August 4, 2004

LYNN MALCOLM
ACTING VICE PRESIDENT, FINANCE, CONTROLLER

WILLIAM P. GALLIGAN
ACTING VICE PRESIDENT, DELIVERY AND RETAIL

SUBJECT: Audit Report - Fiscal Year 2003 Financial Installation Audit – Post Offices, Branches, and Stations (Report Number FF-AR-04-247)

This report presents the results of our financial installation audit of statistically selected post offices, branches, and stations for fiscal year (FY) 2003 (Project Number 03XD004FF000). This audit was conducted in support of the audit of the Postal Service financial statements.

Based on the items we reviewed, financial transactions were reasonably and fairly presented in the accounting records, and, generally, the internal controls we examined were in place and effective at 105 of the 110 units. However, the units need to increase compliance with certain Postal Service procedures, including those related to accountability and Voyager Cards. Further, at five units, accounting records were not reasonably and fairly presented, and internal controls were not in place and effective. This resulted in a shortage of $59,852 in the retail floor stock at one-unit and accountability discrepancies in excess of $19,000 of the total accountability of approximately $69,000 at another unit. For 4 of 110 units, we could not confirm their accountability, trust, and suspense balances with the balances maintained in the Postal Service's accounting records during fieldwork because of the Postal Service's conversion to Shared Services/Accounting and Standard Accounting for Retail. After we completed fieldwork at these four units, the Postal Service established a process to verify these FY 2003 balances.

We recommended management reinforce procedures for accountability examinations, bank deposits, stock levels, stock requisitions, [redacted],

1735 N Lynn St.
Arlington, VA 22209-2020
(703) 248-2100
Fax: (703) 248-2256

duplicate keys and key verifications, inventories of nonaccountable merchandise, post office boxes, and business mail acceptance. Management agreed with our findings and recommendation and the actions taken or planned should correct the issues identified in the finding. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions, or need additional information, please contact Sheila Bruck or me at (703) 248-2300.

(Ronald D. Merryman for)

Colleen A. McAntee
Deputy Assistant Inspector General
for Financial Management

Attachment

cc: Patrick R. Donahoe
Richard J. Strasser, Jr.
John A. Rapp
John R. Wargo
Frederick J. Hintenach
Margaret A. Weir
Gladys E. Zamora
Jon T. Stratton
Maria Madocks
Joseph K. Moore

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Introduction

This report summarizes the results of our audits of 110 statistically selected post offices, branches, and stations for fiscal year (FY) 2003. The Postal Reorganization Act of 1970 requires annual audits of the Postal Service's financial statements. We conducted these audits in support of the audit of the Postal Service financial statements. The audits at each of the post offices, branches, and stations were unannounced.

The overall objectives of our audit were to determine whether financial transactions of field operations were reasonably and fairly presented in the accounting records, and whether internal controls were in place and effective at the 110 statistically selected post offices, branches, and stations.

Results in Brief

Based on the items we reviewed, financial transactions were reasonably and fairly presented in the accounting records, and, generally, the internal controls we examined were in place and effective at 105 of the 110 units. However, the units need to increase compliance with certain Postal Service procedures, including those related to accountability and Voyager Cards. Further, at five units, accounting records were not reasonably and fairly presented and internal controls were not in place and effective. This resulted in a shortage of $59,852 in the retail floor stock at one-unit and accountability discrepancies in excess of $19,000 of the total accountability of approximately $69,000 at another unit. For 4 of 110 units, we could not confirm the unit accountability, trust, and suspense balances with the balances maintained in the Postal Service's accounting records during fieldwork because of the Postal Service's conversion to Shared Services/Accounting and Standard Accounting for Retail. After we completed fieldwork at these four units, the Postal Service began to establish a process to verify these FY 2003 balances.

