, parcels and other materials entering the House postal system are subject to security scanning. However, Pitney Bowes does not scan legislative materials (i.e., *Congressional Record*, House Calendars, etc.) from the Government Printing Office (GPO), newspapers, or magazines. Since all items entering the House through Postal Operations are not scanned, the House is at risk of exposure to

undetected explosive devices and hazardous materials that could result in injury to employees and damage to House facilities. One option to minimize this risk to personal injury and facility damage would be to require all legislative materials, newspapers, and magazines to be scanned. Pitney Bowes has recognized this problem and sent a letter to the CAO requesting approval to scan these materials. The CAO has yet to respond to this request.

Mail exceeds weight limit. Because of scanning equipment and scanning room structural limitations (incapable of withstanding blasts exceeding one pound), USPS has been asked to deliver all parcels that weigh two pounds or more to the P Street Facility for scanning. However, USPS is not consistent in sorting and properly routing parcels that meet or exceed the two-pound limit. In order to expedite deliveries, Pitney Bowes has scanned and processed parcels at the Ford House Office Building which exceed this limit. Although Pitney Bowes immediately notifies USPS about the incorrectly sorted packages, this practice exposes the House to the risk of explosions. One option to reduce this risk is to request USPS to deliver all packages to the P Street Facility.

Blast door not closed. When the mail operation was moved from the Longworth House Office Building to the Ford House Office Building, the facilities were remodeled to accommodate the Pitney Bowes work flow pattern and operational needs at a cost of \$328,905. Approximately \$41,684 of this cost was to make the scanning room compliant with Army Corps of Engineers' specifications to withstand a one-pound blast.² The reinforcements in the wall were designed to protect mailroom employees and the Capitol Policeman stationed in the parking garage. In addition, Pitney Bowes proposed a one-way traffic pattern through the scanning room which allowed the blast door to be closed during scanning operations.



Scanning Room with Blast Door Open

However, our observations disclosed that the proposed one-way traffic pattern was not being followed and the blast door was not kept closed when unscanned mail was present. Instead, incoming and outgoing mail flowed through the scanning room during scanning operations. The manually operated 375 pound steel blast door (which is difficult to operate because of its size and weight) was closed only when potential threats were identified. According to the Capitol Police, the practice of closing the blast door only when there is a

² The specifications called for 8 inch thick reinforced concrete masonry walls, 6 inch thick reinforced concrete ceilings, a blowout wall to relieve pressure, and a 7 foot by 8 foot steel blast door to resist 145 pounds per square inch of pressure.



Closing the Blast Door

potential threat is not satisfactory. A concealed mail bomb could detonate at any time causing employees to be at risk.

After we brought this issue to Postal Operations' attention, Pitney Bowes began closing the blast door when unscanned mail was present. A study to determine the number of times the blast door was opened during a 17-hour day revealed an average of 184 openings per day or an opening or closing every 2.8 minutes. Due to the size and weight

of the blast door, there is a potential for Pitney Bowes employees to revert to closing the door only during a potential threat. One option to ensure that employees are protected by the blast door is to have the door mechanized, thereby facilitating the opening and closing of the door. The Architect of the Capitol has estimated that it would cost \$6,500 to mechanize this door.

Disaster recovery/contingency plan not established

Postal Operations has not established an overall disaster recovery/contingency plan for mail operations. The purpose of such a plan is to provide reasonable assurance that the essential support functions of the House mail operation are promptly and properly restored after a catastrophic event. Although Pitney Bowes has submitted a disaster recovery/contingency plan to the Office of Procurement and Purchasing, approval of the plan has not been received. As a result, the House is not prepared to reestablish mail operations if the Ford House Office Building mail room were not available.

In accordance with the contract, on October 3, 1996, Pitney Bowes submitted a Disaster Recovery Plan and Emergency Personnel Staffing Contingency Plan to the Associate Administrator of Procurement and Purchasing. This proposed plan provides that if the primary site, located within the Ford House Office Building, is damaged, the alternate site would be the P Street Facility. Although Pitney Bowes' plan states that backup software, an accounting system, and manual logs would be stored at the P Street Facility, Postal Operations has not authorized such storage. Furthermore, the House does not have a disaster recovery/contingency plan to complement the planning done by Pitney Bowes. Without coordinated planning for disaster recovery/contingencies, the House is vulnerable to prolonged, interrupted mail service in the event of an emergency.

Background security checks on employees were not performed

Background security checks were not performed in accordance with the terms of the House's contract with Pitney Bowes. The contract states that (1) the Capitol Police will screen all contractor employees prior to work on the contract and (2) all contractor employees will be cleared by the Capitol Police every three years. Instead, Pitney Bowes performed its own

background checks which included a search of the criminal, credit, and/or driver's license records in the state of residency. However, these background checks did not include fingerprinting and name checks--a critical part of the Capitol Police screening process. In addition, there was no evidence that Pitney Bowes' background checking procedures were ever reviewed or approved by the COR, Office of Procurement and Purchasing, or Capitol Police. As a result, the House had no assurance of the suitability of the contractor's employees.

After we brought this issue to the COR's attention, arrangements were made for the Capitol Police to take responsibility for background checks on all current and new Pitney Bowes employees. The Capitol Police have fingerprinted all current Pitney Bowes employees and is in the process of conducting background checks. Accordingly, we are making no recommendation with respect to background checks.

