January 28, 2010

VINCENT H. DEVITO, JR.
VICE PRESIDENT, CONTROLLER

SUBJECT: Audit Report – Fiscal Year 2009 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center (Report Number FT-AR-10-006)

This report presents the results of our audit of selected financial activities and accounting records at the U.S. Postal Service Information Technology and Accounting Service Center (IT/ASC) in St. Louis, MO, for the fiscal year (FY) ended September 30, 2009 (Project Number 09BM004FT000). The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. We conducted this audit in support of the independent public accounting firm's (IPA) overall audit opinion on the Postal Service's financial statements.[1] This audit addressed financial risk. See Appendix A for additional information about this audit.

Conclusion

During our audit of the St. Louis IT/ASC, we noted that:

- Financial accounting policies and procedures provided for an adequate internal control structure and complied with accounting principles generally accepted in the U.S.

- Accounting transactions at the St. Louis IT/ASC impacting the general ledger account balances were stated in accordance with accounting principles generally accepted in the U.S.

- General ledger account balances conformed to the general classification of accounts on a basis consistent with that of the previous year.

- The Postal Service complied with laws and regulations that have a direct and material effect on the financial statements taken as a whole.

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[1] The IPA maintains overall responsibility for testing and review of significant St. Louis IT/ASC accounts and processes. The U.S. Postal Service Office of Inspector General (OIG) coordinated audit work to assist the IPA to ensure adequate coverage.

We did not propose any adjustments, but we did identify control deficiencies[2] regarding travel expense claims, lease payments, international mail, and money orders.[3] These items were not significant to the financial statements and did not affect the overall adequacy of internal controls. The IPA identified additional control deficiencies regarding the St. Louis IT/ASC that were not in the scope of our review and are not reported here, including accounting policy for real property and leases and international mail transactions. These were were communicated to the Board of Governors (Board) Audit and Finance Committee on November 11, 2009.

Travel Expense Claims

Postal Service employees did not always accurately complete their travel expense reports or include required documentation. Specifically, we identified 18 errors from our sample of 90 expense reports approved in Quarter 2, FY 2009. These errors occurred because Postal Service employees were not always aware of the requirements, the existing requirements were vague, or employees made manual errors when completing their expense reports.

As a result, the Postal Service reimbursed employees for incorrect or unsupported travel expense amounts and recorded travel expenses in the incorrect accounting month. Specifically, the Postal Service overpaid two employees a total of $3,947. In addition, if one of these erroneous payments had gone undetected, we project overpayments totaling $7,575 over a 2-year period would have occurred. We consider the $3,947 in monetary impact as recoverable questioned cost[4] and $7,575 as funds put to better use.[5]

Based on our audit, management took action to obtain reimbursement from affected employees. In addition, management conducted training on travel expense report preparation and approval requirements. Further, management is revising Postal Service Handbook F-15, *Travel Regulations,* and will also revise the eTravel system to clarify and strengthen requirements and improve manual and system controls. Therefore, we are not making recommendations at this time but will continue to monitor this issue as part of our ongoing financial statements audit work. See Appendix B for our detailed analysis of this topic.

[2] A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
[3] See Appendix D for details of control deficiencies regarding Los Angeles International Service Center inbound international mail and money orders that were reported to management through interim reports. Regarding international mail, the IPA relies on the OIG to test controls at a field site to help ensure international mail transactions were accurate and properly supported.
[4] Costs that are unnecessary, unreasonable, or an alleged violation of laws or regulations. We used actual amounts per travel expense reports.
[5] Funds the Postal Service could use more efficiently by implementing recommended actions. We calculated the future overpayment for the traveler on detail in FY 2009 based on the FY 2009 amount of overpayment.

Lease Payments

The Postal Service made duplicate payments for two property lease contracts.[6] We identified these duplicate payments in our review of February 2009 rent payments to private landlords. These duplicate payments occurred because employees at the respective facilities services offices (FSO) made manual errors when processing payment schedules. As a result, the Postal Service made duplicate payments totaling $45,142. In addition, if these erroneous payments had gone undetected, we project overpayments totaling $67,258 over 7-month and 2-year periods, respectively, would have occurred. We consider the $45,142 as monetary impact, recoverable questioned costs, and the $67,258 as funds put to better use.

