



December 14, 2009

VINCENT H. DEVITO, JR.
VICE PRESIDENT, CONTROLLER

SUBJECT: Audit Report – Fiscal Year 2009 Financial Installation Audits – Post Offices, Stations, and Branches (Report Number FF-AR-10-045)

This report presents the results of our financial installation audits of 105 post offices, stations, and branches for fiscal year (FY) 2009 (Project Number 09BD001FF000). We conducted this work in support of the audit of the U.S. Postal Service's financial statements. Our overall objectives 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. [Appendix A](#) presents 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. [Appendix B](#) lists each issue reported during FY 2009 and the number of units where the issue was also reported in FYs 2007 and 2008. We identified three locations where controls, overall, were not effective and nine additional locations where major segments of internal controls were not effective. Additionally, we reported \$1.5 million in monetary and \$23 million in non-monetary impact at the individual locations.¹

We made recommendations to district management addressing internal control and compliance issues at each installation audited. District management's comments to the individual reports were responsive to the findings and recommendations reported. The actions taken or planned should correct the issues identified at these installations.² [Appendix C](#) lists the 105 installations we audited.

We changed the audit objective for our FY 2010 financial installation audits to evaluate only the key financial reporting controls consistent with the criteria developed for evaluating Sarbanes-Oxley Act of 2002 compliance. We identified nine key financial

¹ During our audits, we also observed compensating controls. These compensating controls allowed us to conclude that, overall, internal controls were in place and effective.

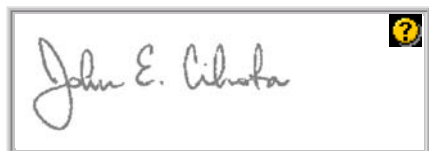
² Additionally, at 48 of the sites audited, we referred situations that warranted further examination to the U.S. Postal Service Office of Inspector General (OIG) Office of Investigations.

reporting controls relating to accountability examinations, master trust accounts, employee items, financial differences, unit closeout procedures, payroll, Voyager (eFleet) payments, SmartPay payments, and contract postal unit oversight. In FY 2010, we will determine whether statistically selected post offices complied with these controls.

Management's Comments

We discussed our observations and conclusions with management on December 4, 2009. As we are not making recommendations in this report, management determined there was no need to provide formal comments.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin Ellenberger, director, Field Financial – East, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small yellow square icon with a black question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

cc: Joseph Corbett
Dean J. Granholm
Julie S. Moore
Steven R. Phelps
Sally K. Haring

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The U.S. Postal Service Office of Inspector General (OIG) conducts financial field audits at post offices and business mail entry units. We conduct these audits in support of the independent public accounting firm's overall audit opinion on the Postal Service's financial statements.

Post offices, which include 32,000 main offices, stations, and branches, are postal retail units where the Postal Service initially recognizes revenue from operations. During FY 2009, the Postal Service recognized \$17.9 billion in retail revenue. Financial activities at these installations include, but are not limited to, post office box and caller service, money orders, payments, and postage sales. Field unit managers and supervisors are responsible for ensuring that employees collect all revenue due the Postal Service, account for revenue in a timely manner, and maintain the required supporting documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our overall objectives 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 these objectives, we conducted unannounced audit fieldwork at 105 statistically selected post offices, stations, and branches (units). We employed a stratified random sample from a population of 23,411 units with revenue of more than \$50,000. These 105 units reported \$362 million in revenue in FY 2008. [Appendix C](#) lists the locations we audited.

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 also evaluated whether the internal control structure over financial reporting and safeguarding of assets was implemented and functioning as designed.

We conducted this audit from October 2008 through December 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to limit audit risk to a low level that is, in our professional judgment, appropriate for supporting the overall audit opinion on the financial statements. Those standards also require us to consider the results of previous engagements and follow up on known significant findings and recommendations that directly relate to the objectives of the audit. An audit also includes obtaining a sufficient understanding of internal controls to plan the audit and

determine the nature, timing, and extent of audit procedures to be performed. We supported the external auditors in obtaining reasonable assurance about whether the financial statements are free of material misstatement (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, an audit conducted in accordance with generally accepted government auditing standards may not detect a material misstatement. However, the external auditors and the OIG are responsible for ensuring that Postal Service officials are aware of any significant deficiencies that come to our attention.