Recommendations

We recommend that the Chief Administrative Officer:

1. Direct Pitney Bowes, in concert with the Capitol Police, to develop an overall security plan. The plan should include provisions which:
 - a. ensure that mail is not left on the loading dock unsecured while awaiting screening (one option would be to provide a secure storage facility on the Ford House Office Building loading dock);
 - b. require all mail, including newspapers and magazines, to be scanned by X-Ray;
 - c. require the blast door to be closed at all times during scanning operations and when unscanned mail is present; and
 - d. require USPS to deliver all packages to the P Street Facility for scanning.
2. Develop contract oversight procedures which ensure contractor compliance with the security requirements, as defined in the above recommendation.
3. Request the Architect of the Capitol to mechanize the blast door, and if deemed appropriate, build a secure storage facility on the Ford House Office Building loading dock.

4. Expedite the implementation of Pitney Bowes' Disaster Recovery Plan and Emergency Personnel Staffing Contingency Plan.
5. Develop a disaster recovery/contingency plan that provides for the continuation of House mail operations and complements the plan developed by Pitney Bowes.

Management Response

The CAO concurred with the recommendations in this finding. The CAO and the Sergeant-At-Arms are jointly pursuing goals and issues addressed in this audit report to improve the safety and security of the House. In addition, the Contracting Officer (CO) has developed contract oversight procedures which ensure contractor compliance with the contract requirements, including security requirements. The CAO is in favor of a mechanized door and has requested the AOC to identify funds for its mechanization. Also, the CAO will direct Pitney Bowes to implement their recovery plan. In addition, the CAO will expedite updating and implementing a disaster recovery/contingency plan that integrates and complements the Pitney Bowes' plan. Procedures will be established to describe courses of action according to the severity of the disaster. The plan will be submitted to the CHO and Building Commission for approval.

Office of Inspector General Comments

The actions taken or planned are responsive to the issues we identified, and when fully implemented, should satisfy the intent of our recommendations. However, we have requested that the CAO provide us with target completion dates for implementing Recommendation 1, once agreement is reached with the Sergeant-At-Arms on the actions needed to improve the safety and security of the House.

Finding B: Additional Controls Are Needed Over Postage Meters

Pitney Bowes has not established adequate controls over its postage meters. This occurred because Pitney Bowes officials failed to fully recognize the need to control the use of these postage meters. As a result, the meters are vulnerable to improper and unauthorized use.

Paragon postage meter not adequately secured

Pitney Bowes uses a Paragon postage meter to process mail items. This meter is equipped with a password protect feature, currently set to activate five minutes after its last use. The purpose of electronic passwords on any system is to protect against unauthorized use. Therefore, the elapsed time for a password protect feature should be set to a time that will yield optimal assurance against misuse, while not decreasing the efficiency of operations. Setting the elapsed time for too long a period may serve to undermine the security feature that the password feature provides. Also, the password should be changed periodically, to protect against password compromise.

Six Pitney Bowes employees (four managers and two key operators) have access to the Paragon machine and the assigned password. Sometimes while running the Paragon, the operator may

have to answer a phone call or handle another matter. Setting the password protect feature to activate after the meter is idle for 5 minutes allows the operator time to handle the matter and then resume operation of the Paragon without having to rekey the password. Although this setting is convenient for



Paragon Postage Meter

the operators, it leaves the meter vulnerable to improper and unauthorized use. While the meter is left unattended, unauthorized personnel have access to a meter containing between \$5,000 and \$10,000 of postage. We discussed this deficiency with Pitney Bowes, who said they were already considering changing the password time setting from five minutes to one minute.

Also, the password on the Paragon has not been changed since it was assigned in February 1996. Pitney Bowes officials stated that because only six employees were issued the password, they did not think it was necessary to change the password. However, in order to protect against unauthorized access, prudent security practices suggest that electronic passwords be changed at least once every 90 days because the older the password, the greater the risk of unauthorized use. Passwords should also be changed immediately when an employee with knowledge of the password leaves an organization. Although there are no indications of improper use, periodic changing of the password would further reduce the risk of unauthorized use.

Backup postage meter not adequately secured

Pitney Bowes also maintains an older, non-automated postage meter primarily used to process fee-paid mail, which serves as a backup when the Paragon is inoperable. Because the backup postage meter is an older machine, it is not equipped with an electronic password system and can only be secured with a key. Currently, Pitney Bowes unlocks the backup meter each morning, and then secures it at the close of each day, leaving the machine fully operable and unattended all day. The backup postage meter does not produce a meter reading, and although a manual log is kept to record the items processed, there is no way to definitively track the amount of postage that has been used. Consequently, the possibility exists that unauthorized mail jobs could be processed on the meter and go undetected. Although this machine normally carries a minimal postage value, we found one instance when it received a \$2,000 replenishment while the Paragon postage meter was inoperable. We believe that locking the backup meter at all times other than when in official operation would decrease the risk of unauthorized use.

Recommendations

We recommend that the Chief Administrative Officer:

1. Direct Pitney Bowes to decrease the elapsed time setting on the password protect feature of the Paragon postage meter from five minutes to one minute.
2. Require Pitney Bowes to change the password on the password protect feature at least once every 90 days or immediately upon an employee's termination or reassignment.
3. Direct Pitney Bowes to keep the backup meter locked except when it is in use.