Summary of Recommendations

We recommended management reinforce procedures for accountability examinations, bank deposits, stock levels, stock requisitions, [redacted], duplicate keys and key verifications, inventories of nonaccountable

merchandise, post office boxes, and business mail acceptance.

Summary of Management's Comments

Management agreed with our recommendation, and stated that a memo will be issued by September 15, 2004, to the Vice Presidents, Area Operations, to reiterate current policies related to our audit findings and that all published internal control measures are enforced. Management's comments, in their entirety, are included in Appendix D of this report.

Summary of Evaluation of Management's Comments

Management's actions taken or planned are responsive to the recommendations and should correct the issues identified in the finding.

INTRODUCTION

Background

Beginning with fiscal year (FY) 2001, the Office of Inspector General (OIG) assumed responsibility from the Postal Inspection Service for conducting financial audits at three levels of financial installations: revenue-generating units,[1] stamp distribution offices, and district accounting offices. These audits were conducted in support of the overall audit of the Postal Service financial statements.

Post offices are the initial level where revenue is generated from Postal Service operations and include main offices, branches, and stations. Overall, the postmaster or installation head is responsible for collecting all receipts to which the office is entitled, accounting for all funds, and ensuring that the office meets all accounting objectives. Financial activities at these installations include, among others: business reply and postage due mail, post office box and caller services, money orders, customs, and post office meters. Handbook F-1, Post Office Accounting Procedures, November 1996 (updated through May 1, 2003), sets forth the procedures postmasters or other installation heads must follow to meet the financial responsibilities of the installation.

Post offices manage accountable paper, which includes postage stock, nonpostal stamps, and philatelic products, using either segmented inventory accountability procedures or individual accountability procedures. Under segmented inventory accountability procedures, sales and service associates retain accountability for cash, but share a common stamp stock inventory, known as the retail floor stock. Under individual accountability, sales and service associates are issued accountable paper and cash as a stamp credit.

In FY 2003, the Postal Service completed its migration from the Standard Field Accounting System to the Standard Accounting For Retail (SAFR) System. SAFR is a system for improving the collection and reporting of Postal Service financial information. The new system allows for more timely and centralized reconciling, daily reporting at the unit level, and improved processing of interface errors. The

[1] Includes post offices, contract postal units, self-service postal centers, and business mail entry units.

Postal Service also completed migration to Shared Services/Accounting in FY 2003. The Shared Services/Accounting initiative was intended to streamline processes that automated the district accounting functions and enhanced efficiencies within the accounting process. The residual activities of the district accounting office were migrated to the three accounting service centers.

Objectives, Scope, and Methodology

The overall objectives of our audit were to determine whether financial transactions of field operations were reasonably and fairly presented in the accounting records and whether internal controls were in place and effective.

To accomplish our objectives, we conducted fieldwork during FY 2003. The audits at each of the units were unannounced. We statistically selected 110 post offices, branches, and stations for review (see Appendix A) from a population of 35,146 units. Of these 110 units, 70 used segmented inventory accountability procedures, and 40 used individual accountability procedures. For 4 of 110 units, we could not verify unit records for accountability, trust, and suspense balances at the time of our fieldwork because the Postal Service had not implemented the processes to conduct the reconciliations, as prescribed in the Shared Services/Accounting Postmasters/Field Guide and other guidance.

To accomplish our objectives, we traced recorded financial transactions to and from supporting documentation and observed procedures for compiling and transmitting financial data. We also evaluated whether internal control over financial reporting and safeguarding of assets was implemented and functioning as designed.

We conducted this audit from October 2002 through August 2004 in accordance with generally accepted government auditing standards, except as noted above, and included tests of internal controls as were necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments, where appropriate. We issued individual reports to management at each statistically selected site.

Prior Audit Coverage

The Postal Inspection Service conducted financial installation audits prior to FY 2001. We evaluated all findings reported by the Postal Inspection Service in individual site reports from FYs 1998 through 2000 and by the OIG in FYs 2001 and 2002, and reported the status of the recommendations in the individual site reports.