During the course of our audit, the Postal Service took corrective action to stop the duplicate payments and collect the overpayment. In addition, the Postal Service initiated corrective action to strengthen both manual and system controls to prevent and detect duplicate payments. See Appendix B for our detailed analysis of this topic.

Based on corrective actions taken or planned, we are not making recommendations at this time but will monitor this issue as part of our ongoing financial statements audit work.

Audit Observation

During our audit, we found that supporting documentation for Postal Service (PS) Forms 3131, *Standard Reconciliation of Accounts,* contained the names and social security numbers of two employees. Federal law and Postal Service regulations and policy prohibit the disclosure of personally identifiable information from a system of records without the written consent of the subject individual unless the disclosure is pursuant to one of 12 statutory exceptions.[7]

Managers indicated that the social security numbers were not needed to support the reconciliation of accounts and were inadvertently included. The inclusion of personally identifying information in records can cause an unwarranted invasion of personal privacy. During our audit, management removed the social security numbers from the supporting documentation.

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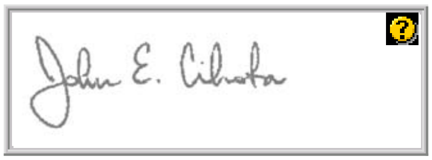
[6] We judgmentally selected February 2009 for review and used the Audit Command Language (ACL) tool to identify duplicate lease payments from the universe of 27,926 transactions. We identified 311 lease payment records (for 88 leases) as potential duplicate payments. Based on our review, two of the 311 records were actual duplicate payments related to two leases. As of September 2009 , the Postal Service leased over 24,500 facilities with annual rents totaling over $1 billion.

[7] 5 United States Code (U.S.C.) 552a; and Handbook AS-353, *Guide to Privacy, the Freedom of Information Act and Records Management,* dated September 2005, updated with *Postal Bulletin* revisions through September 11, 2008.

Progress on Prior Years' Recommendations

We followed up on recommendations concerning international mail, highway extra trips, rail service claim payments, Transportation Contract Support System (TCSS) access at the Capital Metro Distribution Network Office (DNO), contract postal unit (CPU) bonding, CPU payments, and travel expense claims from prior years' financial statement audits at the St. Louis IT/ASC. See Appendix E for a description of previously reported issues and the progress the Postal Service has made in addressing the recommendations.

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



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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The St. Louis IT/ASC is one of three ASCs Postal Service-wide.[8] It is responsible for accounting functions related to money orders, real property, transportation, international mail, and accounts payable.[9] The facility is also responsible for processing financial and accountability data from field units.

We have issued separate financial statement audit reports for headquarters and the Eagan, MN, IT/ASC and will issue a separate report for the San Mateo, CA, IT/ASC. Further, in addition to the overall opinion on the Postal Service's financial statements, the IPA, contracted by the Board to express an opinion on the financial statements, issued a separate report on the Postal Service's internal controls and compliance with laws and regulations.[10] The OIG will also issue a separate report for the audit of the FY 2009 information system controls at the Eagan, San Mateo, and St. Louis IT/ASCs and the Raleigh, NC, Information Technology Service Center.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether:[11]

- Financial accounting policies and procedures provide for an adequate internal control structure and comply with accounting principles generally accepted in the U.S.

- Accounting transactions at the St. Louis IT/ASC impacting the general ledger account balances for assets, liabilities, equity, income, and expenses of the Postal Service are fairly stated in accordance with accounting principles generally accepted in the U.S.

- General ledger account balances conform to the general classification of accounts of the Postal Service on a basis consistent with that of the previous year.

- The Postal Service complies with laws and regulations that have a material and direct effect on the financial statements as a whole.

As part of our audit, we assessed internal controls, tested transactions, and verified account balances. We conducted this audit from November 2008 through January 2010

[8] Other ASCs are located in Eagan, MN, and San Mateo, CA.
[9] Includes accounting for rents and leases, contract stations, vehicle hire, uniform allowance, indemnity claims, tort claims, and eTravel.
[10] In addition to work performed by the IPA, these reports encompass work performed by the OIG at Headquarters, the three IT/ASCs, field sites, and the Raleigh, NC, Information Technology Service Center.
[11] The IPA maintains overall responsibility for testing and review of significant St. Louis IT/ASC accounts and processes. The OIG coordinated audit work to assist the IPA ensure adequate coverage.

in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States) and the standards applicable to financial audits contained in the Comptroller General of the United States' *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 considering the results of previous engagements and following 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 control to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We believe the evidence obtained provides a reasonable basis for our conclusion and observations based on our audit objectives.