Management Response

The CAO concurred with the recommendations in this finding. The COR directed Pitney Bowes, in a September 22, 1997 memo, to decrease the elapsed time setting on the password protect feature, change the password at least once every 90 days or immediately upon an employee's termination, and keep the backup meter locked except when in use. Pitney Bowes responded on September 24, 1997, that these directives had been implemented.

Office of Inspector General Comments

The actions taken are responsive to the issues we identified, and satisfy the intent of our recommendations. Therefore, we consider these recommendations closed.

Finding C: Resources Necessary To Provide Contract Oversight And Other Mail-related Services May Be Improperly Allocated

Resources necessary to provide contract oversight and other mail-related services may be improperly allocated. Accordingly, Postal Operations may be overstaffed. In addition, mail-related services provided by another House office are being duplicated by Mailing Services. The House could achieve savings by reducing personnel and consolidating offices performing similar duties.

Standard industry practices and sound business management require an efficient allocation of resources to effectively accomplish an entity's objectives. To determine if such an allocation of resources existed in Postal Operations and Mailing Services, we obtained written descriptions of each position and interviewed personnel about their particular duties.

Contract oversight staff should be reduced

During interviews with the Technical Contract Administrator, the COR for the Pitney Bowes contract, and the Assistant Technical Contract Administrator, the Contract Inspector, we discussed their respective job duties. The Technical Contract Administrator indicated he acts as a "troubleshooter" and liaison between the contractor and the Members; attends biweekly meetings with contractor personnel; does performance measurements on contractor operations; and substitutes for the COR of window operations.³ The Assistant Technical Contract Administrator stated that he performs on-site inspections of the contractor's operations twice daily and compiles inspection reports on an "as needed basis." He also acts as a liaison with Executive and Legislative Branch agencies and reviews complaints and customer survey forms. In addition, he provides backup for the passport and visa operation.

Based on these interviews and an analysis of the contract terms, it appears that the House may need only one position for oversight of this contract. The Assistant Technical Contract Administrator performs the day-to-day oversight of the contract, compiles the results of the inspection reports, and runs interference between the contractor and its customers. Although the Technical Contract Administrator performs similar duties, the Assistant provides them on a more specific, detailed basis. Accordingly, the need for two oversight personnel is questionable. We estimate that the abolishment of the Technical Contract Administrator position would result in annual cost savings of about \$92,000 (based on annual salary plus a standard fringe benefit rate of 30 percent).

Consolidation of duplicate functions needed

Further savings could be achieved if duplicate and similar services performed by Mailing Services and House Information Resources (HIR) were consolidated. Mailing Services is responsible for processing lists, presorting Member information, and maintaining a website on the House's Intranet which addresses mail-related issues. Processing lists entail "cleaning up" a voter registration or department of motor vehicles list (i.e., filling in missing data elements such as zip codes or states) and standardizing the lists to conform to postal requirements. After these lists are processed, Mailing Services presorts the information to obtain the highest level mail discount available; exports the cleansed data onto a nine-track tape for use by a mail house;⁴ and

³ The House has contracted with USPS to provide retail services, i.e., the sale of stamps. This COR is responsible for oversight of the retail stamp counters and also serves as office manager for Postal Operations and Mailing Services.

⁴ A mail house is a vendor who provides a variety of mail-related services including mail preparation, and folding and inserting of mail items.

provides documentation of those items contained on the tape. The website contains information about the services offered by Postal Operations and Mailing Services.

HIR also cleans up lists provided by Members; but, in addition, provides a move update service.⁵ Move updates involve HIR's matching Members' mailing lists on tape or disk against change-of-address information contained in USPS' National Change of Address (NCOA) system. This method updates Members' files by correcting addresses. HIR then sends this processed information to Mailing Services for presorting. Currently, HIR is the only House entity authorized by the USPS to provide move update services using the NCOA database. HIR personnel stated that they could provide the same level of service presently performed by Mailing Services. Accordingly, the need for two offices (Mailing Services and HIR) providing duplicate services is questionable. The consolidation of these functions could achieve savings through reduced overhead costs, shared expenses, and possible reduction of personnel.

Position descriptions not current

Mailing Services personnel stated that their position descriptions had been revised after the House closed the folding room, where they had been formerly employed. However, some of these position descriptions contain obsolete information and do not accurately reflect current duties and responsibilities. In addition, a review of Postal Operations' position descriptions indicates that they should also be revised to reflect current duties and responsibilities.

Recommendations

We recommend that the Chief Administrative Officer:

1. Conduct a staffing requirements analysis to determine the optimum number of personnel necessary for oversight of the postal services contract and adjust staff accordingly.
2. Review the feasibility of merging Mailing Services with HIR's list processing function and, if determined feasible, develop a proposal, for approval by the Committee on House Oversight, to consolidate this function within HIR.
3. Review and revise, as necessary, position descriptions to accurately reflect current duties and responsibilities.

Management Response

The CAO concurred with the recommendations in this finding. Upon completion of the CAO's strategic review of priority projects and work assignments, and the filling of the Associate Administrator position for Media and Support Services, the CAO will conduct the recommended staffing requirements analysis and review the feasibility of merging Mailing Services with HIR's list processing function. Based on these analyses, the CAO will make the appropriate recommendations to the CHO. In addition, the CAO has updated the position descriptions in the Offices of Postal Operations and Mailing Services to reflect current duties and responsibilities.

