



July 24, 2009

LAWRENCE K. JAMES
DISTRICT MANAGER, ARIZONA DISTRICT

SUBJECT: Audit Report – Fiscal Year 2009 Phoenix Financial Risk Audit
(Report Number FF-AR-09-200)

This report presents the results of our audit of financial risk at selected units in Phoenix, AZ (Project Number 09BD011FF000). We conducted this audit at the [REDACTED]

[REDACTED]. This self-initiated audit addresses financial risk based on factors evaluated by U.S. Postal Service Office of Inspector General (OIG) risk models. See [Appendix A](#) for additional information about this audit.

Conclusion

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. However, we identified internal control and compliance issues related to inactive customer trust accounts, disbursements, excess stamp stock, SmartPay purchase cards, and value-added refunds (VAR). The issue related to inactive customer trust accounts is a repeat issue from a prior audit.

We identified \$166,094 in monetary impact for recoverable revenue loss¹ and unrecoverable questioned costs,² and \$96,750 in non-monetary impact for accountable items at risk³ and disbursements at risk.⁴

We believe these conditions are attributable primarily to insufficient managerial oversight of financial operations at the units. For example, management did not review closeout documentation and no-fee money order transactions to ensure they were supported. The [REDACTED], and many of the issues identified in this report occurred before their arrival. When controls are not functioning as prescribed, the Postal Service is at an increased risk of losing cash, accountable items, and revenue without detection, and misstating financial records. We

¹ Revenue that can be collected for goods delivered or services rendered.

² Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation. These costs are also not supported by adequate documentation.

³ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

⁴ Disbursements made where proper Postal Service internal controls and processes were not followed.

referred a matter to the Office of Investigations for further review and disposition as deemed appropriate. [Appendix B](#) presents a detailed analysis of the conditions identified during our audit. [Appendix C](#) presents the results of our accountability examinations. [Appendix D](#) presents the details of the \$166,094 monetary impact, and [Appendix E](#) presents the detail of the \$96,750 non-monetary impact. We will report these monetary and non-monetary impacts in our *Semiannual Report to Congress*.

We recommend the District Manager, Arizona District, direct unit management to:

1. Develop and implement an action plan with milestones to address the internal control issues at the units identified in this report.

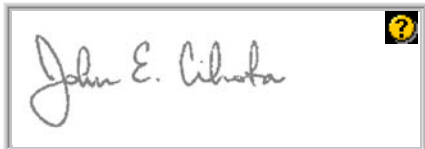
Management's Comments

Management agreed with the findings, recommendation, and monetary and non-monetary impacts. Management developed and implemented an action plan that addressed all 11 specific action items outlined in [Appendix B](#). See [Appendix G](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our findings and recommendation, and the actions taken should correct the issues discussed in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Linda Libician-Welch, Director, Field Financial-West, or me at (703) 248-2100.



John E. Cihota
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Attachment

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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Post offices are the initial level where the U.S. Postal Service recognizes revenue from operations. The term “post offices” includes main offices, stations, and branches. The postmasters or installation heads are responsible for collecting all receipts to which the offices are entitled, accounting for all funds entrusted to them, and ensuring the offices meet all revenue and accounting objectives. BMEUs are established for authorized mailers to present business mailings.

The OIG performs periodic financial risk assessments. We selected high-risk units located in Phoenix, using OIG developed risk models.⁵ The models include risk factors such as revenue, local expenses, refunds, miscellaneous expenses, employee items, master trust balances, excess stock, override transactions, inactive customer trust accounts, and vending deposit compliance. The four units addressed in this report reported approximately \$45.9 million of revenue in fiscal year (FY) 2008.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine, at the selected units, whether internal controls were in place and effective and whether financial transactions were reasonably and fairly presented in the accounting records, for the following items:

- Stamp, money order, and cash accountability;
- Financial accounting and reporting;
- Disbursements;
- Vending;
- Mail acceptance, verification and clearance;
- Customer trust accounts;
- Business reply mail (BRM) and postage due (PD) processing; and
- Transaction overrides.