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 PCAOB and *Government Auditing Standards* may not detect a material misstatement. However, external auditors and the OIG are responsible for ensuring that appropriate Postal Service officials are aware of any significant deficiencies that come to our attention. We discussed our observations and conclusions with management on December 18, 2009, and included their comments where appropriate.

We relied on computer-generated data from several Postal Service financial systems, including:

- Accounting Data Mart
- electronic Facilities Management System (eFMS)
- eTravel
- Logistic Contract Management System
- Money Order Database
- Money Order Inquiry System (MOIS)
- Oracle Accounts Payable[12]
- Retek Merchandising System
- Settlement Management System
- Surface Air Management System
- Surface Air Support System
- TCSS

We performed specific internal control and transaction tests on these systems' data to include tracing selected financial information to supporting source records. For example, we verified that payment authorizations supported payments recorded in the

[12] Formerly referred to as Accounts Payable Excellence.

eFMS and that the Postal Service applied the amounts to the appropriate general ledger accounts.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
New York International Service Center – Inbound International Mail	FT-AR-08-005	1/24/2008	$13,700,604	Volume data used to bill FPAs for inbound Express Mail® and letter class service was not always accurate.[13] Two significant recommendations regarding policies and procedures to document the complete processing and billing cycle for inbound international mail and controls to ensure correct billing of FPAs for all valid dispatches remain open.
Fiscal Year 2007 Postal Service Financial Statement Audit – St. Louis Information Technology and Accounting Service Center	FT-AR-08-010	3/31/2008	$6,644	A significant deficiency existed with international issues.[14] In addition, we identified control deficiencies regarding extra highway trips, transportation systems' access, eTravel claims, CPU payments, and property transactions. One significant recommendation to modify policies and procedures to include destination facility validation in the extra highway trips payment process remains open.
Los Angeles International Service Center – Inbound International Mail	FT-AR-10-001	10/13/2009	$163,000	Volume data used to bill FPAs for inbound international letter post, Parcel Post®, and Express Mail service was not always accurate and properly supported.[15] One significant recommendation to finalize and communicate international service center standard records unit procedures was closed at report issuance. The other significant recommendation to expedite approved system change requests pertaining to the International Reconciliation System remains open.

[13] Express Mail is a trademark of the Postal Service.
[14] Ernst and Young, LLP, the independent public accounting firm contracted to opine on the Postal Service's financial statements, reported this as a significant deficiency in its *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* (dated November 14, 2007). A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The significant deficiency was re-classified as a control deficiency in FY 2008.
[15] Parcel Post is a trademark of the Postal Service.

APPENDIX B: DETAILED ANALYSIS

Travel Expense Claims

Postal Service employees did not always accurately complete their travel expense reports or include required documentation. Specifically, we identified 18 errors as follows:[16]

- Four travel expense reports had incorrect expense amounts.[17]
- Four travel expense reports were not submitted timely.[18]
- Five travel expense reports represented travel expenses accumulated over an extended period of time.[19]
- Two travel expense reports were filed and paid prior to completion of travel and included per diem charges.
- Three travel expense reports had either an incorrect lease agreement attached[20] or none at all.

These errors occurred because employees were not always aware of the requirements, the existing requirements were vague, or employees made manual errors when preparing their travel expense reports.

Postal Service Handbook F-15[21] outlines travel reimbursement requirements for Postal Service employees on official business travel. It states that employees must:

- Claim reimbursement only for allowable expenses.
- Submit the eTravel expense report as soon as possible after completing travel but not later than the end of the accounting month in which travel was completed.
- Attach required receipts per the eTravel summary expense report and send the report and receipts to the St. Louis ASC for processing.

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[16] We reviewed 90 expense reports representing the highest dollar amounts paid for travel expenses for Quarter 2, FY 2009. Some of the expense reports had more than one error. We excluded the Board of Governors travel expense reports from our sample, as we perform a separate audit of their travel and miscellaneous expenses.
[17] Two travelers filed three separate expense reports using an incorrect per diem location. Another traveler included personal expenses from the hotel bill.
[18] The OIG considers travel expense reports submitted more than 30 days after completion of travel not timely. The four reports were submitted 61, 62, 80, and 316 days after completion of travel.
[19] One of these expense reports was for travel over a 10-month period.
[20] In one instance, the traveler attached the incorrect lease and, in another instance, the traveler attached a receipt for rent payment rather than the required lease.
[21] The online version of Handbook F-15, published February 2004, is updated with *Postal Bulletin* revisions through December 20, 2007.

