September 15, 2020

The Honorable Gerry Connolly
Chairman
House Committee on Oversight and Reform
Subcommittee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

The Honorable Jody Hice
Ranking Member
House Committee on Oversight and Reform
Subcommittee on Government Operations
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Connolly and Ranking Member Hice:

Thank you for continuing to conduct important oversight of the U.S. Postal Service. Ensuring mail delivery is a critical government service that the founders included in the Constitution. Unfortunately, the Postal Service is not on a sustainable financial path, and recent developments threaten its longstanding and critical independence. The Project On Government Oversight (POGO) is concerned about recent management decisions made at the Postal Service, which warrant scrutiny and congressional oversight. We urge your subcommittee to investigate what led to the hiring of Postmaster General Louis DeJoy, whether his financial interests in companies doing business before the Postal Service will require his recusal from certain matters before the Postal Service, and if he broke federal campaign finance law.

POGO is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. We champion reforms to achieve a more effective, ethical, and accountable federal government that safeguards constitutional principles. Given Congress’s power to “establish post offices and post roads” in the Constitution, ensuring a functioning and nonpartisan Postal Service is one such principle.

Selection Process

Mr. DeJoy was not one of the 53 names submitted to the Postal Service by the firm the Postal Service contracted to do a national search for a new postmaster general. At a House Oversight Committee hearing on August 24, Robert Duncan, chairman of the U.S. Postal Service Board of Governors, admitted he submitted Mr. DeJoy’s name as a candidate for consideration by the board.¹ Though he did not mention how he came across Mr. DeJoy’s name, reporting suggests Treasury Secretary Steven Mnuchin may have played a role.²

¹ Protecting the Timely Delivery of Mail, Medicine, and Mail-in Ballots: Hearing before the House Committee on Oversight and Reform, 116th Cong. (August 24, 2020), 03:59:33. https://youtu.be/Tbg6sjRnF-8?t=14373
We encourage this subcommittee to continue examining how Mr. DeJoy came to be considered and ultimately chosen to serve as postmaster general, including whether and to what extent political appointees of the administration were involved in that selection process.

Conflicts of Interest

After assuming his new position, Mr. DeJoy was allowed to retain between $30 million and $75 million in holdings in his former company and current Postal Service contractor XPO Logistics.\(^3\) Upon assuming office, Mr. DeJoy should have divested holdings from his previous employer, as this relationship represents a clear conflict of interest.

Furthermore, Mr. DeJoy should have completely divested his interests from Amazon, another company that does a significant amount of business with the Postal Service. While he did divest up to a quarter million dollars of Amazon stock when he became postmaster general, he also purchased new stock options in the company valued between $50,000 and $100,000. These new stock options reportedly give the owner the right to buy new shares of Amazon at a price much lower than their current market price.\(^4\) These options could give Mr. DeJoy greater protection from losses should the Trump administration pursue policies that financially harm Amazon.

These conflicts of interest allow the postmaster general to benefit financially when these companies do business with the Postal Service—something the postmaster general has the power to ensure happens. The subcommittee needs to inquire as to why ethics officials at the Postal Service did not require the postmaster general to divest from these conflicts of interest or recuse himself from discussions and decisions regarding these companies.

Political Contributions and Activity

According to reports, former employees of Mr. DeJoy’s former business, New Breed Logistics, claim Mr. Dejoy and his aides encouraged them to make contributions to Republican candidates with the understanding they would later receive bonuses to defray the cost of these contributions. The *Washington Post* found between 2000 and 2014, 124 employees contributed more than $1 million to Republican candidates. Many of those employees had never before contributed to political campaigns and stopped once they left the company.\(^5\) If the allegations that Mr. DeJoy organized and financed a straw-donor scheme are true, this would violate federal campaign finance law. We urge this subcommittee to continue examining allegations that the postmaster general facilitated a straw-donor scheme when he was the CEO of New Breed Logistics.

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4 Marshall Cohen, “Financial disclosures reveal postmaster general's business entanglements” [see note 3].

5 Aaron C. Davis, Amy Gardner, and Jon Swaine, “Louis DeJoy’s rise as GOP fundraiser was powered by contributions from company workers who were later reimbursed, former employees say,” *Washington Post*, September 6, 2020. [https://www.washingtonpost.com/investigations/louis-dejoy-campaign-contributions/2020/09/06/1187bc2c-e3fe-11ea-8181-606e603bb1c4_story.html](https://www.washingtonpost.com/investigations/louis-dejoy-campaign-contributions/2020/09/06/1187bc2c-e3fe-11ea-8181-606e603bb1c4_story.html)
Mr. DeJoy also may have engaged in prohibited political activity. Since becoming postmaster general, Mr. DeJoy has overseen a variety of operational changes including the removal of mail collection boxes and the planned decommissioning of 10% of the Postal Service’s mail sorting machines. These changes occurred as the Postal Service warned 46 states that they could not guarantee all ballots to be delivered in time to be counted by election day. While some of these plans may predate Mr. DeJoy’s appointment, changes to the Postal Service have ramped up this year. The Postal Service removed 711 sorting machines this year, nearly double the 388 machines removed on average each year for the past four years. These operational changes, coupled with comments by President Donald Trump opposing mail-in voting before and after Mr. DeJoy’s appointment raise legitimate questions about whether these changes were made to impact the upcoming election. These questions prompted POGO to file a Hatch Act complaint with the Office of Special Counsel on August 20.

Conclusion

In an attempt to socially distance, hundreds of millions of Americans will be counting on the Postal Service this year to deliver everything from lifesaving medications to ballots that ensure they can exercise their constitutional right to vote. This subcommittee must continue to provide necessary oversight of the Postal Service. This oversight must start with examining the Postal Service leadership, including the postmaster general and the board of governors. Congress and the American people need to know why an individual with so many conflicts of interest was chosen to be postmaster general, a position which is supposed to be nonpartisan and independent.

Finally, POGO encourages your committee to consider legislation to provide needed reforms to the Postal Service to help return the agency to a strong financial footing. Hundreds of millions of Americans, especially veterans, senior citizens, and those living in rural communities, depend on the Postal Service and the daily delivery of mail and packages. Congress has a duty to ensure these services continue. If you have any questions or if we can be of assistance, please contact Tim Stretton at tstretton@pogo.org.

Sincerely,

Danielle Brian
Executive Director

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7 Ershy Collman, “The USPS removed 711 mail-sorting machines this year — twice as many as in recent years, officials told federal court,” Business Insider, September 10, 2020. https://www.businessinsider.com/usps-remove-twice-as-many-mail-sorting-machines-this-year-2020-9