To accomplish our objectives, we audited four judgmentally selected units located in Phoenix. We selected the units based on dollar value of inactive trust account balances, high percentage of disbursements compared to revenue, greater than average no-fee money order transactions, excess stamp stock, high-dollar value of miscellaneous expenses, and outstanding vending balances with no sales activity. The units included:



⁵ We used the Performance Analyses and Risk Indicators Scans (PARIS) Financial Model, Business Mail Entry Unit Model and Vending Model, which are based on financial data in the Enterprise Data Warehouse and PostalOne!.

We performed accountability examinations, analyzed customer trust accounts, and evaluated whether the internal control structure over financial accounting and reporting, disbursements, and safeguarding of assets was implemented and functioning as designed. We judgmentally selected and reviewed transactions generated for the April 2008 through March 2009 reporting periods related to disbursements and no-fee money orders. We reviewed the vending removal procedures at the [REDACTED]. In addition, we reviewed all BRM/PD customer accounts in the Phoenix area for inactivity because those customer accounts appear under the same finance number as the [REDACTED] customer accounts.

We traced recorded financial transactions to and from supporting documentation and assessed the reliability of computerized data by verifying the computer records to source documents. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We interviewed supervisors and employees and observed operations at these judgmentally selected Postal Service units. We interviewed the District Finance Manager to determine what procedures the District has in place to monitor operations at post offices and BMEUs.

We conducted this audit from March through July 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on May 28, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
FY 2007 Financial Installation Audit – [REDACTED]	FF-AR-07-133	3/27/07	\$39,031	The report disclosed internal control and compliance issues relating to inactive BRM/PD accounts, outstanding employee items, and cash and stamp accountabilities. Management agreed with the findings and took corrective action. However, our current audit report discusses a repeat condition relating to inactive BRM/PD accounts.

APPENDIX B: DETAILED ANALYSIS

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
Customer Trust Accounts				
1	<p>Management at post offices in Phoenix did not monitor BRM/PD accounts for inactivity. Specifically, of the 4,250 BRM/PD accounts in Phoenix post offices, we identified 289 at 16 post offices with inactive account balances totaling \$118,934. See Appendix F for a list of inactive BRM/PD accounts by post office. See Appendix D for monetary impact associated with inactive BRM/Postage Due accounts.</p>	<p>Handbook F-101, <i>Field Accounting Procedures</i>, Section 17-6, January 2009</p>	<p>The BRM Clerk at the [REDACTED] stated the unit runs balance reports monthly to monitor and resolve inactive accounts, but he must have overlooked the accounts at [REDACTED].</p> <p>The BRM Clerk at the [REDACTED] stated she did not have a process to monitor accounts for inactivity.</p> <p>The [REDACTED] Clerk did not know why the other post offices in Phoenix did not monitor the accounts for inactivity. However, a District Financial Control and Support (FCS) Analyst stated FCS sends out notifications to units with inactive accounts but does not follow-up to ensure the accounts were resolved.</p>	<p>Monitor and close inactive BRM/PD trust accounts.</p>