In our FY 2002 summary report on post offices, branches, and stations,[2] we reported that management could strengthen its internal controls over stamps, cash, and money orders to reduce future losses. Management took corrective actions and issued a memorandum dated June 6, 2003, from the Vice President, Finance, Controller, to the Area Vice Presidents to reiterate the need for adherence to current policies and procedures over cash and stamp accountability. Further, management published an article in Postal Bulletin 22104 specifying the enforcement of current procedures. While improvements were made in some areas, the conditions we identified in the FY 2002 audit still existed, as disclosed in our report.

[2] Fiscal Year 2002 Financial Installation Audit - Post Offices, Branches, and Stations (Report Number FF-AR-03-142, March 21, 2003).

AUDIT RESULTS

Increased Compliance With Postal Service Procedures is Needed

Units did not always adhere to procedures over stamps, cash, money orders, retail merchandise, post office boxes, and business mail acceptance. Issues related to stamps, cash, and money orders were also reported in our FYs 2001 and 2002 summary reports. While improvements were made in some areas, we identified a continued lack of compliance with prescribed procedures.

Overall, managers and employees did not give sufficient priority to ensuring the controls established by the Postal Service were functioning adequately and in some instances, employees were unaware of prescribed procedures. Lack of adherence to prescribed controls can cause discrepancies in stamps and cash and an increased risk of loss of Postal Service revenue and assets. Appendix B gives the results of our counts of stamps and cash at the individual units.

The Postal Service has developed additional tools to monitor and ensure compliance with prescribed procedures, such as the development of the Internal Control Group and intervention teams established in 2002 to increase compliance with examination requirements for retail floor stock. However, continued adherence to requirements is important to ensure that assets and accountable items are properly safeguarded.

The specific conditions disclosed during our audits are set forth below.

Accountability Examinations: At 67 of 110 units, management did not conduct counts of the unit reserve, retail floor stock, and cash retained at the required frequencies and at 38 units, they did not always document the counts as prescribed. Further, at 14 of 110 units, accountability discrepancies were not recorded correctly. In some instances, employees retained overages rather than placing them in trust. Handbook F-1, Post Office Accounting Procedures, Chapter 4, gives the requirements for conducting and documenting counts and recording accountability discrepancies.

Procedures for Preparing Bank Deposits: At 28 of 110 units, employees did not follow procedures for preparing bank deposits by ensuring deposits were properly witnessed. Handbook F-1, Section 333.2, requires the closeout employee and a witness to count the funds.

Excess Stock: Of the 70 units that used segmented inventory accountability procedures, 7 maintained retail floor stock inventories in excess of a two-week sales limit and did not adequately restrict access to the floor stock, as prescribed by Handbook F-1, Chapter 4.

[redacted]: [redacted]

Duplicate Keys and Key Verifications: At 40 of 110 installations, employees did not properly prepare Postal Service (PS) Forms 3977, Duplicate Key Envelope, as required by Handbook F-1, Section 372. Further, annual key reviews were not conducted at 54 of 110 units. Handbook F-1, Section 426.28, requires unit supervisors to make annual examinations of all locks and keys in order to safeguard each clerk's stamp and cash credit.

Nonaccountable Retail Merchandise: At 48 of 110 units, management did not conduct an inventory of nonaccountable retail merchandise every Postal Service quarter, as prescribed by Handbook F-1, Section 77.

Post Office Boxes: Units did not always adhere to prescribed procedures for post office boxes. Specifically:

- Employees at 61 of 110 units did not perform semiannual mail volume reviews, as required by the Postal Operations Manual, Issue 9, Section 841.13.

- Employees at 31 of 110 units did not perform the annual comparison of post office boxes to the master list, as required by the Postal Operations Manual, Issue 9, Section 841.62.

