



United States
Office of Government Ethics
Suite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

February 5, 1991

The Honorable Anthony Frank
Postmaster General
U.S. Postal Service
475 L'Enfant Plaza, SW
Washington, D.C. 20260-4261

Dear Mr. Frank:

Our agency has completed a review of the United States Postal Service's ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objective was to determine the ethics program's effectiveness and compliance with Federal laws and regulations.

Since 1981, our Office has made numerous recommendations to correct program deficiencies and strengthen the Postal Service's ethics program. Some of these recommendations were implemented while many were not. Our current review disclosed that significant deficiencies continue to exist. Improvements must be made in fundamental program elements such as the collection and review of public and confidential financial disclosure reports, ethics education and training activities, and the overall management and oversight of the program.

We believe that the program deficiencies cited in the attached report are due to the lack of management support for and attention to the ethics program. This has resulted in insufficient staff resources to maintain an active ethics program with an effective monitoring system. This low priority has caused for example, a backlog of 300 public financial disclosure reports filed in 1989 and 400 reports filed in 1990 that still were not reviewed as of November 1990. Section 106 (a)(1) of Public Law 101-194 requires that such reports be reviewed within sixty days after the date of filing, usually May 15.

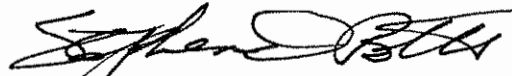
While there are several ways to establish a strong and active ethics program, providing adequate resources to administer the program is the first step. Some departments, such as the Departments of State, Interior, Energy, and Housing and Urban Development, have established a full-time ethics program manager position or an ethics office with adequate resources to administer the program. We believe that the Postal Service must take similar action to maintain the integrity of its operations, correct ethics program deficiencies, and manage the agency's increasing workload

due to recent ethics legislation and Executive Order 12731. We would be glad to assist your ethics staff in this endeavor.

The enclosed letter report to Mr. Harold J. Hughes, your Designated Agency Ethics Official, recommends the actions necessary to strengthen the ethics program. We requested that Mr. Hughes respond to our report by March 30, 1991, and that he send us a status report every sixty days thereafter until our recommendations are implemented. We will schedule a follow-up review once we believe you have implemented our recommendations.

In view of our authority to take corrective action to ensure that ethics program deficiencies are corrected, it is vital that you take action now to develop a strong ethics program for the Postal Service. I would be glad to meet with you to discuss your program. Please call me at (202) 523-5757 extension 1101 if I may be of assistance

Sincerely,



Stephen D. Potts
Director

Enclosure

Report Number 9018USPSOH



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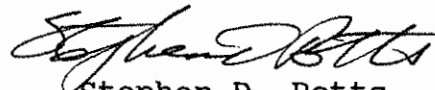
Mr. Charles R. Clauson
Chief Postal Inspector
United States Postal Service
475 L'Enfant Plaza SW
Washington, D.C. 20260-0010

Dear Mr. Clauson:

As part of our agency monitoring activities, we have completed a review of the United States Postal Service's ethics program. These reviews are conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended.

I have enclosed for your information a copy of our report. If you wish to discuss the report, please contact Mr. Ed Pratt at (202) 523-5757, ext. 1115.

Sincerely,


Stephen D. Potts
Director

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February 5, 1991

Mr. Harold J. Hughes
General Counsel
United States Postal Service
475 L'Enfant Plaza, SW
Washington, D.C. 20260-4261

Dear Mr. Hughes:

Our Office has completed a third review of the United States Postal Service's ethics program. This review was conducted pursuant to section 402 of the Ethics in Government Act of 1978, as amended. Our objective was to determine the ethics program's effectiveness and compliance with applicable laws and regulations and whether improvements have been made since our 1987 review.

Overall, we found that the Postal Service has not implemented the recommendations from our 1987 review. Many problems still exist in the public and confidential financial disclosure systems, the ethics training program, and the administration and oversight of the program. We believe these deficiencies are due to the lack of management support for the program and inadequate resources to administer all program elements.