⁵ The insertion of updated address information for an addressee who has moved and has notified USPS - ensuring that mail will be forwarded to the new address.

Office of Inspector General Comments

The planned actions are responsive to the issues we identified, and when fully implemented, should satisfy the intent of Recommendations 1 and 2. In addition, the actions taken for Recommendation 3 satisfy the intent of this recommendation and, therefore, we consider this recommendation closed.

Finding D: Contractual Requirements Need Clarification

The contract terms between Pitney Bowes and the House need clarification to ensure that mail delivery meets House expectations. The contract currently includes provisions that cannot be fulfilled by the contractor and contains language that has been subject to various interpretations which could result in noncompliance.

The contract stipulates that Pitney Bowes (1) make deliveries based on the volume of mail so that there is no outstanding deliverable mail, (2) immediately notify the CO and COR of any potential or actual processing delays, and (3) request CO approval to subcontract any part of this contract.

Outstanding deliverable mail not clearly defined

The contract between Pitney Bowes and the House states, "Contractor shall develop a process to sort 100% of incoming mail for delivery to respective recipients on the day of receipt. At a minimum, the delivery schedule shall consist of daily newspaper and small mail delivery not later than 7:30 a.m. to recipients. Contractor shall make three deliveries of mail daily, Monday through Friday at 7:30 a.m., 10:00 a.m., and 2:00 p.m., and once at 11:30 a.m. on Saturday, excluding holidays. In addition, the Contractor may find it necessary to make a fourth scheduled daily delivery, Monday through Friday, late in the evening at 7:00 p.m., based upon the volume of mail, so that there is no outstanding deliverable mail."

Although the contract requires that there be no outstanding deliverable mail Monday through Friday, it is not clear as to what constitutes outstanding deliverable mail. The Pitney Bowes site manager indicated that Pitney Bowes tries to deliver the mail within at least 24 hours of its receipt. In addition, discussions with Pitney Bowes and House management indicated that the goal for mail delivery is same day. Because of cyclical mail volume, Pitney Bowes has not always been successful in meeting either the 24-hour deadline or same-day delivery. For example, on several occasions we observed mail being stored for over 24 hours. In one instance, we found that mail received at 8:15 a.m. on Monday, June 2, 1997, still had not been sorted or distributed by 6:15 a.m. the next day. Although this mail would be included in the next scheduled delivery (10:30 a.m.), this delivery would not meet either the same-day or 24-hour delivery deadline. Because the contract does not require Sunday mail delivery, the site manager noted that mail volume on Mondays is normally higher than during the latter part of the week. During such periods of increased volume, staff should be added to facilitate timely processing of mail or the contract should be revised to reflect the constraints involved in attempting to achieve same-day delivery and the terms adjusted accordingly. For example, if the contract requires a 7:00 p.m. delivery by Pitney Bowes, but Pitney Bowes does not receive the mail from USPS until 7:00 p.m., it is not feasible to expect same-day delivery of this mail. Thus, Pitney Bowes and the CO need to revise the terms of the contract to appropriately reflect these constraints and establish a reasonable delivery goal. The contract should also clarify whether these requirements apply to Saturday, Sunday and holidays.

Notification of processing delays needs clarification

Pitney Bowes is required to immediately notify the CO and COR by telephone, and then in writing, of any potential or actual processing delays. An analysis by the Assistant Technical Contract Administrator indicated that, from June 1, 1996 to October 1, 1996, there were “sustained periods” where it took several days to deliver mail once received. For example, an inspection report, dated August 6, 1996, shows 128,470 pieces of undelivered letters and flats on-hand, received by Pitney Bowes between August 3 and August 6, 1996. Another report, dated September 12, 1996, notes 134,717 pieces of undelivered mail on-hand, received between September 10 and September 12, 1996. However, during these “sustained periods” of mail processing delays, there was no evidence that Pitney Bowes had properly notified these House officials.

We discussed this failure to properly notify the House with the Assistant Technical Contract Administrator, and he indicated that the delays in mail processing were discovered during his daily inspections. He stated that he made written reports to document the findings when warranted and shared them with the COR and Associate Administrator of Publications and Distribution on a daily basis. He said his current understanding from the Office of Procurement and Purchasing is that the contract section, *Notice to the House of Delays*, is a standard House clause intended to pertain to more significant delays that a contractor might encounter (i.e., work stoppages, major power outages, massive equipment failures, etc.). Accordingly, relatively routine delays of two or three days due to high incoming mail volume discussed in his reports would not ordinarily warrant an official written report. However, we believe delays of two or three days become significant when continually experienced over a four-month period and warrant official notification. Further, our subsequent discussions with the CO indicated that the Assistant Technical Contract Administrator’s understanding regarding these delays is incorrect and that situations of this nature should have been reported in writing immediately by Pitney Bowes.

Although the Technical Contract Administrator did note that such delays would be identified in the written agenda Pitney Bowes prepares for the biweekly oversight meetings, we believe immediate notification would be required in this situation. Consequently, clarification of this contract provision, i.e., which situations require official notification as well as what constitutes official notification, should be made and communicated to the affected parties to ensure proper oversight of, and compliance with, the contract.