- Supervisors at 19 of 110 units did not ensure an adequate separation of duties between employees who accepted payment and those who recorded the information for each post office box, as prescribed by Handbook F-1, Section 132.1.

Business Mail Acceptance: Of the 597 postage statements we reviewed, employees did not always complete Postal Service sections or ensure that mailers completed required information on 101 statements, as prescribed by Handbook DM 109, Business Mail Acceptance, August 1999 (updated through January 2000).

Recommendation

We recommend the Acting Vice President, Finance, Controller, and the Acting Vice President, Delivery and Retail:

1. Reinforce procedures for accountability examinations, bank deposits, stock levels, stock requisitions, [redacted], duplicate keys and key verifications, inventories of nonaccountable merchandise, post office boxes, and business mail acceptance.

Management's Comments

Management agreed with our recommendation, and stated that a memo will be issued by September 15, 2004, to the Vice Presidents, Area Operations, to reiterate current policies related to our audit findings and that all published internal control measures are enforced.

Evaluation of Management's Comments

Management's actions taken or planned are responsive to the recommendation should correct the issues identified in the finding.

Voyager Card Procedures Were Not Followed

Units did not always follow procedures for Voyager Cards and transactions. Specifically, at 15 of 110 units, employees did not reconcile Voyager Cards according to procedures, and at 18 of 110 units, they did not adequately maintain the master list of personal identification numbers of current employees. At many locations, employees were unaware of the requirement to conduct reconciliations or the procedures for updating the master list of personal identification numbers. In other instances, employees were aware of the requirements, but other duties took priority over adherence to prescribed controls. As a result, for 145 of the 1,344 transactions we reviewed, the units did not ensure that receipts were maintained.

The Site Fleet Card Guide for the United States Postal Service (site guide), July 15, 2001, is published by Voyager and details program controls. Specifically, it provides that individual Voyager Cards be assigned to individual vehicles in a one-on-one relationship. Individual cards may be used only for the specified vehicle; unique personal identification numbers are assigned to individual drivers in a one-on-one relationship; and although a driver may use various vehicles and cards, personal identification numbers may not be shared, and may be used only by the assigned individual.

On September 8, 2003, the OIG issued audit report TD-AR-03-012, Voyager Card Controls – National Analysis, which disclosed control weaknesses related to reconciliations, segregation of duties, personal identification numbers, and card protection. In that report, we recommended the Vice Presidents, Supply Management, and Delivery and Retail, work together to provide guidance, internal controls, training, support, and oversight to protect the Postal Service Voyager Card program from improper, fraudulent, or questionable purchases. Consequently, we will not make any recommendations for corrective action at this time,. However, we made recommendations for corrective action to district managers in the individual site reports where this finding was observed. We continue to evaluate this issue in the FY 2004 financial installation audits.

APPENDIX A. SITES VISITED

Number	POST OFFICE	CITY	STATE
1	Alameda Station	Los Angeles	California
2	Amherst Branch	Buffalo	New York
3	Arcadia	Arcadia	Kansas
4	Arispe	Arispe	Iowa
5	Austin	Austin	Arkansas
6	Avon Lake	Avon Lake	Ohio
7	Avon Park	Avon Park	Florida
8	Boring	Boring	Oregon
9	Calumet Main Office	Calumet	Michigan
10	Carrabelle	Carrabelle	Florida
11	Casper Downtown Station	Casper	Wyoming
12	Chadds Ford	Chadds Ford	Pennsylvania
13	Chicago Cardiss Collins Postal Store	Chicago	Illinois
14	Chimacum	Chimacum	Washington
15	Cleveland Main Office	Cleveland	Ohio
16	Columbus Main Office	Columbus	Ohio
17	Concord Main Post Office	Concord	California
18	Dallas Main Post Office	Dallas	Texas
19	Dallas Main Post Office Bulk Stamp Credit	Dallas	Texas
20	Denver Downtown	Denver	Colorado
21	Downers Grove	Downers Grove	Illinois
22	Dubuque	Dubuque	Iowa
23	Dyer	Dyer	Nevada
24	Eagle Station	Bloomington	Illinois
25	Eastside Station	St Joseph	Missouri
26	Edison	Edison	New Jersey
27	Ellinwood	Ellinwood	Kansas
28	Farmingdale	Farmingdale	New York
29	Festus	Festus	Missouri
30	Fort Lauderdale	Fort Lauderdale	Florida
31	Fort McNair Station	Washington	District of Columbia
32	Fort Worth	Fort Worth	Texas