We discussed our observations and conclusions with management on December 4, 2009, and included their comments where appropriate. Additionally, we issued individual reports at each unit audited and made recommendations to district management addressing those findings. District management’s comments to the individual reports were responsive to our findings and recommendations and the actions taken or planned should correct the issues identified at these installations. 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.

PRIOR AUDIT COVERAGE

We evaluated all findings from reports previously issued at FY 2009 audit sites for FYs 2006 through 2008. We reported the status of the recommendations in each of the installation reports issued. Additionally, we issued three capping reports for FYs 2006 through 2008 summarizing our installation-level audits.

Report Title	Report Number	Final Report Date
<i>Imprudent Purchases and Management Instruction on Expenses for Internal and External Events</i>	FF-AR-10-025	December 3, 2009
<i>Management Advisory – Imprudent Spending Using the SmartPay® Purchase Card</i>	FF-MA-09-002	January 20, 2009
Capping Reports		
<i>Fiscal Year 2008 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-09-055	December 26, 2008
<i>Fiscal Year 2007 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-08-122	March 5, 2008
<i>Fiscal Year 2006 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-07-094	February 20, 2007

**APPENDIX B: CONTROL DEFICIENCIES AND THE FREQUENCY
THEY WERE REPORTED³**

Description of Control Deficiency ⁴ (Bolded items represent tests pertaining to the nine key SOX controls we will evaluate in FY 2010)	Number of Sites with Control Deficiencies		
	FY 2009	FY 2008	FY 2007 ⁵
STAMP, CASH, AND MONEY ORDER ACCOUNTABILITIES			
The unit did not ensure employees prepared or fully completed duplicate key envelopes.	39	42	44
The unit did not conduct timely examinations of unit cash reserve accountabilities.	37	39	34
The unit allowed retail floor stock to exceed the authorized limit.	37	47	42
The unit did not verify or document at least annually that an employee's accountability keys did not open another's accountability.	35	39	44
The unit did not restrict access to Postal Service information resources to authorized employees.	34	28	24
The unit did not destroy or return obsolete money orders.	19	11	6
The unit did not verify that locks and combinations were changed.	19	16	16
The unit did not limit employees' access to the unit cash reserve.	18	8	16
The unit did not conduct timely examinations of unit reserve stamp accountabilities.	18	18	20
Retail associates kept booklets of Postal Service (PS) Forms 1096, Cash Receipt, at the retail window area.	18	N/A	N/A
The unit did not secure retail floor stock.	17	21	13
The unit allowed the cash reserve to exceed the authorized limit.	16	10	13
The unit did not witness accountability examinations, as required.	15	6	7
The unit did not conduct timely examinations of cash retained accountabilities.	14	52	59
The unit did not prevent sales associates from exceeding the authorized cash retained limit.	13	12	6
Unit employees did not secure cash and stamp credits.	13	16	5
The unit did not ensure cash or stamp credits were kept separate from other accountable credits.	12	4	N/A
The unit did not close inactive credits.	11	33	33
The unit did not secure money orders.	11	8	6
The unit did not ensure that all accountabilities were listed on the clerk's balance list or manual accountability recap sheet.	10	1	3
The total office accountability exceeded the authorized limit.	10	26	14
The unit did not secure duplicate keys.	10	10	12
The unit did not ensure that all money orders were inventoried.	9	11	9

³ We reported compliance issues, but we also observed compensating controls. These compensating controls allowed us to conclude that, overall, internal controls were in place and effective.

⁴ In FY 2010, we will determine whether statistically selected post offices complied with nine key SOX financial reporting controls. The 21 **bolded** items represent those sub-controls we will continue to test in FY 2010 that relate to the nine key SOX financial reporting controls. We will provide quarterly results to Postal Service Headquarters.

⁵ Comparative data for items shown as N/A is not available. These items were not evaluated in prior FYs, are summarized in categories different than those used in FY 2009, or had no findings reported in FY 2007 or FY 2008.