Postal Service policy also allows for pre-payment of certain expenses (for example, first and last month rental costs) but does not allow pre-payment of per diem expenses.

As a result, the Postal Service reimbursed employees for incorrect or unsupported travel expense amounts and recorded travel expenses in the incorrect accounting month. Specifically, the Postal Service overpaid two employees a total of $3,947. In addition, if one of these erroneous payments had gone undetected, we project overpayments totaling $7,575 over a 2-year period would have occurred.[22] We consider the $3,947 as monetary impact, recoverable questioned costs; and the $7,575 as funds put to better use. See Appendix C for calculations of monetary impact.

Based on our audit, management initiated corrective action to obtain reimbursement from affected employees and improve manual and system controls. For example, management is revising Handbook F-15 to require travelers with government travel cards to use the cards for certain expenses and will subsequently revise eTravel upon implementation of this policy change. In addition, management provided formal training to all area finance managers on travel expense report preparation and approval requirements.

Lease Payments

The Postal Service made duplicate payments for two property lease contracts. Specifically, we identified one landlord who received both electronic fund transfer (EFT) and manual payments by check for 5 months beginning in January 2009. The amount of overpayments totaled $36,042. We also identified two parties that received lease payments for the same property over a period of 13 months, for a total overpayment of $9,100.

Both duplicate payments were caused by manual errors of employees at the respective FSOs. Specifically, the first error occurred because an employee input an incorrect stop date in the eFMS when the landlord converted to EFT from manual monthly payments. The second error occurred because an employee did not put a stop date in the eFMS following a change in payee.

Internal control standards and best practices specify that control activities, including application controls, must ensure the proper execution and accurate recording of financial transactions.[23]

As a result, the Postal Service made duplicate payments totaling $45,142. In addition, if these payments had gone undetected, we project overpayments totaling $67,258 over

[22] This erroneous payment related to an individual on indefinite travel status.
[23] *Standards for Internal Control in the Federal Government* (U.S. Government Accountability Office, November 1, 1999); *Internal Controls Over Financial Reporting-Guidance for Smaller Public Companies* (The Committee of Sponsoring Organizations of the Treadway Commission, Volumes II and III).

7-month and 2-year periods, respectively, would have occurred. We consider the $45,142 as monetary impact, recoverable questioned costs; and the $67,258 as funds put to better use. See Appendix C for calculations of monetary impact.

During the course of our audit, management initiated action to stop the duplicate payments and collect the overpayment. In addition, management initiated action to improve manual and system controls to prevent and detect duplicate payments. For example, an update to the eFMS warns users of overlapping lease dates, and management now signs an eFMS report to indicate periodic review of potential duplicate payments.

APPENDIX C: MONETARY IMPACTS

We calculated overpayments related to eTravel claims and lease payments as follows:

Recoverable Questioned Costs

Traveler	eTravel Claims Calculation	Amount
1	October 2008 through September 2009 difference in per diem rate: Austin, TX ($54 per day) versus Fredericksburg, TX ($39 per day)[24]	$3,788*[25]
2	Personal expenses claimed on hotel bill	$159
	Total	$3,947

Lease	Lease Payment Calculation	Amount
1	January through May 2009: 5 months X $7,208.33 per month	$36,042*
2	May 2008 through May 2009: 13 months X $700.00 per month	$9,100
	Total	$45,142

*Rounded

Funds Put To Better Use

Traveler	eTravel Claims Calculation	Amount
1	2 years X $3,788*	$ 7,575

Lease	Lease Payment Calculation	Amount*
1	7 months X $7,208.33 per month	$ 50,458
2	24 months X $700.00 per month	16,800
	Total	$67,258[26]

*Rounded

[24] Traveler filed two expense reports during Quarter 2 plus 13 more throughout FY 2009 to the same location.
[25] This amount represents the difference between the total per diem expenses claimed at the Austin, TX, rate for 260 travel days ($13,635) and the total per diem expenses at the standard per diem rate for Fredericksburg, TX ($9,847), which should have been claimed.
[26] Lease 1 was scheduled for termination December 2009 and payment was stopped in May 2009 as a result of our audit. We calculated 7 months of potential overpayments (June – December 2009). Lease 2 was scheduled for termination June 20, 2013, and payment was stopped in May 2009 as a result of our audit. The OIG's policy is to carry out potential overpayments for a maximum of 24 months.