Approval for subcontract not received

The contract also requires Pitney Bowes to request approval in writing from the CO to “subcontract performance of any part of this contract or to use subcontractors on or off site in the performance of the contract.” Pitney Bowes subcontracts with a company to clean House facilities used by Pitney Bowes. However, neither the written request nor the approval could be found. The site manager informed us that his predecessor had requested approval for the cleaning services but he could not provide us with any written documentation. When we asked the current CO about the request for subcontracting cleaning services, he was not aware that a request had been made.

According to the COR, Pitney Bowes also subcontracted for temporary additional labor to process a substantial and unexpected increase in mail during the summer of 1996. Pitney Bowes did request approval for this particular service as required. We were provided written documentation which indicated that the CO for this contract, the then Associate Administrator of the Office of Procurement and Purchasing, had approved this request.

Recommendations

We recommend that the Chief Administrative Officer:

1. Work with Pitney Bowes to ensure appropriate analyses (e.g., workload trends, delivery schedules, and staffing assignments) are used to identify ways to minimize mail delivery delays.
2. Review the current terms of the contract to determine where the terms need to be revised or clarified.
3. Develop contract oversight procedures that ensure contractor compliance with the contract requirements.

Management Response

The CAO concurred with the recommendations in this finding. The CAO will direct Pitney Bowes to continue their analysis in order to further minimize mail delivery delays. As a result of their review of contract terms, the CAO will amend the existing contract or specify language clarifications in a new contract. Furthermore, contract oversight procedures will be developed to ensure contractor compliance with the contract requirements. A contract administration plan will be implemented by January 31, 1998, with formal documented procedures that will amplify present procedures. This plan will include daily COR inspections; bi-weekly meetings between Pitney Bowes, CO, and COR; and alternate bi-weekly meetings between Postal Operations and Procurement & Purchasing Staff. In addition, three of Postal Operations' staff have now received COR training. The CO and COR are notified of delays in processing either in person, by phone, or at the bi-weekly contract meetings. Also, the CO gave approval for the janitorial services subcontracting on September 23, 1997.

Office of Inspector General Comments

The actions taken or planned are responsive to the issues we identified, and when fully implemented, should satisfy the intent of our recommendations

Finding E: Missing Or Incorrect Bar Codes Can Cause Improper Charges

Some House offices are using envelopes with missing or incorrect bar codes. This occurs because certain House offices continue to use envelopes which either predate House bar coding requirements or have been printed with the incorrect bar code. As a result, House mail accounts may be improperly charged.

Since 1992, the House has required the use of bar codes to account for all franked postage originating from Washington, D.C. offices. The *Members' Congressional Handbook* requires Postal Operations to assign bar codes to all Members, Committees, and other House offices with franking authority. To fulfill this requirement, Postal Operations assigns two billing numbers to each of these offices. From these billing numbers, GPO generates two types of bar codes – the “3 of 9” bar code for large, flat envelopes (flats) and the “Postnet” bar code for letter size envelopes. When the bar coded envelopes are mailed from Washington, D.C. offices, they are processed by Pitney Bowes - using a hand scanner to read the “3 of 9” bar codes and a Jetstar machine to read the “Postnet” bar codes. Appropriate charges can then be made to the mail account that matches the bar coded envelope.

Missing bar codes

About 25 Members are using old stocks of envelopes that are not imprinted with bar codes. In order to bill these Members for postage, a Pitney Bowes postal clerk must match the frank⁶ on the envelope to a list of franks provided by Postal Operations. This process, in addition to being labor intensive and time consuming, increases the risk that the wrong account will be charged. This risk is further increased when a Member has more than one frank (e.g., one for the Member's office and one for a Committee) or the Member's frank has been changed.

Incorrect bar codes

Errors in bar codes were discovered by a postal clerk while processing flats for billing. Although the identified problem is small, controls are essential to ensure mail accounts are properly billed. These erroneous bar codes were the result of printing errors (using the Chairman's personal office bar code instead of the Committee's) or of an office using the wrong envelope (e.g., using envelopes containing the bar code of a former Member whose office is currently being administered by the Clerk of the House, instead of using envelopes containing the bar code of the Clerk of the House, as required).⁷ When an error is detected, Pitney Bowes notifies the Office of Printing Services and GPO. In turn, the Office of Printing Services notifies the affected offices and instructs them to discontinue using the envelopes with the incorrect bar codes, while GPO dispatches a clerk to collect the envelopes from the offices.

To identify the magnitude of this problem, Postal Operations is currently testing the Postnet bar codes on letter envelopes using the Jetstar. As of June 3, 1997, Postal Operations had tested 201 samples - with no incorrect bar codes found. After every Member's frank has been tested, samples will be expanded to include the Leadership, Committees, and Officers. However, Postal

⁶ The frank is the facsimile of the Member's signature which is used in lieu of postage.

⁷ When a Member leaves office for any reason, the office is administered by the Office of the Clerk until a new Member is elected.

Operations has not initiated a plan to test the bar codes for flats. Considering that bar code errors previously identified were for flats, it is prudent to continue to test these bar codes.