33	Fox Creek Station	Detroit	Michigan
34	Gaines	Gaines	Michigan
35	General Main Facility Finance Station	Detroit	Michigan
36	Gustine	Gustine	California
37	Hartford Main Post Office	Hartford	Connecticut
38	Hatboro Main Post Office	Hatboro	Pennsylvania
39	Hazleton	Hazleton	Indiana
40	Hicksville	Hicksville	New York
41	Hillcrest Station	San Diego	California
42	Hollins College Branch	Roanoke	Virginia
43	Holly	Holly	Colorado
44	Hopkins	Hopkins	Minnesota
45	Houston	Houston	Texas
46	Indianapolis Main Office Window Service	Indianapolis	Indiana
47	James C. Brown Jr. Facility	Las Vegas	Nevada
48	Jersey City Main Office	Jersey City	New Jersey
49	Kayenta	Kayenta	Alaska
50	Kent Main Post Office	Kent	Pennsylvania
51	La Grange	La Grange	Kentucky
52	Lansing Main Office Window	Lansing	Michigan
53	Leadville	Leadville	Colorado
54	Los Angeles Main Office	Los Angeles	California
55	Margaret L. Sellers Main Post Office	San Diego	California
56	Mariners Harbor	Staten Island	New York
57	Marion	Marion	Texas
58	McClellanville	McClellanville	South Carolina
59	McCoy	McCoy	Virginia
60	Merrifield	Merrifield	Virginia
61	Midtown Station	Toledo	Ohio
62	Minneapolis Main Post Office	Minneapolis	Minnesota
63	Mira Vista Station	Richmond	California
64	Moneta	Moneta	Virginia
65	Myrtle Beach Main Post Office	Myrtle Beach	South Carolina
66	Nenana	Nenana	Arkansas
67	New Ringgold	New Ringgold	Pennsylvania
68	New York Main Office	New York	New York

69	Ocean Beach Station	Ocean Beach	California
70	Okeechobee	Okeechobee	Florida
71	Otoe	Otoe	Nebraska
72	Paauilo	Paauilo	Hawaii
73	Pattonsburg	Pattonsburg	Missouri
74	Phoenix Main Office Window Service	Phoenix	Arizona
75	Piney Woods	Piney Woods	Mississippi
76	Pleasantville	Pleasantville	Ohio
77	Portal	Portal	Georgia
78	Portland	Portland	Oregon
79	Riceboro	Riceboro	Georgia
80	Richmond Main Post Office Window Operations	Richmond	Virginia
81	Rimpau Station	Los Angeles	California
82	Rockville	Rockville	Maryland
83	Roseville	St. Paul	Minnesota
84	Rydal Branch	Rydal	Pennsylvania
85	Salt Lake City Main Post Office	Salt Lake City	Utah
86	San Antonio General Mail Facility Window Unit	San Antonio	Texas
87	San Bernardino Window Service Unit	San Bernardino	California
88	Santa Ana Window Section	Santa Ana	California
89	Scranton	Scranton	Pennsylvania
90	South Hackensack Branch	South Hackensack	New Jersey
91	Southside Station	Paducah	Kentucky
92	St. Louis Main Office Finance	St. Louis	Missouri
93	Station A	San Antonio	Texas
94	Sun Valley Station	Sparks	Nevada
95	Sycamore	Sycamore	Ohio
96	Syosset	Syosset	New York
97	Tahoe Valley Station	South Lake Tahoe	California
98	Tontitown	Tontitown	Arkansas
99	Tucson Davis Monthan	Tucson	Arizona
100	Ventura Main Post Office	Ventura	California
101	Wallace	Wallace	Nebraska
102	West Caldwell	West Caldwell	New Jersey

