



January 23, 2009

H. GLEN WALKER
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT

RONALD E. HENDERSON
MANAGER, HEALTH AND RESOURCE MANAGEMENT

WILLIAM (ASHLEY) LYONS
MANAGER, CORPORATE FINANCIAL PLANNING

AREA FINANCE MANAGERS

SUBJECT: Audit Report - Controls over Supervisor Leave
(Report Number CRR-AR-09-002)

This report presents the results of our self-initiated audit of controls over supervisor leave (Project Number 08RG022CRR000). Our objective was to determine whether controls over supervisory leave were adequate. The Postal Accountability and Enhancement Act (Postal Act of 2006) requires the U.S. Postal Service Office of Inspector General (OIG) to regularly audit the data collection systems and procedures the U.S. Postal Service uses to prepare its reports analyzing costs, revenue, rates, and quality of service for the Postal Regulatory Commission. During our review of In-Office Cost System (IOCS) telephone readings,¹ we noted inaccuracies in supervisor work and leave data recorded in the Time and Attendance Collection System (TACS). This follow-up review to that audit focuses on supervisor leave controls and addresses financial risk. See [Appendix A](#) for additional information about this audit.

Conclusion

Controls over manual processing of supervisor² leave were insufficient to ensure management approved the leave, recorded it in the TACS, and appropriately charged it to the supervisor's leave balance. We confirmed the leave status of supervisors where there was a discrepancy between the work/leave status reported during IOCS testing and the information recorded in the TACS. Management did not put supervisor leave into the TACS for 46 out of 124 (37 percent) of the IOCS/TACS discrepancies we confirmed. In 24 of the 46 exceptions, leave slips were not on file, while in the other 22 exception cases, leave slips were on file but management did not enter the leave into

¹ *In-Office Cost System Telephone Readings*, Report Number CRR-AR-08-004, issued March 31, 2008.

² Executive and Administrative Schedule (EAS) - Nonbargaining unit career and noncareer employees in supervisory, professional, technical, clerical, administrative, and managerial positions.

the TACS. Policy revisions to allow electronic approval and input of supervisory leave requests could strengthen compliance with proper leave accounting. Further, providing supervisor IOCS/TACS discrepancy reports to the area finance managers would strengthen internal control reviews of supervisor leave.

We estimate the nationwide monetary impact of unrecorded supervisor leave for the period October 1, 2007, through May 23, 2008, to be at least \$1,759,631 in unrecoverable questioned costs.³ If management implements our recommendations, we estimate the Postal Service would save, over a 2-year period, \$5,442,928 in funds it could put to better use. We will report these monetary impacts, totaling \$7,202,559, in our next *Semiannual Report to Congress*. See [Appendix C](#) for additional details on monetary impact.

Controls over Supervisor Leave Processing

We found insufficient controls over the approval and recording of supervisor leave. We examined 124 IOCS/TACS discrepancies.⁴ In 46 of the 124 (37 percent) IOCS/TACS discrepancies tested, we confirmed that supervisors used 1,104 hours of leave not recorded in the TACS. This occurred because:

- Supervisors did not submit leave slips.
- Leave slips were not on file.
- Management did not enter the leave into the TACS.

For the 46 supervisors, the amount of leave taken but not recorded in the TACS ranged from 8 to 112 hours. During our review, management processed leave adjustments for the discrepancies we brought to their attention.

We were unable to determine the work/leave status for another 20 of the 124 supervisors and forwarded that information to the area managers for follow-up analysis.

Management could reduce the amount of leave not put into the TACS by expanding use of the Enterprise Resource Management System (eRMS) to encompass both scheduled and non-scheduled supervisory leave requests. This would require policy changes to Handbook F-21, *Time and Attendance*. Additionally, management should reinforce the importance of following the current leave policies and procedures. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Manager, Health and Resource Management, direct the Program Manager, Resource Management, to:

³ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation. In addition, these costs are not supported by adequate documentation.

⁴ An event (i.e., leave status or other activity) recorded in IOCS that is not recorded in the TACS or vice versa.

1. Explore the feasibility of using the Enterprise Resource Management System to enable the submission, approval, and posting to the Time and Attendance Collection System of scheduled supervisor leave requests.