Description of Control Deficiency ⁴ (Bolded items represent tests pertaining to the nine key SOX controls we will evaluate in FY 2010)	Number of Sites with Control Deficiencies		
	FY 2009	FY 2008	FY 2007 ⁵
The unit reserve custodian did not secure unit reserve stock.	9	10	13
The unit did not prevent employees from storing personal funds with Postal Service funds.	7	2	6
The unit did not conduct timely examinations of individual stamp credits.	7	7	9
The unit did not secure cash, stamps, or other accountable items.	7	9	2
The unit did not remit all funds from retail operations.	7	4	5
The unit did not record all financial transactions.	6	5	5
The unit did not conduct timely examinations of consigned rural route stamp credits.	6	3	N/A
The unit did not document credit examination results on PS Form 3368, Stamp Credit Examination Record.	5	14	41
The unit did not properly document, execute, or record stock transfers.	5	5	4
The unit did not conduct timely examinations of vending accountabilities.	5	3	8
The unit did not always post overages and shortages.	4	5	8
The unit did not properly document credit examination results on PS Form 3294, Cash and Stamp Stock Count and Summary, or retain the forms. ⁶	3	7	44
The unit did not secure vending accountabilities.	3	2	3
The unit did not follow proper vending procedures.	2	6	7
The unit did not return Paymaster money order imprinters when the POS system was installed.	1	1	N/A
The unit did not complete or retain PS Forms 17, Stamp Requisition/Stamp Return, to document an internal stock transfer.	1	2	4
The unit used vending funds to make change.	1	6	6
FINANCIAL ACCOUNTING AND REPORTING			
The unit did not monitor and resolve financial differences.	56	31	38
The unit did not monitor advance deposit accounts for inactivity.	37	36	39
The unit did not follow closeout procedures.	33	23	25
The unit did not properly prepare bank deposits.	27	37	42
The unit did not review completed PS Forms 5659, Daily Passport Application Transmittal.	27	27	N/A
The unit did not monitor employee items or promptly clear them.	17	18	34
The unit did not secure completed passport applications and the daily transmittal before mailing them.	12	11	N/A
The unit did not monitor or reconcile master trust account balances.	10	9	14
The unit did not properly operate the postage validation imprinter or make adjusting entries.	10	16	12
The unit did collect all business reply mail (BRM) revenue.	8	5	9

⁶ In December 2007, we stopped testing this control at retail units with the POS financial reporting system.

Description of Control Deficiency ⁴ (Bolded items represent tests pertaining to the nine key SOX controls we will evaluate in FY 2010)	Number of Sites with Control Deficiencies		
	FY 2009	FY 2008	FY 2007 ⁵
The unit did not have current versions of PS Forms 8105-A, Funds Transaction Report, and 8105-B, Suspicious Transaction Report.	8	0	0
The unit did not ensure passport revenue was collected or reported.	6	2	N/A
The unit did not maintain a PS Form 8105-A tracking log.	2	0	0
The unit retained copies of completed PS Forms 8105-A and 8105-B.	2	0	0
The unit did not obtain BRM annual fee payment receipts from BRM agents.	1	2	1
Retail associates did not properly complete and submit PS Forms 8105-A.	1	3	6
The unit did not separate passport acceptance and review duties.	1	1	N/A
POST OFFICE BOXES AND CALLER SERVICE			
The unit did not close or block post office boxes for customers who did not pay their fees.	13	19	10
The unit did not adequately separate post office box duties.	9	13	13
The unit did not keep the Web Box Activity Tracking System up to date.	4	8	7
The unit did not properly collect caller service fees for customers with caller service.	4	3	3
The unit maintained PS Form 1091-A, Post Office Box Register, even though the unit has used the Web Box Activity Tracking System for over 2 years.	4	N/A	N/A
PAYROLL			
The unit did not complete or maintain PS Forms 1723, Assignment Order, to support higher-level authorization.	26	9	4
The unit did not have adequate documentation to support payroll transactions.	19	25	23
Management did not post the correct codes for employee leave in the Time and Attendance Collection System.	1	0	0
Management did not ensure employees were paid at the correct level.	1	0	0
PAYMENTS			
The unit did not verify disbursement transactions were supported.⁷	32	37	34
The unit did not update the master personal identification number (PIN) list for the Voyager fleet credit card.	23	25	19
The unit did not secure the Voyager master PIN list.	11	5	10
The unit did not keep receipts to support Voyager transactions.	6	14	8
The unit did not properly reconcile monthly Voyager purchases.	6	6	5
The unit did not use the preferred purchasing method for purchases.	5	1	N/A
The cardholder did not create requisitions through eBuy's online requisition and approval feature before making purchases.	2	6	4

⁷ In addition to our installation audits, as part of the OIG's continuous auditing efforts, we conducted judgmental testing of SmartPay and Voyager purchases.