PRIOR POSTAL SERVICE ETHICS PROGRAM REVIEWS

Our Office has performed two prior reviews of the Postal Service's ethics program. Our initial review in 1981 concluded that although the structure for the ethics program had been developed, some basic deficiencies needed to be addressed. Our second review performed in 1987 disclosed that actions had been taken to improve the deficiencies found in 1981; however, we also identified more serious problems needing attention. We recommended a number of actions to improve the ethics program including;

- timely collection and review of public financial disclosure statements;
- revision to the confidential reporting system;
- development of a formal ethics education and training program;
- establishment of a program monitoring system; and

-- the addition of staff resources to the program.

Although your predecessor informed our Office in 1988 that actions had been taken to resolve deficiencies in the program, our follow-up review showed that none of our recommendations had been fully implemented. We scheduled our current review because of the Postal Service's lack of response to these recommendations.

RESULTS OF OUR CURRENT REVIEW

The Postal Service has an ethics program structure in place, but more resources and major improvements are required to make it effective and in compliance with applicable ethics laws and regulations.

Our review identified significant deficiencies within both the public and confidential financial disclosure systems. You must ensure that all public reports are collected, reviewed and approved in a timely manner and that thorough substantive reviews of the reports are performed to identify real or apparent conflicts of interest. Furthermore, the Postal Service's decentralized confidential reporting system and ethics training are, at best, haphazardly administered and require significant effort to improve coordination among the many organizational components. You need to train Associate Ethical Conduct Officers and provide them with detailed instructions to assist them in performing their ethics program duties, including the confidential reporting system. You must develop a status reporting system to monitor program activities in headquarters, the regions and at the department and group levels. More staff resources must be assigned to carry out basic program requirements at the headquarters' level.

The longstanding problems in your program are primarily attributable to a lack of strong support by top management and inadequate staff resources. Active participation by Postal Service management and a commitment to provide the resources necessary to develop, administer, and maintain a comprehensive ethics program will protect the integrity of employees and Postal Service operations. A first step would be the establishment of a full-time position to manage the ethics program.

Public Financial Disclosure System

With certain exceptions, public filers are required to: (1) file incumbent reports by May 15, (2) file new entrant reports within 30 days of assuming a covered position, and (3) file termination reports within 30 days after termination. Reviewing officials are responsible for reviewing each report within 60 days after the date of filing.

A list maintained by the alternate DAEO showed that of the 597 employees required to file a public report in 1990, 508 had filed. However, only 106 (20 percent) of the reports filed were actually reviewed and approved--402 (80 percent) reports had not been approved by November 1990. Overall for 1990 we found that:

- 89 reports were still missing;
- 96 incumbent reports were submitted late; and
- 12 new entrant and 7 termination reports were filed after the required 30 days.

Also, at least 300 public disclosure reports filed for 1989 still had not been approved as late as November 1990. According to the alternate DAEO, the reports for 1989 had not been reviewed due to staffing shortages. It appeared also that Postal Service gave a low priority to the review of the reports.

To evaluate the report review process, we examined 100 of the 508 public reports filed during 1990. We found the technical reviews generally adequate. Of the 100 statements 16 were not reviewed or approved and 41 were approved after the required 60 days. The reviewing official made few notations in the files concerning his technical reviews or his conflict of interest analysis.

Conflict of Interest Analysis

During our review of the public reports we identified one instance in which the reviewer should have obtained additional follow-up information to resolve a conflict of interest question. In that case, an Assistant Postmaster General reported a pension interest, deferred income, stock options, and common stock interests in AT&T which totalled several hundred thousand dollars. The filer also reported financial interests in other telephone-related companies. His duties included oversight of programs that provide telephone service for Postal Service's headquarters. In our review of the individual's public report and discussions with the reviewing official, we found that the reviewer did not fully consider these interests in light of the individual's official duties and responsibilities to determine the existence of any real or apparent conflict of interest.

Regarding the pension interests reported by this same individual, we suggest that the ethics official review the Office of Government Ethics' Informal Advisory Letter (88 X 11), dated June 23, 1988, which addresses the manner of reporting employee benefit plans and pensions on public financial disclosure reports. This opinion recommends that agency ethics officials obtain the

necessary facts to determine whether such plans are widely diversified and subject to the control of the reporting individual.

You should examine thoroughly the financial interests of this official in light of his duties and determine whether any conflict of interest laws or regulations have been violated, and what remedial action is necessary.