We recommend the Chief Financial Officer, Executive Vice President:

2. Issue a policy memorandum to the area finance managers reinforcing the importance of the current supervisory leave policies and procedures.

Field Reviews of Supervisor Leave

Statistical Programs provides each district with IOCS/TACS discrepancy reports that highlight differences in information recorded during IOCS readings and information recorded in the TACS. However, these reports do not include supervisors. Including supervisors in the IOCS/TACS discrepancy reports would improve the accuracy of IOCS data and provide an additional check on supervisory leave not put into the TACS.

Postal Service field organizations periodically inspect leave controls during payroll reviews or internal control reviews that support the Sarbanes-Oxley Act of 2002. Field organizations could use the supervisory IOCS/TACS discrepancy reports to supplement their internal control reviews. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Manager, Corporate Financial Planning, direct the Manager, Statistical Programs, to:

3. Expand the In-Office Cost System/Time and Attendance Collection System discrepancy reports to include supervisory In-Office Cost System readings.

We recommend area finance managers direct district finance managers to:

4. Incorporate information from the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory leave reviews.

Management's Comments

Management agreed with each of the findings and recommendations. They agreed to complete an analysis, including the feasibility and associated costs, of using the eRMS for submitting, approving, and posting scheduled supervisor leave to the TACS. Management also agreed to reinforce the importance of the current supervisory leave policies and procedures, expand IOCS/TACS discrepancy reports to include supervisors, and include these discrepancy reports in supervisory leave reviews.

Management generally agreed with the monetary findings. The only exception was Western Area management, who indicated they were unable to comment on the accuracy of monetary benefits that were national in scope, and expressed concern that

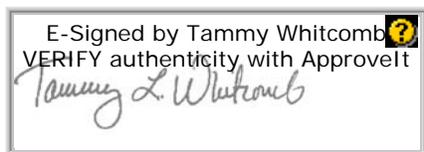
they might be overstated. Management's comments, in their entirety, are included in [Appendix D](#).

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report.

We evaluated Western Area management's comment that questioned whether the nationwide monetary benefit might be overstated. We did not include in our monetary benefit calculations any IOCS/TACS discrepancies in which management determined that IOCS data was erroneous. Accordingly, no change in our monetary benefit calculation is warranted. We will report \$1,759,631 in questioned costs and \$5,442,928 in funds put to better use in our *Semiannual Report to Congress*.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Paul Kuennen, Director, Cost, Revenue and Rates, or me at (703) 248-2100.



Tammy L. Whitcomb
Deputy Assistant Inspector General
for Revenue and Systems

Attachments

cc: Deborah Giannoni-Jackson
Lynn Malcolm
J. Ron Poland
Adlar Anderson
Katherine S. Banks

APPENDIX A: DETAILED ANALYSIS

BACKGROUND

The TACS is an automated time and attendance system all Postal Service facilities use. According to time and attendance policies,⁵ supervisors are subject to special leave procedures as they generally are not required to record daily clock rings⁶ and are paid on a salary basis. They are charged with annual leave, sick leave, leave without pay, or absent without leave when they are absent from work for 1 or more full days. Management may grant them a personal absence of up to 4 hours without charging that absence to official leave.

According to Handbook F-21, Sections 323.1 and 333.2, all annual and sick leave entries except for personal leave must be supported in writing by an approved Postal Service (PS) Form 3971, Request for or Notification of Absence. At the discretion of the installation head, employees may use a PS Form 3971 to request personal absences not charged to leave. At Postal Service installations, supervisors are responsible for acting on all leave requests while a timekeeper is responsible for keeping record of the time worked and leave requested by employees. The timekeeper also maintains files of forms, including PS Forms 3971, that support time and attendance-related information. Timekeepers are to retain PS Forms 3971 for 2 years from the date the leave is taken or disapproved.

The IOCS is an employee work sampling system that management uses to distribute the labor costs of clerks, mail handlers, city carriers, and supervisors to the activities carried out by those employees and to classes and subclasses of mail and special services. The IOCS samples employee work time and then develops estimates of work time spent on various functions in the office and the time spent handling or processing categories of mail. During fiscal year (FY) 2007, the Postal Service conducted over 700,000 IOCS readings. According to management, 44,166 IOCS readings were scheduled for 38,350 EAS employees designated as either professional and administrative or managers and supervisors.