103	West Cornwall	West Cornwall	Connecticut
104	Weston Branch	Weston	Massachusetts
105	Williamstown	Williamstown	New Jersey
106	Wilmington	New Castle	Delaware
107	Winder	Winder	Georgia
108	Woodland Hills	Woodland Hills	California
109	Worth	Worth	Illinois
110	Wyaconda	Wyaconda	Missouri

APPENDIX B. COUNT RESULTS

Accountability	Number Counted	Exceptions
Cash Retained by Associates	616	209
Individual Stamp Credits	107	36
Retail Floor Stock	70	37
Unit Reserve	110	19

APPENDIX C. SAMPLING METHODOLOGY

In support of the objectives, the audit team employed a stratified random sample of post offices (units). The sample design allows statistical projection of the number of units with the types of internal control deficiencies that were the subject of the audit. Separate projections were made for each category of internal control deficiency. The audit universe consisted of 35,146 post offices. The universe was obtained from the Standard Field Accounting Unit Revenue Data Access (SURDA) database.

The sample size of 110 post offices was based on a stratified attributes design. For the analysis of post offices alone, those 110 units constituted the total sample and were further allocated to each of three revenue-based strata. The sample size of 110 is equivalent to that required to achieve a planned relative precision of approximately 5 percent at the 95-percent reliance level, with a low rate of noncompliance for controls tested.

Based on the sample results, we project the following:

- We are 95 percent confident that reconciliation procedures were not conducted at between 820 (2.3 percent) and 4,136 (11.8 percent) units. The point estimate is 2,478 (7.0 percent) units.

- We are 95 percent confident that the master list of personal identification numbers of current employees was not adequately maintained at between 1,092 (3.1 percent) and 4,573 (13.0 percent) units. The point estimate is 2,833 (8.1 percent) units.

- We are 95 percent confident that Postal Service sections on postage statements were not always completed at between 318 (0.9 percent) and 5,641 (16.1 percent) units. The point estimate is 2,980 (8.5 percent) units.

- We are 95 percent confident that counts of unit reserve, retail floor stock, and cash retained were not documented at between 6,156 (17.5 percent) and 14,463 (41.2 percent) units. The point estimate is 10,310 (29.3 percent) units.

- We project with 95 percent reliance that accountability discrepancies were recorded incorrectly at no greater than 3,691 (10.5 percent) units. The point estimate is 1,063 (3.0 percent) units.

- We are 95 percent confident that counts of the unit reserve, retail floor stock, and cash retained were not conducted at the required frequencies at between 10,260 (29.2 percent) and 19,072 (54.3 percent) units. The point estimate is 14,666 (41.7 percent) units.

- We are 95 percent confident that retail floor stock inventories were maintained in excess of a two-week sales limit, and that access to the floor stock was not adequately restricted with between 820 (2.3 percent) and 4,136 (11.8 percent) units utilizing segmented inventory accountability procedures. The point estimate is 2,478 (7.0 percent) units.

- We are 95 percent confident that PS Forms 3977, Duplicate Key Envelopes, were not properly prepared at between 7,473 (21.3 percent) and 16,281 (46.3 percent) units. The point estimate is 11,877 (33.8 percent) units.

- We are 95 percent confident that [redacted] were not destroyed at between 3,844 (10.9 percent) and 10,708 (30.5 percent) units. The point estimate is 7,276 (20.7 percent) units.

- We are 95 percent confident that [redacted] were not always used at between 6,804 (19.4 percent) and 14,225 (40.5 percent) units. The point estimate is 10,514 (29.9 percent) units.