APPENDIX D: INTERIM FINDINGS

During our audit, we identified and reported the following issues to management through interim reports.

Los Angeles International Service Center – Inbound International Mail[27]

Volume data used to bill FPAs for inbound international letter post, Parcel Post, and Express Mail service was not always accurate and properly supported. Specifically, proper source documentation was not always available and weights and piece counts were not always correct. These errors resulted from both manual and system issues.

We made significant recommendations to management to finalize and communicate procedures for international record unit personnel to follow when validating dispatches in the International Reconciliation System. Management completed this action on September 29, 2009. We also recommended management expedite approved system change requests to enable the International Reconciliation System to reconcile data and provide valid dispatch-level data for billing. Although management advised this change was ready for system testing on October 1, 2009, the deployment date depends on Foreign Post Settlement System implementation, which was targeted for January 1, 2010, but is still in the implementation process as of this report date. Management also concurred with all of our remaining recommendations not considered significant.

Controls Over Money Orders[28]

Based on our review of money order processes at the St. Louis Accounting Service Center (ASC), we found that controls over replacement checks, account reconciliations, and escheatment[29] needed improvement. Until improvements are made, there is an increased risk the Postal Service could issue improper money order replacement checks or misstate account balances. Further, we project the Postal Service issued $367,550 in money order replacement checks supported by incomplete forms during the period reviewed. Finally, money order balances were overstated by $165,166 due to money orders not escheated as appropriate; however, this amount is a very small percentage of the total money orders outstanding.

With regard to replacement checks, we recommended management coordinate with St. Louis ASC personnel to reconcile the differences between Postal Service policy and MOIS programming and revise policy for completing PS Forms 6401, *Money Order Inquiry*, accordingly. We also recommended management communicate the updated

[27] *Los Angeles International Service Center – Inbound International Mail* (Report Number FT-AR-10-001, dated October 13, 2009).
[28] *Controls Over Money Orders* (Report Number FT-AR-10-DRAFT, dated December 16, 2009).
[29] This is the monthly process of recording money orders outstanding for more than 2 years as miscellaneous revenue and removing them from the Outstanding Money Order Liability Account in the subsidiary ledger.

policy for PS Form 6401 completion to appropriate field personnel and initiate a system change request (SCR) for system edit(s) as necessary based on policy updates. For the account reconciliation, upon approval, we recommended management implement the SCR to eliminate the need for the manual calculation (Account Identifier Code 641 reconciling item) and continue to research and resolve the remaining unreconciled difference in the Outstanding Money Order Liability Account. Finally, in regard to escheatment, we recommended that management use the newly acquired data analytics tool to review the detailed money order data at least annually to ensure money orders are properly escheated, and escheat those money orders identified in our audit that are still outstanding after 2 years and meet applicable business rules.

APPENDIX E: PROGRESS ON PRIOR YEARS' RECOMMENDATIONS

New York International Service Center – Inbound International Mail[30]

Volume data used to bill FPAs for inbound air Parcel Post mail at the New York ISC was accurate. However, volume data used to bill FPAs for inbound Express Mail and letter class service was not always accurate. In response to our recommendations, management planned to establish policies and procedures to address billing inbound international mail and communicate those policies with relevant parties 3 months after implementing new settlement systems. Implementation of the new settlement system was scheduled for January 1, 2010. However, it is still in the implementation process as of the date of this report. Further management agreed to establish controls to ensure they bill FPAs correctly for valid dispatches, including dispatch numbers used more than once in a calendar year. Management expects to complete corrective actions by March 2010. We will continue to monitor the Postal Service's efforts to establish policies and procedures to address billing inbound international mail and controls to ensure FPAs are correctly billed for valid dispatches[31] as part of our annual financial statements audit work.