Description of Control Deficiency ⁴ (Bolded items represent tests pertaining to the nine key SOX controls we will evaluate in FY 2010)	Number of Sites with Control Deficiencies		
	FY 2009	FY 2008	FY 2007 ⁵
The SmartPay Purchase Card approving official did not verify, sign, and date the credit card statements within the time limit.	2	8	10
The unit did not properly record receipts or disbursement accounts.	1	3	1
The unit did not properly process postage refunds and exchanges.	1	2	1
The unit did not properly assign Voyager PINs.	1	3	3
The unit did not ensure that SmartPay Purchase Card cardholders reviewed, signed, dated, and forwarded the card statements to the approving official within the time limit.	1	10	8
BUSINESS MAIL ACCEPTANCE			
Management did not verify that retail associates completed all applicable sections on business mailer postage statements.	4	4	1
The unit accepted business mailings from a customer without verifying the customer paid the annual mailing fee.	4	1	1
The unit did not ensure it collected all business mail revenue.	3	1	1
The unit did not verify the mailer's sections of the postage statement were completed.	3	1	N/A
The unit did not complete all sections of the postage statements after mail acceptance.	2	2	N/A
The unit did not record business mail postage statements upon mail acceptance.	1	3	N/A
The unit did not verify that mailers used the correct version of mailing statements.	1	9	2

**APPENDIX C: POST OFFICES, STATIONS, AND BRANCHES AUDITED
AND REPORTS ISSUED NATIONWIDE**

	Report Title and Number	FY 2008 Revenue	Monetary Impact ⁸	Non-Monetary Impact ⁹
1	[REDACTED]	\$29,772,337	\$6,282	—
2	[REDACTED]	17,321,407	213,499	\$1,440,000
3	[REDACTED]	17,235,775	24,537	5,833
4	[REDACTED]	17,186,117	53,825	—
5	[REDACTED]	17,071,212	—	1,642
6	[REDACTED]	12,361,684	9,651	232,356
7	[REDACTED]	11,930,381	—	602,052
8	[REDACTED]	11,146,775	328,107	160,678
9	[REDACTED]	9,623,323	66,639	297,113
10	[REDACTED]	9,206,258	27,078	—
11	[REDACTED]	9,187,411	4,969	84,909
12	[REDACTED]	8,767,548	8,495	148,748
13	[REDACTED]	8,034,750	7,725	998,022
14	[REDACTED]	7,381,725	7,420	73,812
15	[REDACTED]	7,286,900	42,055	24,515
16	[REDACTED]	7,235,750	66,446	752,285
17	[REDACTED]	7,128,682	—	528,331

⁸ Depending on the specific nature of the findings involved, we reported these amounts as recoverable questioned costs, unrecoverable questioned costs, funds put to better use, unrecoverable revenue, or recoverable revenue.

⁹ Depending on the specific nature of the findings involved, we reported these amounts as assets at risk, accountable items at risk, or disbursements at risk.

	Report Title and Number	FY 2008 Revenue	Monetary Impact ⁸	Non-Monetary Impact ⁹
18	[REDACTED]	\$6,931,584	\$8,308	\$4,613
19	[REDACTED]	6,774,043	6,410	1,697,451
20	[REDACTED]	6,659,934	120,272	18,500
21	[REDACTED]	6,534,494	5,839	27,608
22	[REDACTED]	6,296,445	7,544	41,128
23	[REDACTED]	6,246,762	3,939	306,250
24	[REDACTED]	6,124,499	14,550	997
25	[REDACTED]	5,764,666	15,517	—
26	[REDACTED]	5,477,272	—	—
27	[REDACTED]	5,417,102	14,943	33,474
28	[REDACTED]	5,317,542	—	66,125
29	[REDACTED]	4,897,332	—	—
30	[REDACTED]	4,269,286	—	—
31	[REDACTED]	3,081,515	9,403	329,038
32	[REDACTED]	3,075,351	2,509	3,847
33	[REDACTED]	2,947,403	11,299	19,743
34	[REDACTED]	2,662,395	91,333	1,620
35	[REDACTED]	2,613,920	—	40,551
36	[REDACTED]	2,401,823	51,370	—