The Postal Service's Statistical Programs group provides IOCS/TACS discrepancy reports to each district after the close of each pay period. Management uses these reports to assess the accuracy of IOCS readings by comparing the work activity recorded during an IOCS reading with the employee work activity recorded in the TACS. An IOCS/TACS discrepancy is generated when the work activity recorded during the IOCS reading does not match the work activity recorded in the TACS. One type of discrepancy occurs when the IOCS reading records that the employee was not working (on leave) while the TACS records that the employee was working.

⁵ Handbook F-21, *Time and Attendance*, June 2002 – updated through August 2005, Section 313 and Exhibit 141.

⁶ Time entries recorded electronically, mechanically (using a time clock), or manually (written in).

The eRMS provides a systematic approach to leave processing. The eRMS is integrated with the TACS and leave slips are system-generated. According to management, as of November 2008, the Postal Service integrated 15,838 eRMS-enabled Postal Service facilities (representing 674,003 employees) with the TACS. The Enterprise Leave Request Application (eLRA), a component of eRMS, allows EAS employees to request unscheduled leave over the Internet through the Postal Service's extranet website.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall audit objective was to determine whether controls over supervisory leave were adequate.

To select our EAS supervisor sample, we obtained IOCS/TACS discrepancy reports for supervisors for an 8-month period, October 1, 2007, to May 23, 2008. We identified 147 occurrences in which the IOCS reading reported the supervisor was on leave, but the TACS data indicated the supervisor was on duty (an IOCS/TACS discrepancy). We reviewed the Adjustment Processing System to determine whether management had processed payroll adjustments⁷ after the IOCS/TACS discrepancies had been reported and found eight such discrepancies. We also identified 15 discrepancies where the TACS report showed evidence of management oversight. For example, the TACS reports showed timekeepers manually deleted the leave, manually input workhours, or manually recorded clock rings. We removed those 23 discrepancies from our sample and conducted tests on the remaining 124 IOCS/TACS discrepancies.

To determine whether the EAS employees were in leave status when the IOCS reading was conducted, we contacted the sampled employees' supervisors and obtained documentation to support the employees' leave or work status.

We conducted this performance audit from June 2008 through January 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on November 25, 2008, and included their comments where appropriate.

⁷ Correction to an employee's payroll data after the pay period is closed.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>In-Office Cost System Telephone Readings</i>	CRR-AR-08-004	March 31, 2008	\$12,355	We tested 163 IOCS telephone readings and observed two instances where controls over supervisor leave were questionable. The IOCS reading reported the supervisor was on leave, but management did not record the leave in the TACS. Management processed leave adjustments for the two discrepancies we brought to their attention.

APPENDIX B: DETAILED ANALYSIS

Controls over Supervisor Leave Processing

Our tests indicated that management could strengthen controls over supervisor leave to ensure they enter all approved leave into the timekeeping system so that it can be appropriately charged to the supervisor's leave balance. Discrepancies between the leave status of supervisors as reported via IOCS data collection processes and leave requests processed through the TACS can be an important indicator of whether leave policies are properly enforced. When those discrepancies occurred, we found a high error rate (37 percent) for unprocessed leave. Management could reduce the amount of unprocessed leave by expanding the use of electronic leave approval and implementing additional management oversight controls. Management should also reinforce the importance of the current leave policies and procedures. These steps could also improve the reliability of IOCS data used in allocating costs to Postal Service products.

We examined 124 IOCS/TACS discrepancies in which IOCS reported a supervisor was on leave at the time of the IOCS reading, but the TACS indicated the supervisor was at work. We confirmed that in 46 of 124 (37 percent) of the exceptions, the supervisor was on leave not recorded in the TACS. This occurred because supervisors did not submit leave slips, leave slips were not on file, or management did not record the leave in the TACS. In 24 of the 46 exceptions, leave slips were not submitted or were not on file. In 22 of the 46 exceptions, leave slips were on file but management had not recorded the leave in the TACS. These 46 exceptions represent 1,104 hours of sick or annual leave taken but not recorded in the TACS. Additionally, we were unable to determine the work or leave status for 20 of 124 (16 percent) of the exceptions. We provided the details on these 20 exceptions to area management for follow-up analysis.