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
2	<p>The [REDACTED] did not close 37 inactive permit imprint (PI) and additional postage (ADDPOS)⁶ accounts with balances totaling \$11,999. Specifically, as of April 13, 2009, there were:</p> <ul style="list-style-type: none"> • 18 accounts totaling \$8,046, which became inactive in March and April 2009. • 19 accounts totaling \$3,953, which became inactive before March 2009. <p>See Appendix D for monetary impact associated with inactive PI/ADDPOS accounts.</p>	Handbook F-101, Section 16-7	<p>Management stated that every month they review the cancellations report from PostalOne! and resolve the accounts listed on that report. They stated they were in the process of resolving inactive accounts listed on the March cancellation report. Management also stated the accounts that were inactive before March did not appear on prior cancellations reports.</p> <p>On April 25, 2009, a headquarters Financial Systems Specialist informed field units the cancellation functionality of PostalOne! had been disabled. The prior and pending Cancellation Reports in PostalOne! should not be used because they are inaccurate and not current. Rather, units should use the balances report from PostalOne! to monitor and resolve inactive customer trust accounts.</p>	Use the balances report to monitor and close inactive PI and ADDPOS trust accounts.
3	<p>Management at the [REDACTED] allowed a customer trust account to accumulate a negative balance totaling \$4,948. See Appendix D for monetary impact associated with the negative account balance.</p>	Handbook F-101, Section 17-4.1.e and f	<p>The [REDACTED] Manager stated the mailer comes in every month with a check to pay for the mail. He stated that because the customer makes regular payments, the unit will deliver the mail on a daily basis.</p>	Collect the unpaid balance from the customer and ensure the customer has sufficient funds on deposit before delivering the mail.

⁶ ADDPOS accounts are created in PostalOne! to collect additional postage and maintain the activity to pay additional postage.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
Disbursements				
4	<p>Management at the [redacted] and [redacted] could not provide documentation to support refunds totaling \$24,199, or 3 percent of the \$946,138 refunds reviewed.⁷</p> <p>Specifically:</p> <ul style="list-style-type: none"> • The [redacted] could not provide documentation for refunds totaling \$19,985, or 2 percent of the \$933,353 refunds reviewed. • The [redacted] could not provide documentation for refunds totaling \$4,214, or 33 percent of the \$12,785 refunds reviewed. <p>See Appendix D for monetary impact associated with unsupported refunds.</p>	Handbook F-101, Section 21-1	Management at both units stated they were unaware the forms were not completed properly or were missing. The [redacted] Supervisor stated the disbursements were issued before her arrival at the unit but stated her clerks have been instructed to ensure all disbursement are properly supported during the closeout.	Properly complete, review and retain support documentation for refund disbursements.

⁷ There were \$1,114,402 in refunds disbursed by the two units for the period under review.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
5	<p>Management at the [redacted] and [redacted] could not provide documentation to support no-fee money order transactions totaling \$24,868, or 11 percent of \$221,383 reviewed.⁸</p> <ul style="list-style-type: none"> The [redacted] could not provide documentation to support 27 no-fee money order transactions totaling \$22,152, or 14 percent of the \$156,597 amount reviewed. The [redacted] could not provide documentation to support five no-fee money order transactions totaling \$2,716, or 4 percent of the \$64,786 amount reviewed. <p>See Appendix D for monetary impact associated with unsupported no-fee money order transaction.</p>	<p>Publication 189, <i>Financial Aid</i>, page 2 verify disbursement transactions, dated May 2008</p> <p>Handbook F-101, Section 2-4</p>	<p>Management did not review the closeout documentation to ensure that all disbursements were properly supported.</p>	<p>Properly complete, review, and retain documentation to support no-fee money order disbursements.</p>

⁸ The units issued a total of \$375,863 of no-fee money orders during the period under review.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
6	<p>The [redacted] automatically issues refunds of Post Office (PO) box fees using change of address forms rather than waiting for the customer to submit a Postal Service (PS) Form 3533, Application for Refund of Fees, Products, and Withdrawal of Customer Accounts. Specifically, the unit issued refunds of PO box fees, totaling \$17,878, or 53 percent of the PO box refunds reviewed, without a customer signature on the form.⁹ See Appendix D for monetary impact associated with unsupported refunds.</p>	Handbook F-101, Section 21-1	The [redacted] Supervisor stated the unit's process is to automatically issue refunds for PO box fees whenever a customer submits a change of address and mails the refund to the customer.	Have customers complete and sign PS Form 3533 before processing PO box refunds.
7	<p>The [redacted] processed \$4,783 in improper refunds. Specifically, the unit:</p> <ul style="list-style-type: none"> • Refunded cash, rather than stamps, for precancelled stamps totaling \$3,323. • Did not collect two administrative refund fees totaling \$1,110. • Refunded PI application and annual fees totaling \$350 after customer mailed four times. <p>See Appendix D for monetary impact associated with improper disbursements.</p>	Handbook F-101, Section 21-1	<p>The [redacted] Supervisor stated that Mailing Requirements directed her to process the refunds.</p> <p>A Mailing Requirements Specialist stated the unit processed stamps for cash on their own. He further stated, one customer is disputing the large administrative fee and that they decided to refund the PI fees for customer service.</p>	Instruct Mailing Requirements and the [redacted] to adhere to the policy when processing refunds.