Highway Transportation Extra Trips[32]

Internal controls over payments made to highway transportation contractors for extra trips (trips made in addition to those under contract) needed strengthening. The current payment process did not include validation from the destination facility. Instead, the originating facility initiated and maintained control of the authorization and certification forms and submitted certification forms directly to the St. Louis IT/ASC for further processing. Management advised that even though the destination facility did not verify the form used for payment, controls required the destination facility to complete its portion of the form used as support to prepare the payment form. During FY 2009, management reviewed this payment process as part of the Postal Service's efforts to comply with the Sarbanes-Oxley Act. However, information provided in an attempt to close this recommendation did not include evidence this issue was addressed. We will continue to monitor this issue as part of our annual financial statements audit.[33]

[30] *New York International Service Center – Inbound International Mail* (Report Number FT-AR-08-005, dated January 24, 2008).
[31] These recommendations are considered significant.
[32] *Fiscal Year 2007 Postal Service Financial Statement Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-08-010, dated March 31, 2008).
[33] We consider this recommendation significant.

Capital Metro Distribution Network Office[34]

Highway transportation payment information entered into TCSS at the Capital Metro DNO was properly supported, authorized, and accurate. However, key duties and responsibilities related to contract administration and TCSS system administration were not appropriately separated for an individual at the Capital Metro DNO. In addition, although internal controls over Rail Management Information System (RMIS) service claims processed manually at the Capital Metro DNO improved from the previous audit, improvement was still needed to ensure RMIS service claim payments made to rail carriers were properly authorized and recorded and transactions were accurate.

For TCSS, management indicated new procedures that included additional segregation of duties within TCSS were implemented on April 23, 2009. We were not able to validate this information as we did not review TCSS system access during the FY 2009 audit; however, we will continue to monitor this issue as part of our annual financial statements audit.

For RMIS service claim payments, management indicated that they reiterated appropriate procedures for processing, documenting, and approving RMIS service claim payments to all appropriate personnel. In addition, management indicated that a review of all FY 2008 payment packages was completed and no adjustments were determined to be necessary. Finally, management indicated that they implemented a semi-annual audit of RMIS service claim packages and the first audit was completed on April 22, 2009. This audit showed that all payments were processed in accordance with management instruction and no payment adjustments were necessary. Therefore, recommendations related to RMIS service claim payments can be closed.

Contract Postal Unit Bonding[35]

The Postal Service did not have procedures in place to verify CPUs completed the annual financial examination, maintained a current file of CPU activities, and assessed the adequacy of bond amounts. In addition, the Postal Service did not have procedures to monitor the validity of existing bond waivers. Finally, existing procedures did not provide for establishing and updating oversight tools to monitor the adequacy of bond amounts.

Management agreed with the recommendations and has taken corrective action to ensure that bonding requirements are met, waivers are appropriate, and monitoring tools are current and used. As a result, we closed our recommendations relating to those areas but will continue to monitor corrective action underway to update monitoring tools.

[34] *Capital Metro Distribution Network Office* (Report Number FT-AR-09-008, dated January 30, 2009).
[35] *Contract Postal Unit Bonding* (Report Number FT-AR-09-005, dated December 10, 2008).

Contract Postal Unit Payments[36]

The Postal Service did not always terminate CPU firm-fixed contract payments upon conversion to performance-based contracts. In response to our FY 2007 audit recommendation, the Postal Service updated notifications of contract conversions to include the Denver Category Management Center. To further improve controls, the Postal Service also agreed to create a report in the CPU Technology System to eliminate duplicate payments for converted contracts. The contract conversion report was implemented in August 2009. We consider the recommendation closed.

Travel Expense Claims[37]

We found Postal Service employees did not always accurately complete travel expense reports in the eTravel system and include required receipts. In addition, St. Louis ASC personnel processed summary expense reports without verifying the required receipts were attached to the expense reports.

We recommended management reiterate travel expense report preparation and approval requirements to all area finance managers and provide training on travel expense report preparation as appropriate. We also recommended that management instruct St. Louis ASC personnel to verify that required receipts are attached to summary expense reports and obtain missing receipts before processing. Management took corrective action in response to our recommendations. Therefore, we consider the recommendations closed but will continue to monitor eTravel expense claims in our FY 2010 audit work.

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[36] *Fiscal Year 2007 Postal Service Financial Statement Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-08-010, dated March 30, 2008); and *Fiscal Year 2008 Postal Service Financial Statement Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-09-009, dated February 23, 2009).

[37] *Fiscal Year 2008 Postal Service Financial Statement Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-09-009, dated February 23, 2009).