We also found that in 38 of 124 (31 percent) of the exceptions, the IOCS reading was incorrect. The IOCS reading recorded the supervisor was on leave, but the supervisor was actually at work. We addressed inaccurate IOCS data in our prior IOCS telephone reading audit and believe implementing those recommendations can improve the accuracy of IOCS readings. Therefore, we are not making any additional recommendations concerning inaccurate IOCS readings.

In 20 of 124 (16 percent) of the exceptions, we identified two other conditions that did not require adjustments to be processed. In 16 of the 20, both the IOCS reading and the TACS were correct. For example, a supervisor was on approved personal leave; the TACS correctly reflected workhours; and the IOCS reading correctly reported leave.⁸ In the other four, management incorrectly put the leave into the TACS but it did not require a pay adjustment. See Table 1 for details on the testing totals.

⁸ According to Handbook F-21, Sections 313.2 and 313.3, supervisors may be granted a personal absence (leave) up to, but not to exceed, 4 hours in a day (in special cases a full day) without being charged official leave. Personal leave is not recorded in the TACS.

Table 1. Test Results

Condition	Exceptions	
	Number	Percent
Supervisor on leave – leave not recorded in TACS	46	37
Unable to verify leave/work status	20	16
IOCS test incorrect – TACS correct	38	31
Other	20	16
Total exceptions	124	100

The amount of unrecorded annual or sick leave ranged from 8 hours to 112 hours for the 46 exceptions. When management does not record supervisory leave in the TACS, the proper leave accounts are not charged and the supervisors’ leave balances are overstated, creating the potential for several adverse effects.

- Supervisors could use annual leave twice – once without being charged and again in the Annual Leave Exchange Program.⁹
- Supervisors could collect pay for unrecorded leave they already used when they leave the agency.
- Supervisors who are eligible to retire under the Civil Service Retirement System would receive credit for unrecorded sick leave as part of their service time calculation.

During our review, management took corrective action to process payroll adjustments totaling \$34,913 for 1,056 hours of unrecorded leave for 44 of the 46 supervisors shown in Table 2 below.

Table 2. Distribution of Leave Hours Not Recorded

Leave Hours Not Recorded											Totals
Number of hours	8	16	24	32	40	48	56	80	104	112	N/A
Number of occurrences	26	4	3	2	4	1	2	2	1	1	46
Total hours	208	64	72	64	160	48	112	160	104	112	1,104

Supervisors can request unscheduled leave through the eLRA module of the eRMS. Under eRMS, management electronically approves requests and automatically enters them into the TACS. During the approval process, management prints and signs an eRMS-generated PS Form 3971 and presents it to the requesting supervisor for signature when they return to work. This preserves the integrity of the entire leave request and approval process.

⁹ Management provides career employees permanently assigned to a nonbargaining unit position the option at the end of the calendar year to exchange for cash a given number of hours of the annual leave they would otherwise earn during the next leave year.

For scheduled leave, supervisors submit a written PS Form 3971 to their managers for approval. The managers are responsible for acting on the leave request while a timekeeper is responsible for keeping record of the leave requested by employees and inputting the approved leave into the TACS. If management approves this request and either misplaces or does not enter it into the timekeeping system then the integrity of the leave approval process is compromised. Amending time and attendance policies and expanding eLRA to handle scheduled leave could make leave controls more effective and transparent.

Field Reviews of Supervisor Leave

Managers currently prepare IOCS/TACS exception reports for city delivery carriers, clerks, and mail handlers. Statistical Programs provides area finance managers with IOCS/TACS exception reports that highlight differences in information recorded during IOCS readings and information recorded in the TACS. Finance managers use this information to assess the quality of sampling data IOCS data collectors gather. However, these reports do not include supervisors because they have automatic clock rings that indicate on-duty work status unless a leave slip is processed. Including supervisors in the IOCS/TACS exception reports would improve the accuracy of IOCS data and provide an additional check on supervisory leave not put into the TACS.