⁹ The [redacted] issued a total of \$45,110 in PO box refunds during the period under review.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
8	<p>The [redacted] and [redacted] used improper methods of payment for disbursements totaling \$10,965. Specifically:</p> <ul style="list-style-type: none"> The [redacted] issued disbursements over \$500 using cash or no-fee money orders totaling \$3,122. The [redacted] issued disbursements over \$500 using no-fee money orders totaling \$7,843. <p>See Appendix D for monetary impact associated with improper methods of payment.</p>	Handbook F-101, Sections 19-1.1 and 21-1.2	<p>A retail associate at the [redacted] stated the refunds were for bulk mailers who mistakenly purchased additional postage with postage validation imprinter (PVI) but really wanted to deposit funds in their trust accounts. The customers returned the next day, and the associates refunded the PVIs with cash or no-fee money orders and deposited the funds into the customers trust accounts.</p> <p>[redacted] instructed the [redacted] to process the refunds using no-fee money orders rather than having the customer wait for Scanning and Imaging¹⁰ to process the refunds.</p>	Send disbursements over \$500 to Scanning and Imaging for processing.

¹⁰ The Postal Service has deployed imaging and workflow technologies that enable the Scanning and Imaging Center to convert hard copy documents to electronic documents. These documents are scanned, indexed, and electronically transmitted to the appropriate Accounting Services location for processing.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
Excess Stamp Stock				
9	<p>Management at the [redacted] did not maintain stamp stock levels within the authorized limits. Specifically:</p> <ul style="list-style-type: none"> The unit exceeded the total office accountability limit by \$91,386 or 92 percent.¹¹ The unit allowed the retail floor stock to exceed the 2-week postage sales limit by \$25,244.¹² <p>See Appendix E for non-monetary impact associated with excess stock.</p>	Handbook F-101, Sections 11-3.4 and 14-2.3	The Supervisor stated during the last rate increase her unit ran out of Forever stamps. She did not want this to happen again; therefore, she increased the amount of Forever stamps. Additionally, she supplied the retail floor with all the soon to be obsolete stamp stock from the unit reserve because of the pending rate increase.	Reduce the accountability levels to the limits established by Postal Service policy.

¹¹ The authorized total accountability limit for the [redacted] was \$99,538.

¹² The authorized 2-week postage sales limit for the [redacted] was \$16,590.