37	[REDACTED]	\$2,368,400	\$7,978	\$154,218
38	[REDACTED]	2,317,872	12,862	72,944
39	[REDACTED]	2,236,328	—	—
40	[REDACTED]	2,074,409	—	—
41	[REDACTED]	2,040,606	—	69,021
42	[REDACTED]	1,905,083	7,560	675,908
43	[REDACTED]	1,825,363	1,375	365,002
44	[REDACTED]	1,823,226	—	—
45	[REDACTED]	1,795,487	—	311,178
46	[REDACTED]	1,692,400	3,648	46,339
47	[REDACTED]	1,688,945	26,833	3,119
48	[REDACTED]	1,673,183	—	55,681
49	[REDACTED]	1,650,557	5,941	6,747
50	[REDACTED]	1,649,002	10,220	68,635
51	[REDACTED]	1,610,018	—	—
52	[REDACTED]	1,606,406	8,557	1,828,051
53	[REDACTED]	1,599,302	6,750	135,870
54	[REDACTED]	1,573,293	1,284	144,400
55	[REDACTED]	1,460,773	24,245	1,698,243

56	[REDACTED]	\$1,448,344	\$9,943	\$394,305
57	[REDACTED]	1,320,968	—	9,700
58	[REDACTED]	1,273,131	39,407	668,800
59	[REDACTED]	1,143,514	2,787	—
60	[REDACTED]	1,142,088	2,052	472,559
61	[REDACTED]	1,120,925	2,285	414,198
62	[REDACTED]	1,112,810	3,636	2,447
63	[REDACTED]	968,965	1,301	12,348
64	[REDACTED]	959,225	39,491	3,315,983
65	[REDACTED]	951,551	—	126,022
66	[REDACTED]	935,300	1,300	48,756
67	[REDACTED]	898,516	5,570	1,019,614
68	[REDACTED]	847,427	—	—
69	[REDACTED]	830,111	—	—
70	[REDACTED]	828,954	1,665	37,372
71	[REDACTED]	784,688	—	34,298
72	[REDACTED]	749,050	7,294	165,747
73	[REDACTED]	743,481	—	61,387
74	[REDACTED]	\$724,772	—	\$71,317
75	[REDACTED]	695,014	\$19,393	56,858
76	[REDACTED]	694,951	—	—

77	[REDACTED]	617,340	—	—
78	[REDACTED]	603,731	—	5,044
79	[REDACTED]	575,977	1,797	22,864
80	[REDACTED]	479,380	—	—
81	[REDACTED]	432,838	—	4,747
82	[REDACTED]	320,687	4,609	2,407,845
83	[REDACTED]	293,238	—	2,148
84	[REDACTED]	283,762	—	1,764
85	[REDACTED]	247,543	—	—
86	[REDACTED]	245,343	950	9,825
87	[REDACTED]	193,398	—	60,593
88	[REDACTED]	172,251	—	—
89	[REDACTED]	163,342	—	—
90	[REDACTED]	162,482	—	1,741
91	[REDACTED]	158,816	—	1,435
92	[REDACTED]	156,542	1,442	1,555
93	[REDACTED]	156,458	—	—
94	[REDACTED]	135,373	—	—

95	[REDACTED]	\$129,832	\$1,747	—
96	[REDACTED]	114,007	—	—
97	[REDACTED]	109,653	—	\$1,448
98	[REDACTED]	92,460	—	—
99	[REDACTED]	88,644	—	—
100	[REDACTED]	82,264	—	—
101	[REDACTED]	76,843	—	—
102	[REDACTED]	76,475	—	—
103	[REDACTED]	65,300	—	—
104	[REDACTED]	65,064	—	—
105	[REDACTED]	59,967	—	—
	Totals	\$362,494,851	\$1,493,886	\$23,009,317