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop a proposal, for approval by the Committee on House Oversight, that would require Postal Operations to return to the sender any outgoing mail that does not have bar codes printed on the envelope.
2. Establish procedures that, on a sample basis, routinely test the bar codes on all House franked postage originating from Washington, D.C. to ensure the accuracy of the bar codes.

Management Response

The CAO concurred with the recommendations in this finding. The CAO will develop a proposal, for approval by the CHO, requiring Postal Operations to return to the sender any outgoing mail which does not have bar codes printed on envelopes. On October 17, 1997, the COR established written procedures to, on a sample basis, routinely test the bar codes on all House franked postage originating from Washington, D.C. to ensure the accuracy of the bar codes.

Office of Inspector General Comments

The actions taken or planned are responsive to the issues we identified, and when fully implemented, should satisfy the intent of our recommendations. However, we requested the CAO to provide us with a target completion date for implementing Recommendation 1. In addition, the actions taken for Recommendation 2 satisfy its intent and, therefore, we consider this recommendation closed.

Finding F: Additional Controls Are Needed Over Fee-paid Items

Postal Operations and Pitney Bowes usually track and process fee-paid items as received and have not developed procedures to track those items which are not immediately processed. Also, Postal Operations does not always make timely deposits of fee-paid revenues because of time constraints. Consequently, fee-paid mail may be misplaced or delayed in processing, and checks accompanying fee-paid items could be misplaced or misappropriated.

As established by the CHO, Pitney Bowes distributes fee-paid, or private mail, e.g., newsletters, to House addressees for a fee of 10 cents for unaddressed and 13 cents for addressed mail. Checks, made payable to the U. S. Treasury, must accompany the fee-paid item. Fee-paid mail enters the system (1) through Postal Operations' bulk mail function which forwards it to Pitney Bowes for distribution or (2) directly to Pitney Bowes. If the required check or other information is missing, the fee-paid item is considered an incomplete request.

Tracking of incomplete requests

During the audit period, Postal Operations and Pitney Bowes manually logged information related to any complete fee-paid distribution request (e.g., fee amount, number of mail items). However, if the required check or other information is missing, the mail is not entered into the log or distributed until all the information is received. Without a written record of these requests, incomplete fee-paid mail items are more vulnerable to being misplaced or misappropriated. For example, there was one instance where an incomplete fee-paid item was misplaced and its distribution delayed for about six weeks.

We discussed the problem of failing to track incomplete fee-paid requests with Postal Operations. As a result, they are currently developing procedures to ensure that all fee-paid mail entering the system through Postal Operations' bulk mail function is tracked as soon as it is received. However, Pitney Bowes continues to log only complete fee-paid items. Although Postal Operations' corrective action will track incomplete fee-paid items originally received by them, incomplete items received by Pitney Bowes remain vulnerable to being misplaced or misappropriated.

Depositing of revenues

Pitney Bowes submits fee-paid checks and supporting documentation to Postal Operations daily. Postal Operations deposits these checks into the U.S. Treasury's account maintained at the House credit union, receives a receipt, and submits the receipt to Finance. However, checks are not always deposited on a daily basis; instead, they are held and deposited only after a number of checks are received. This practice is contrary to sound business practice and increases the likelihood of misplacement or misappropriation.

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish procedures that require tracking incomplete fee-paid items received by Postal Operations and Pitney Bowes.
2. Establish procedures that require Postal Operations to make daily deposits of fees received on fee-paid items.

Management Response

The CAO concurred with the recommendations in this finding. The CAO established, documented, and implemented procedures to require tracking incomplete fee-paid items received by Postal Operations and Pitney Bowes in May 1997. In addition, the CAO implemented a policy on October 20, 1997, that established procedures requiring deposits of fees received on fee-paid items to be made within one business day of receipt.

Office of Inspector General Comments

The actions taken are responsive to the issues we identified, and satisfy the intent of our recommendations. Therefore, we consider these recommendations closed.

Finding G: Postage Meter Expenses Are Not Reported In Accordance With Accrual Based Accounting

The Office of Finance (Finance) has been unable to apply accrual basis accounting and accounting principles and standards to postage meter expenses because Postal Operations has failed to provide them with actual cost information. An OIG audit report⁸ recommended that the House implement an accrual basis method of accounting generally accepted in the Federal government and the private sector. The House agreed to implement this recommendation. This type of accounting methodology is necessary to provide an effective approach for assigning expenses to the period in which they are incurred.

The postal services contract requires Pitney Bowes to account for the postal costs of Members, House Offices, Committees and Subcommittees. In accordance with their contract, Pitney Bowes provides a weekly report⁹ of CAO and OIG metered postage costs to Postal Operations. However, Postal Operations does not provide this report to Finance. As a result, Finance is unable to account for actual postage meter usage, and instead, uses the replenishment amounts to reflect metered postage expense. Replenishment amounts usually range anywhere from \$5,000 to \$10,000, depending on the anticipated metered postage for a particular time period. Pitney Bowes notifies the COR when a replenishment is necessary and the COR initiates a replenishment request to Finance. This amount is then recorded by Finance as metered postage. However, this practice does not recognize expenses when incurred and therefore is not in accordance with the accrual basis method of accounting. Consequently, metered postage may not be accounted for in the fiscal period in which the expense was incurred and thus, costs may not be assigned to the proper period.