Internal Control Deficiency	Condition	Criteria	Cause	Specific Actions Required
SmartPay Transactions				
10	<p>One cardholder at the [REDACTED] did not follow proper SmartPay Purchase Card Program procedures. Specifically, the cardholder did not:</p> <ul style="list-style-type: none"> • Obtain additional approval for one \$1,042 purchase that was approved for \$687. • Submit or receive eBuy approval before purchasing scales totaling \$1,871. • Reconcile and sign one bank statement totaling \$5,364. In addition, the Credit Card Approving Official did not reconcile and sign the statement. <p>See Appendix D for monetary impact associated with unapproved SmartPay purchases and Appendix E for non-monetary impact associated with the unreconciled bank statement.</p>	<p><i>Administrative Support Manual</i>, Section 722.633 updated January 1, 2009</p> <p>Handbook AS-709, <i>Purchase Card Policies and Procedures for Local Buying</i>, Sections 332.11, 422.1, and 423.1, dated September 2008</p>	<p>The cardholder stated she was aware of the requirements, but these issues occurred because of an oversight.</p>	<p>Adhere to the policies of the Purchase Card program.</p>
Value Added Refunds				
11	<p>The [REDACTED] processed three duplicate VARs totaling \$12,635.</p>	<p>Handbook F-101, Appendix V</p>	<p>The Supervisor could not provide a reason why the forms were processed twice but stated it was probably due to an oversight. A District FCS Analyst researched the disbursements and determined Scanning and Imaging did not process the duplicate VARs.</p>	<p>Develop a procedure to prevent duplicate processing of refunds.</p>

APPENDIX C: ACCOUNTABILITY EXAMINATION SUMMARY

This table presents the results of accountability examinations performed during the audit, rounded to the nearest dollar. Shortages and overages presented are the total value of all shortages and overages identified.

Accountability	[REDACTED]		[REDACTED]		[REDACTED]		Total	
	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage
Unit Reserve Stock	-	-	-	-	-.13	-	-	-
Retail Floor Stock	-	\$927	\$797	-	N/A	N/A	\$797	\$927

¹³ The vending machine at the [REDACTED] was removed from service, and stamp stock was transferred to the unit reserve before our audit. However, the Supervisor stated he did not have time to verify the stamp stock before transferring it to the unit reserve; therefore, we counted the unit reserve. We identified a \$213 shortage in the unit reserve. However, on April 30, 2009, the unit counted the retail floor stock and reported an overage of \$963, which management stated was related to the \$213 shortage in the unit reserve. They had transferred stock from the unit reserve to the retail floor but had not recorded the transfer. The unit reserve was short 100 stamp booklets and 500 postcards, and the retail floor stock was over by the same amounts in these categories.

APPENDIX D: MONETARY IMPACT SUMMARY

This table presents the monetary impact results identified during the audit, rounded to the nearest dollar. We will report these funds in our *Semiannual Report to Congress*.

Internal Control Deficiency	Description	Recoverable Revenue	Unrecoverable Questioned Costs	
			Unsupported	Supported
1	Inactive BRM/PD accounts	\$75,994 ¹⁴		
2	Inactive PI/ADDPOS accounts	3,650 ¹⁵		
3	Negative account balance	4,948		
4 and 6	Unsupported refunds		\$42,077	
5	Unsupported no-fee money order transactions		24,868	
7	Improper disbursements			\$4,783
8	Improper method of payment			6,751 ¹⁶
10	Unapproved SmartPay purchases			2,226
Appendix C	Retail floor stock shortage			797
Total	\$166,094	\$84,592	\$66,945	\$14,557

¹⁴ As of June 5, 2009, the units closed 218 of the 289 accounts. The units refunded to customers or transferred to other accounts balances totaling \$42,940. We are claiming the amount not refunded to customers or transferred to other accounts totaling \$75,994 as monetary impact.

¹⁵ As of June 4, 2009, the unit closed 29 of the 37 accounts. The unit refunded \$8,349 to customers and transferred \$2,123 to account identifier code 126, Miscellaneous non-Postal Revenue; therefore, we are claiming the amount not refunded to the customers totaling \$3,650 as monetary impact.

¹⁶ We identified improper payment for disbursements totaling \$10,965; however, \$4,214 of this total is also included in unsupported refunds.

APPENDIX E: NON-MONETARY IMPACT SUMMARY

This table presents the non-monetary impact identified during the audit, rounded to the nearest dollar. We will report these funds in our *Semiannual Report to Congress*.

