



January 20, 2011

STEVEN R. PHELPS
MANAGER, SOX MANAGEMENT CONTROLS AND INTEGRATION

SUBJECT: Interim Management Advisory – Fiscal Year 2011 Financial Testing
Compliance Oversight Reviews – Laguna Postal Store Postal Retail Unit –
Elk Grove, CA (Report Number FF-MA-11-004)

This report presents interim results for the U.S. Postal Service Office of Inspector General's (OIG) fiscal year (FY) 2011 review of the U.S. Postal Service Financial Testing Compliance (FTC) Group's performance and conclusions at the Laguna Postal Store Postal Retail Unit (PRU), Elk Grove, CA (Project Number 11BR001FF003), performed November 17 and 18, 2010. The Laguna Postal Store is in the Sacramento District of the Pacific Area. At the conclusion of FY 2011 we will summarize the results for all reviews in reports to Postal Service Headquarters.

To comply with Section 404 Sarbanes-Oxley (SOX) Act of 2002 requirements, the Postal Service must report on the effectiveness of the agency's internal controls to ensure accurate financial reporting. It must submit an annual assessment to the Postal Regulatory Commission (PRC) who monitors and manages the Postal Service's compliance with SOX. The Postal Service established the Financial Control and Support group to oversee the work of the FTC, which tests key financial reporting controls. Senior Postal Service leaders use the results to identify and correct internal control deficiencies and report overall results to the PRC. We conducted this oversight review in support of the independent accounting firm's reliance on Postal Service management's testing and overall audit opinions on the Postal Service's financial statements and internal controls over financial reporting.

The overall objective of our review was to evaluate whether the FTC properly conducted and documented their examination of SOX financial reporting controls.

To perform this work, we observed FTC analysts conduct tests and reviewed their supporting documentation. We performed this review from November 2010 through January 2011 in accordance with the *Quality Standards for Investigations*.¹

Conclusion

Based on our review of the FTC's work, FTC analysts properly conducted and documented their examination of key SOX financial reporting controls. See [Appendix A](#) for the results of our review.

The interim FTC oversight review advisories will be issued to the SOX manager in final format. At the conclusion of the fiscal year, the OIG will summarize the results of all our FTC oversight reviews in a report to Postal Service Headquarters management. Management will have the opportunity to formally respond to the summary report at that time.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Carla Tate, manager, at 510-285-9026, or me at 510-285-9024.

-Signed by Linda J. Libician-Welch
ERIFY authenticity with Approvel

Linda J. Libician-Welch
Director, Field Financial – West

Attachments

cc: Douglas G. Germer
Corporate Audit and Response Management

¹ These standards were last promulgated by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) in January 2005. Since then, [The Inspector General Act of 1978 as amended by the IG Reform Act of 2008](#) created the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which combined the PCIE and ECIE. To date, the Quality Standards for Investigations have not been amended to reflect adoption by the CIGIE and, as a result, still reference the PCIE and ECIE.

APPENDIX A: REVIEW RESULTS

Site Name	Laguna Postal Store
Finance Number-Unit ID	0524250622
Location Type	PRU
Scope Period Under Review	October 1 – November 16, 2010
FTC Review Program Version and Date	SOX Key Controls for Postal Retail Units – November 1, 2010
FTC Team	West

FTC Review Step/Control #	FTC Review Step/ Step Description	Did the FTC have exceptions/ findings in this step? (Yes/No)	Did the OIG have exceptions/ findings that FTC did not? (Yes/No)	Did the FTC perform the step in accordance to its program? (Yes/No)	Did the FTC adequately document its work performed and the results? (Yes/No)	Did the OIG agree with the FTC's exceptions/ findings (or no exceptions/ findings? (Yes/No)
Control #109CA17- Unit Reserve Stock Accountability Counts	Confirm that unit reserve accountability examination procedures are followed.	No	No	Yes	Yes	Yes
Control #109CA15- Individual Stamp Stock Accountability Counts	Confirm that individual stamp stock accountability examination procedures are followed.	No	No	Yes	Yes	Yes
Control #123CA1- Bank Deposit Procedures	Confirm that bank deposit procedures are followed.	No	No	Yes	Yes	Yes

FTC Review Step/Control #	FTC Review Step/ Step Description	Did the FTC have exceptions/ findings in this step? (Yes/No)	Did the OIG have exceptions/findings that FTC did not? (Yes/No)	Did the FTC perform the step in accordance to its program? (Yes/No)	Did the FTC adequately document its work performed and the results? (Yes/No)	Did the OIG agree with the FTC's exceptions/ findings (or no exceptions/ findings (Yes/No)?
Control #109CA23- Closeout Procedures	Confirm that management is following close-out procedures and review of the daily unit Postal Service Form 1412 via observation of the closeout process.	No	No	Yes	Yes	Yes