- We are 95 percent confident that procedures for preparing bank deposits were not followed at between 1,649 (4.7 percent) and 7,048 (20.1 percent) units. The point estimate is 4,349 (12.4 percent) units.

- We project with 95 percent reliance that supervisors did not ensure adequate separation of duties between acceptance and recording of post office box revenue at no greater than 4,098 (11.7 percent) units. The point estimate is 1,418 (4.0 percent) units.

- We are 95 percent confident that the annual comparison of post office boxes to the correctly master list was not performed at between 2,461 (7.0 percent) and 9,373 (26.7 percent) units. The point estimate is 5,917 (16.8 percent) units.

- We are 95 percent confident that semiannual mail volume reviews were not performed at between 5,563 (15.8 percent) and 12,549 (35.7 percent) units. The point estimate is 9,056 (25.8 percent) units.

- We are 95 percent confident inventory of nonaccountable retail merchandise was not conducted every Postal Service quarter at between 6,220 (17.7 percent) and 14,310 (40.7 percent) units. The point estimate is 10,265 (29.2 percent) units.

APPENDIX D. MANAGEMENT'S COMMENTS

UNITED STATES
POSTAL SERVICE

July 22, 2004

COLLEEN A. MCANTEE

SUBJECT: Transmittal of Draft Audit Report—Fiscal Year 2003 Financial Installation Audit—Post Offices, Branches, and Stations (Report Number FF-AR-04-DRAFT)

As requested, we are responding to your June 22 memorandum regarding the subject audit report. We have answered the recommendations jointly in order to reflect the extent to which Finance and Delivery and Retail are working together to enhance internal controls of post offices, branches, and stations. Attached are comments on the specific finding.

We see nothing in this report or management's response which contains proprietary or other business information that may be exempt from disclosure under the Freedom of Information Act (FOIA).

Thank you for providing this report. If you have any questions, please call Gladys Zamora at (202) 268-3262 or Frederick Hintenach at (202) 268-5045.

Lynn Malcolm

Lynn Malcolm
Acting Vice President
Finance, Controller

William P. Galligan

William P. Galligan
Acting Vice President
Delivery and Retail

Attachment

cc: Patrick R. Donahoe
Richard J. Strasser, Jr.
John A. Rapp
John R. Wargo
Frederick J. Hintenach
Margaret A. Weir
Gladys E. Zamora
Jon T. Stratton
David Cloyd
Joseph K. Moore

475 L'Enfant Plaza SW
Washington DC 20260

**Management Response to Office of Inspector General Audit Report
Fiscal Year 2003 Financial Installation Audit
Post Offices, Branches, and Stations
(Report Number FF-AR-04-DRAFT)**

Increased Compliance With Postal Service Procedures is Needed

We recommend the Acting Vice President, Finance, Controller, and the Acting Vice President, Delivery and Retail:

1. **Reinforce procedures for accountability examinations, bank deposits, stock levels, stock requisitions, spoiled and bait money orders, duplicate keys and key verifications, inventories of nonaccountable merchandise, post office boxes, and business mail acceptance.**

   Management agrees with this recommendation, as this is already our policy. A memorandum will be issued to the Vice Presidents, Area Operations, to reiterate current policies for maintaining accountability of stamps, cash, money orders, bank deposits, stock levels, stock requisitions, spoiled and bait money orders, duplicate keys and key verifications, inventories of nonaccountable merchandise, post office boxes, business mail acceptance, and that all published internal control measures are enforced. This memorandum will be a follow-up to our previous memorandum dated June 6, 2003, addressed to Vice Presidents, Area Operations, and Postal Bulletin no. 22104 issued June 12, 2003, reinforcing current policies and procedures for stamp and cash accountability for other units as well as bait money orders, including procedures for issuance, log storage, and placement. The memorandum will be issued by September 15, 2004.