Internal Control Deficiency	Description	Accountable Items at Risk	Disbursements at Risk
9	Excess stamp stock	\$91,386	
10	Unreconciled bank statement		\$5,364
Total		\$91,386	\$5,364

**APPENDIX F: SUMMARY OF PHOENIX UNITS
WITH INACTIVE BRM/POSTAGE DUE ACCOUNTS**

This table presents the inactive BRM/Postage Due accounts for units located in Phoenix.

Cost Center	Unit Name	Number of Inactive Accounts	Balance of Inactive Accounts
██████████	██████████	4	\$1,312
██████████	██████████	14	3,199
██████████	██████████	8	1,680
██████████	██████████	1	400
██████████	██████████	11	2,111
██████████	██████████	4	593
██████████	██████████	5	310
██████████	██████████	42	6,786
██████████	██████████	1	686
██████████	██████████	98	32,129
██████████	██████████	36	16,765
██████████	██████████	15	1,793
██████████	██████████	21	2,677
██████████	██████████	5	6,765
██████████	██████████	18	31,049
██████████	██████████	6	10,678
Total		289	\$118,934¹⁷

¹⁷ We rounded the account balances in this column to the next higher dollar for presentation purposes. The rounded account balances total to \$118,933. However, the total of the unrounded inactive account balances is \$118,934.

APPENDIX G: MANAGEMENT'S COMMENTS

DISTRICT MANAGER
ARIZONA DISTRICT



July 15, 2009

Lucine M. Willis
Director, Audit Operations

SUBJECT: Fiscal Year 2009
Phoenix Financial Risk Audit
Report Number FF-AR-08-DRAFT

Thank you for the opportunity to review and comment on the subject audit report.

Internal controls and compliance issues related to stamps, cash, and money order accountabilities, disbursements, customer trust accounts, business reply mail (BRM) and postage due (PD) processing and transaction overrides, were reviewed and shared with the Postmaster, Station Managers and Business Mail Entry Management.

The assistance given to the unit in reducing the risk of losing cash, accountable items and revenue is appreciated. Management agrees with the findings and has taken the following actions based on the recommendations made during the audit.

Customer Trust Accounts

Three internal control deficiencies were identified in Customer Trust Accounts. These deficiencies were corrected and future deficiencies will be minimized with direct and effective supervisory oversight of unit operations.

Recommendations

1. Monitor and close inactive BRM/PD trust accounts.
2. Use the balances report to monitor and close inactive PI and ADD/POS trust accounts.
3. Collect the unpaid balance from the customer and ensure the customer has sufficient funds on deposit before delivering the mail.

Management Response

1. All inactive BRM/PD accounts revealed during the review have been refunded and closed. We now have a process in place to monitor BRM/PD inactive accounts utilizing the balance report. This report will be monitored and sent to the units bimonthly by District Mailing Requirements personnel. Completion date 6/22/09.

2. All PI and ADD/POS trust accounts revealed during the review have been refunded and closed. District Mailing Requirements will monitor these accounts utilizing the balance report on a biweekly basis. Completion date 5/18/09.
3. The unpaid balance was collected and we are in the process of setting up a CAPS account for the customer. No mail will be given to the customer if sufficient funds are not on deposit. The finance supervisor will monitor this on a daily basis. Completion date 5/20/09.

Disbursements

Five internal control deficiencies were identified in disbursement procedures. Management oversight procedures are now in place to limit future deficiencies.

Recommendations

1. Properly complete, review and retain support documentation for refund disbursements.
2. Properly complete, review and retain support documentation to support no-fee money order disbursements.
3. Have customers complete and sign PS Form 3533 before processing PO Box refunds.
4. Instruct Mailing Requirements and the [REDACTED] to adhere to the policy when processing refunds.
5. Send disbursements over \$500 to Scanning and Imaging for processing.