Recommendation

We recommend that the Chief Administrative Officer direct Postal Operations to provide, on a monthly basis, the actual cost of metered mail to Finance. Once received, Finance can then use this information to reflect the actual amount of metered mail expense.

Management Response

The CAO concurred with the recommendation in this finding. However, as an alternative corrective action, the CAO is moving from metering to the frank as the manner of postage payment for all its offices. When this change is completed, there will be only one remaining meter user, with immaterial usage. Therefore, accrual of metered mail is not necessary.

⁸ *Problems Plagued The House's Financial Operations* (Report No. 95-CAO-16 July 18, 1995).

⁹ The report includes a daily count of the total number of pieces processed, total cost, and average cost per piece. The report also provides the daily running amount of ascending and descending values on the postage meter, as well as replenishment amounts.

Office of Inspector General Comments

The alternative action taken is responsive to the issue we identified, and when fully implemented, should satisfy the intent of our recommendation.

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III. OTHER MATTERS

During our audit, the following matter came to our attention and, while the issue is not as critical as the findings contained herein, we feel it warrants management's attention and action to correct. While testing Pitney Bowes' pick-up and delivery procedures, we noted a large stack of parcels designated "inside mail," adjacent to mail boxes in both the Longworth and Ford House Office Buildings. Although we did not see who had left the packages, we assume it was done by the office whose name was indicated on these packages. We also do not know what time they were left but we were at the locations about 10 minutes prior to the scheduled pick-up time. As a result, we would have had ample time to take one or more of the unsecured packages from the stack as would have anyone in the corridors. Both the *Members' Congressional Handbook* and *Committees' Congressional Handbook* note that inside mail should be deposited into an inside mail box; however, these handbooks are silent about handling items that do not fit into a mail box. Apparently because these packages did not fit into the inside mail box, office personnel just left them unattended in the hallway. In addition, Pitney Bowes could have been blamed, improperly, for the loss of any of the packages.

Recommendation

We recommend that the Chief Administrative Officer distribute a "Postal Patron" letter reminding Members to place inside mail into the inside mail boxes pursuant to the *Members' Congressional Handbook* and *Committees' Congressional Handbook*. For items that are too bulky or too numerous to fit into the inside mail boxes, offices should be instructed to make arrangements with Pitney Bowes to pick up these items at the Member's or Committee's office.

Management Response

The CAO concurred with our recommendation. The CAO will circulate a memorandum to all House offices outlining options and actions an office may utilize under such circumstances.

Office of Inspector General Comments

The planned action is responsive to the issue we identified, and when fully implemented, should satisfy the intent of our recommendation.

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EXHIBIT

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
Audit Report No. 96-CAO-15, entitled <i>Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer</i>, dated December 31, 1996:			
V. Develop a revised delivery service policy to collect a uniform fee, per periodical, for delivering all unsolicited newspapers, magazines, and publications received in bulk.	Fully Implemented	The CAO resubmitted this policy to CHO on January 15, 1997. The policy is currently pending at CHO.	Not applicable

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
Audit Report No. 97-CCS-02, entitled <i>Improvements Are Needed In The Creation And Distribution Of Documents Within The House</i>, dated March 17, 1997:			
OM. Develop a proposal to reorganize Postal Operations with the Office of Media and Support Services and close the Office of Publications and Distribution	Fully Implemented	CHO approved the reorganization presented by the CAO, and Postal Operations was moved to Media and Support Services on June 1, 1997.	Not applicable

is M. Eagen III
Administrative Officer

**Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860**

MEMORANDUM

TO: John W. Hainhart, IV
Inspector General

FROM: Jay Eagen
Chief Administrative Officer

SUBJECT: Draft Audit Report - Improvements Are Needed In House Mail Operations

DATE: JAN 20 1998

Thank you for the opportunity to comment on the Draft Audit Report - Improvements Are Needed In House Mail Operations. We have carefully reviewed the draft reports recommendations and are in general support of them. Our specific comments for each recommendation are provided below.

Finding A Postal Operations' Security Procedures Need Improvement

Recommendation 1 Direct Pitney Bowes, in concert with the Capitol Police, to develop an overall security plan. The plan should include provisions which:

Recommendation 1a ensure that mail is not left on the loading dock unsecured while awaiting screening (one option would be to provide a secure storage facility on the Ford House Office Building loading dock);

Recommendation 1c require the blast door to be closed at all times during scanning operations and when unscanned mail is present; and

CONCUR See response to Recommendation 1a, above. In the interim, when the February 14, 1997 *Survey Report on Security Measures for the House Child Care Center* was made available to Postal Operations, PBMS was immediately directed to implement this recommendation, and it has been monitored during daily inspections of the mailroom.

Recommendation 1d require USPS to deliver all packages to the P Street Facility for scanning.

CONCUR See response to Recommendation 1a, above.

Recommendation 2 Develop contract oversight procedures which ensure contractor compliance with the security requirements, as defined in the above recommendation.

CONCUR As indicated in response to Finding D, Recommendation 3, the CO has developed contract oversight procedures which ensure contractor compliance with the contract requirements, including security requirements.

Recommendation 3 Request the Architect of the Capitol to mechanize the blast door, and if deemed appropriate, build a secure storage facility on the Ford House Office Building loading dock.