Confidential Financial Disclosure Reporting System

The administration of the confidential reporting system is delegated among 26 Associate Ethical Conduct Officers. However, it is the DAEO's responsibility to ensure that all financial disclosure statements submitted by headquarters and regional employees are effectively and consistently reviewed [5 C.F.R. 2638.203(2)].

The Associate Officers receive little or no detailed guidance or training on how to administer the confidential reporting systems. As a result, the systems administered in the departments are, at best, haphazard. In addition, there is no status reporting mechanism in place to inform the DAEO of component organizations' reporting activities.

In a letter to OGE dated July 15, 1988, the DAEO stated that the Postal Service was "preparing a training guide which will provide detailed instructions for the associate officers and their designated assistants in their duties...." In addition, the Postal Service was also "preparing a status reporting system...which should serve as both a monitoring device and as a reminder of the functions which the associate officers are to perform." However, these actions still have not been taken. The adoption of these measures would improve significantly the administration of the ethics program, including the confidential reporting system.

To assess the effectiveness of the confidential reporting system and to determine whether improvements have been made since our last review, we selected five departments for review:

- Delivery, Distribution and Transportation;
- Facilities;
- Information Resources Management;
- Law; and
- Procurement and Supply.

The Delivery, Distribution and Transportation Department last collected confidential statements in 1989. The Information

Resources Management and Law Departments have not collected statements since 1986. The Facilities Department was collecting and reviewing confidential statements filed for 1990 at the time of our review. Only the Procurement and Supply Department had collected and reviewed all statements for 1990. While there are other factors contributing to the lack of reporting, one factor is that the Postal Service has not enforced the June 30 deadline for submission of confidential statements by required employees.

Since the Delivery, Distribution and Transportation Department did not collect statements in 1990, we reviewed all 67 statements filed in 1989. We were informed that all of the statements had been collected and reviewed. However, we identified technical deficiencies such as sections of statements left blank. In addition, spousal employment was not identified in most statements and questionable financial interests were not documented to indicate whether they had been examined by the reviewer. For example, one filer reported "stock" but did not identify the company. Our examination of the statements also indicated that the reviewing official did not sign or date the statements. As a result, we could not determine the dates of the reviews.

All 78 Procurement and Supply Department employees required to file confidential statements in 1990 had done so. Our review of the 78 statements disclosed that a number of them did not contain the reviewers initials or a date of certification. Therefore, we could not determine whether they had been reviewed within the required time frame. We also identified minor technical deficiencies such as sections of the statements left blank and few filers reporting spousal employment.

ETHICS EDUCATION AND TRAINING

Ethics education and training activities are carried out by the alternate DAEO, the Training and Development Department, Associate Ethical Conduct Officers, the Personnel Division, and the Postal Career Executive Service. The alternate DAEO provides ethics briefings on an ad hoc basis while associate officers are responsible for the training of employees in their organizations and providing the bulk of employee counseling. While we were told that ethics training is performed, the alternate DAEO did not know the content of the training sessions.

There are no formal instructions or guidance issued by the DAEO on specific matters that should be covered in training courses. Written ethics material needs to be developed and distributed to associate officers for the training of employees. The content of the material needs to be coordinated so that accurate, consistent, and timely information is provided to all Postal employees.

The alternate DAEO informed us that new non-supervisory employees attend an orientation conducted biweekly by the Personnel Division. Each person who attends is provided section 660 of the Employee and Labor Relations Manual (ELM) which reiterates the standards of conduct.

The Procurement and Supply Department has developed a booklet entitled Doing Business With Suppliers - Standards of Business Behavior and Ethics, which supplements the standards of conduct. Annually each employee is required to acknowledge in writing that they have read it and understand its contents.

Post-employment briefings are not routinely provided to terminating employees but are provided by the alternate DAEO to individuals on request and at pre-retirement seminars.

On September 18, 1990, our Office published proposed ethics training regulations in the Federal Register. Once final, these regulations will be codified at new subpart G of 5 C.F.R. part 2638 and will implement sections 301(b) and (c) of Executive Order 12674, April 12, 1989, as modified by Executive Order 12731, October 17, 1990. These sections basically require the training of certain employees and the coordination by executive branch agencies with our Office on the development of annual agency ethics training plans. We look forward to assisting the Postal Service in its training as it implements these regulations.