Management Response

1. The refund disbursement guidelines detailed in Handbook F-101 have been communicated to each Retail Associate. To ensure each disbursement is properly completed and supported the financial supervisor at each station will review all disbursements at closeout. Completion date 6/22/09
2. The refund disbursement guidelines detailed in Handbook F-101 have been communicated to each Retail Associate. To ensure each no-fee money order disbursement is properly completed and supported the financial supervisor at each station will review all disbursements at closeout. Completion date 6/22/09
3. The [REDACTED] Box Clerk has been instructed that a signed PS Form 3533 is required for all PO Box refunds. The majority of the refunds detailed in the report were for two bank customers with hundreds of rented boxes. They now sign all refund requests. This will be monitored by the MOW financial supervisor. Completion date 5/1/2009
4. The finance supervisor at the MOW has been instructed on the refund procedures for precanceled stamps outlined in Handbook F-101. Mailing Requirement personnel were instructed on allowable refunds and the proper procedures for processing them. Completion date 6/22/09.

5. Each Retail Associate has been instructed that no disbursement for \$500 or more will be processed locally. This will be monitored at each station by the financial supervisor. The disbursement guidelines detailed in Handbook F-101 have been communicated to each Retail Associate. In addition, the Marketing Manager has developed a SOP for customer refunds. The new Manager, Consumer Affairs has been instructed to follow this SOP for all customer refunds. Completion date 6/22/09.

Excess Stamp Stock

Management at the [REDACTED] failed to maintain stamp stock levels within the authorized limits.

Recommendation

1. Reduce the accountability levels to the limits established by Postal Service Policy.

Management Response

1. The Unit and Retail Stamp accountabilities are now within the established limits. The Unit Reserve Custodian sent stock for destruction to become compliant with established limits. The Retail Floor Stock returned stock to the Unit reserve to become compliant with established limits. The Unit Reserve Custodian now understands how to access her established limits in EDW. Financial Control & Support will send a report biweekly identifying units over their established stock limits. Completion date 6/25/09.

SmartPay Transactions

One card holder at the [REDACTED] did not follow proper SmartPay Purchase Card Program procedures.

Recommendation

1. Adhere to the policies of the Purchase Card Program.

Management Response

1. The SmartPay card detailed in the report has been cancelled. All purchasing will be completed by the employee with no findings during the review. The [REDACTED] Postmaster will ensure she continues to follow all purchasing requirements and all statements are reconciled. Completion date 4/15/2009.

Value Added Refunds

The [REDACTED] processed three duplicate VARs totaling \$12,635.

Recommendation

1. Develop a procedure to prevent duplicate processing of refunds.

Management Response

1. The duplicate VARs outlined in the report were investigated by Financial Control & Support and were only paid by Scanning and Imaging once. The MOW now provides [REDACTED] with the POS ONE GLA report detailing each VAR entered for the business day to compare with their daily VAR logs. In addition, Financial Control & Support will provide the BMEU with a monthly report from Scanning and Imaging detailing each VAR paid for the [REDACTED] Completion date 7/6/09.

Monetary Impact

The [REDACTED] Postmaster agrees with the monetary and non-monetary impacts

The monetary impacts of Inactive BRM/PD and PI/ADD/POS accounts have been refunded into AIC 126 Miscellaneous non-Postal Revenue.

The negative balance in the Merchandise Return customer account has been collected.

Processes are now in place to ensure all disbursements are properly supported and the proper method of payment is utilized.

The SmartPay cardholder detailed in the report has been cancelled.

Non-Monetary Impact

The non-monetary impact of excess stamp stock has been corrected. The unit sent unsalable stock to the destruction committee on 6/25/09 and is now within allowable limits.

The non-monetary impact of unreconciled SmartPay Purchase Card bank statement has been corrected. The bank statement has been reconciled and signed by the card holder and approving official.

During this review your team demonstrated professionalism and courtesy to the Phoenix staff. The information and guidance provided to maintain the effectiveness of the accounting records and internal controls is appreciated, and will be used.



Lawrence K. James
District Manager
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