CONCUR The CAO is in favor of a mechanized door and has asked the Architect to identify funds for mechanization. In light of the recommendations in the June 1997 *Physical Security Survey Report of The Relocation of the House Child Care Center* and CAO goals in response to Recommendation 1a, above, these recommendations will be addressed and implemented should they be deemed

CONCUR The CAO will expedite the updating and implementation of a plan that integrates and complements the PBMS plan for approval by CHO and the Building Commission. Procedures will be established to describe courses of action according to the severity of the disasters.

Finding B: Additional Controls Are Needed Over Postage Meter

Recommendation 1 Direct Pitney Bowes to decrease the elapsed time setting on the password protect feature of the Paragon postage meter from five minutes to one minute.

CONCUR PBMS was directed to do this in a memo from the COR on September 22, 1997. PBMS responded on September 24, 1997 that it implemented the directive. This recommendation has been accomplished and should be considered closed.

Recommendation 2 Require Pitney Bowes to change the password on the password protect feature at least once every 90 days or immediately upon an employee's termination or reassignment.

CONCUR PBMS was directed to do this in a memo from the COR on September 22, 1997. PBMS responded on September 24, 1997 that it implemented the requirement. This recommendation has been accomplished and should be considered closed.

Recommendation 3 Direct Pitney Bowes to keep the backup meter locked except when it is in use.

CONCUR PBMS was directed to do this in a memo from the COR on September 22, 1997. PBMS responded on September 24, 1997 that it implemented the directive. This recommendation has been accomplished and should be considered closed.

analysis, which should be completed within three months after the new Associate Administrator appointment, the CAO will make the appropriate recommendations to the Committee on House Oversight.

Recommendation 2 Review the feasibility of merging mailing Services with HIR's list processing function and, if determined feasible, develop a proposal, for approval by the Committee on House Oversight, to consolidate this function.

CONCUR Upon completion of the CAO's strategic review of priority projects, an analysis will be made. Based on the analysis, which should be completed within three months after the new AA appointment, the CAO will make the appropriate recommendations to the Committee on House Oversight.

Recommendation 3 Review and revise, as necessary, any position descriptions to accurately reflect current duties and responsibilities.

CONCUR The position descriptions have been updated to accurately reflect current duties and responsibilities. This recommendation has been accomplished and should be considered closed.

Finding D: Contractual Requirements Need Clarification

Recommendation 1 We recommend that the Chief Administrative Officer: work with Pitney Bowes to ensure appropriate analyses (e.g., workload trends, delivery schedules, and staffing assignments) are used to identify ways to minimize mail delivery delays.

CONCUR The CAO will direct PBMS to continue their analysis in order to further minimize mail delivery delays.

CONCUR Contract oversight procedures will be developed to ensure contractor compliance with the contract requirements, including security requirements: A contract administration plan will be implemented by January 31, 1998 with formal documented procedures that will amplify present procedures, including daily COR inspections, bi-weekly meetings between PBMS and CO/COR, and alternate bi-weekly meetings between Postal Operations and Procurement & Purchasing staff. In addition, three of Postal Operations staff have now received COR training. The CO and COR are notified of delays in processing either in person, by phone or at the bi-weekly contract meetings.

Approval for the subcontracting of janitorial services was given by the CO on September 23, 1997.

Finding E: Missing or Incorrect Bar Codes Can Cause Improper Charges

Recommendation 1 Develop a proposal, for approval by the Committee on House Oversight, that would require Postal Operations to return to the sender any outgoing mail that does not have bar codes printed on the envelope.

CONCUR The CAO will develop a proposal, for approval by the Committee on House Oversight, requiring Postal Operations to return to the sender any outgoing mail which does not have bar codes printed on envelopes.

Recommendation 2 Establish procedures that, on a sample basis, routinely test the bar codes on all House franked postage originating from Washington, D.C. to ensure the accuracy of the bar codes.

CONCUR On October 17, 1997, the COR established written procedures to, on a sample

Finding F: Additional Controls are Needed Over Fee-paid Mail

Recommendation 1 Establish procedures that require tracking incomplete fee-paid item received by Postal Operations and Pitney Bowes

CONCUR The CAO had established, documented and implemented procedures to require tracking incomplete fee-paid items received by Postal Operations and Pitney Bowes in May 1997. This recommendation has been accomplished and should be considered closed.

Recommendation 2 Establish procedures that require Postal Operations to make daily deposits of fees received on fee-paid items.

CONCUR The CAO established a policy on October 20, 1997 that established procedures to require deposits of fees received on fee-paid items to be made within one business day of receipt. This recommendation has been accomplished and should be considered closed.

Finding G: Postage Meter Expenses Are Not Reported In Accordance With Accrual Based Accounting

Recommendation We recommend that the Chief Administrative Officer direct Postal Operations to provide, on a monthly basis, the actual cost of metered mail to Finance. Once received, Finance can then use this information to reflect the actual amount of metered mail expense

CONCUR The CAO agrees that material amounts of metered mail would need to be

Patron” letter reminding Members to place inside mail into the inside mailboxes pursuant to the Members’ Congressional Handbook and Committees’ Congressional Handbook. For items that are too bulky or too numerous to fit into the inside mail boxes, offices should be instructed to make arrangements with Pitney Bowes to pick up these items at the Members’ or Committees’ office.

Concur

The CAO will circulate a memorandum to all House offices outlining options and actions an office may utilize under such circumstances.