CONCLUSIONS

The Postal Service' ethics program has serious deficiencies which must be addressed by top management. Significant improvements are required in the financial disclosure systems, program monitoring and oversight, and the ethics education and training areas. Our review disclosed that public financial disclosure reports are not collected, reviewed and approved within required time frames and that confidential statements are not collected from all covered employees as required. Some component organizations have not collected confidential statements from employees for years.

Although the Postal Service has a decentralized ethics program, the DAEO is ultimately responsible for ensuring that the ethics program is effectively and consistently administered, throughout the organization. To achieve this, your office needs to substantially improve its coordination and communication among the many component organizations and establish a strong monitoring system throughout the agency.

As you are aware, many changes to the ethics program are forthcoming due to legislation and regulatory revisions. Much more work and time will be required by all agency ethics officials to

ensure that ethics related laws and regulations are effectively administered. As the DAEO it will be your responsibility to revise Postal Service regulations and to implement new systems and procedures throughout your organization in an effective and timely manner. This cannot be done with the weak program structure now in place.

While there are many ways to administer an ethics program, the most effective method is the establishment of a full-time position to manage the ethics program. This individual would handle day-to-day ethics matters, develop effective regulations and systems, and monitor component programs and systems. In a large organization such as yours he or she would need to be assisted by other staff. Most large departments have established, or are in the process of establishing, an ethics office with sufficient resources to administer and monitor the program throughout the component agencies.

While you generally agreed with our findings, you pointed out that you have attempted to obtain additional staff to assist in the program. Due to competing priorities it would be extremely difficult to obtain staff at this time. However, the cost to administer the ethics program properly is a small price to pay to protect the integrity of Postal Service employees and operations.

RECOMMENDATIONS

To implement an effective ethics program in compliance with Federal laws and regulations, we recommend that you, as the Designated Agency Ethics Official:

1. Ensure that the ethics program has management support and adequate resources to administer the program and to implement the forthcoming changes mandated by legislation. You should consider establishing an Office of Ethics to manage the program.
2. Develop a strong ethics training program throughout the Postal Service according to the proposed ethics training regulations issued by OGE at new subpart G of 5 C.F.R. part 2638.
3. Provide the guidance, detailed instructions, and ethics training to all Associate Ethical Conduct Officers that are needed to effectively carry out their responsibilities.
4. Ensure that the Associate Ethical Conduct Officer in each department collects and reviews all confidential financial disclosure reports required to be filed in 1991, including new entrant reports.

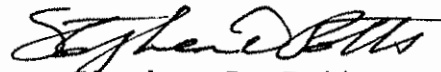
- C 5. Notify all confidential filers of the requirement to report spousal financial interests, including employment.
- A 6. Emphasize to reviewing officials the need to determine whether pension plans disclosed on financial disclosure reports are widely diversified and if filers have the authority to direct plan investments. Ethics officials must ensure that all assets and transactions are properly reported in accordance with OGE's Informal Advisory Letter (88 X 11) dated June 23, 1988.
- A 7. Ensure that the large backlog of public reports filed in 1989 and 1990 are promptly reviewed and approved in compliance with applicable laws and regulations. Any required statements that were not filed should be collected.
- 1 8. Review the financial interests of the Assistant Postmaster General to determine whether any conflict of interest laws or regulations have been violated, and whether any further action is necessary. Please report to us on your review and resolution of this matter.
- ✓ 9. Establish a program monitoring system to review and evaluate the administration of the ethics program. Such a system should include filing of status reports by all components as to the collection and review of financial disclosure reports, ethics counseling and training, unresolved ethics issues, etc.

As you can see, there are serious matters to be addressed in your ethics program. I would like you to report to me as of March 30, 1991, and every sixty days thereafter, as to the actions you have taken or plan to take concerning these recommendations. Such reports should continue until our recommendations have been implemented. Please include your progress in reducing the backlog of unreviewed public financial disclosure reports, and your plans to collect and review all public financial disclosure reports due to be filed May 15, 1991.

We will schedule a follow-up review once we believe you have implemented our recommendations. In view of our authority to take corrective action to ensure that ethics program deficiencies are corrected, it is vital that you take action in a timely manner.

We are also sending a copy of this report to the Postmaster General and the Chief Postal Inspector. If we can be of any assistance, please call me or Ed Pratt at (202) 523-5757.

Sincerely,



Stephen D. Potts
Director

Report Number: 9018UPSOH