Postal Service field organizations periodically conduct leave control reviews. These district-level reviews include internal control reviews Financial Control and Support groups perform in support of the Sarbanes-Oxley Act of 2002, the TACS reviews by management, and other types of self-initiated supervisor leave reviews. For example, the Eastern Area reported that during FYs 2007 and 2008 they conducted 3,538 reviews and identified and adjusted 4,686 leave hours (with a value of \$207,000) that were not input into the TACS. Field organizations could use the supervisory IOCS/TACS exception reports as a supplement to their internal control reviews.

APPENDIX C: CALCULATION OF MONETARY IMPACT

Questioned Costs for the Period October 1, 2007 - May 23, 2008	Annualized Costs	Funds Put to Better Use for 2- Year Period	Total Monetary Impact
\$1,759,631	\$2,721,464	\$5,442,928	\$7,202,559

Sample Design

The IOCS sample design stratifies the sampling universe by Cost Ascertainment Group (CAG)¹⁰ and by employee type. The IOCS sample selection is a three-stage process whereby sites are selected by a simple random process, then individual employees are selected using a simple random process, and, finally, for any employee chosen in stage two, a day of the week is selected.

For our purposes, we were only interested in supervisors. For every supervisor-day in the sample set, we determined whether leave had been taken without being charged. We verified each IOCS/TACS exception in our sample with management to determine if leave had been taken but not charged. Where this occurred, we assigned a value to the supervisor-day equal to the given supervisor's daily salary. There were 46 such supervisor-days in the sample set among CAGs A/B, C, D, and F. We assigned a value of zero to all other supervisor-days in the sample, totaling an estimated 38,450.¹¹

Statistical Projections of the Sample Data

Because of the way the IOCS sample selection was designed, it was necessary for us to estimate the probability of selection of each member of the sample set and to calculate a "weight" for each member (mathematical inverse of the probability). The sum of the individual sample member's contributions is the point estimate of the population parameter.¹² We performed these calculations for each CAG strata individually and then calculated the overall point estimate, variance from the point estimates, and variances of each individual stratum.

The value of the point estimate calculated using the methods outlined above was \$2,441,339. However, the relative sampling precision achieved was ± 33.37 percent at the 95 percent confidence level. This exceeds the OIG sampling precision reporting standard of 20 percent. Therefore, we are reporting the lower bound of a 90 percent confidence interval as the estimate because we are 95 percent confident the actual population parameter is at least as large as this value. This value is \$1,759,631. If management implements our recommendations, we estimate the Postal Service would

¹⁰ A method that classifies post offices according to volume of revenue generated, from CAG A – F.

¹¹ Although we could not determine precisely the total size of the supervisor-day sample set that IOCS used for the period October 1, 2007, through May 23, 2008, we were able to estimate the sample set based on FY 2008, Quarter 1 – 3 information provided by Statistical Programs, Headquarters.

¹² Schaeffer, Mendenhall, and Ott, *Elementary Survey Sampling* (Sixth Edition, 2006), Chapter 3.

save, over a 2-year period, about \$5,442,928 in funds put to better use. The total monetary impact is \$7,202,559.

APPENDIX D: MANAGEMENT'S COMMENTS

HEALTH AND RESOURCE MANAGEMENT OFFICE



January 16, 2009

Lucine M. Willis

Subject: Transmittal of Draft Audit Report-Review of Controls over Supervisor Leave
(Report Number CRR-AR-09-Draft)

This provides Postal management's response to the subject audit report. We appreciate the opportunity to review and provide comments.

Recommendation #1

Explore the feasibility of using the Enterprise Resource Management System to enable the submission, approval, and posting to the Time and Attendance Collection System of scheduled supervisor leave requests.

Response

Management agrees with this recommendation. The Manager, Resource Management will complete an analysis, including feasibility and associated costs to implement by July 17, 2009.


Ronald E. Henderson
Manager

cc: Deborah Giannoni-Jackson
Lynn Malcolm
Adlar Anderson
J. Ron Poland
Katherine S. Banks



January 15, 2009

LUCINE M. WILLIS

SUBJECT: Transmittal of Draft Audit Report—Review of Controls over Supervisor Leave
(Report Number CRR-AR-09-DRAFT)

This provides Postal management's response to the subject audit report. We appreciate the opportunity to review and provide comments.

Recommendation #2

Issue a policy memorandum to the area finance managers reinforcing the importance of the current supervisory leave policies and procedures.

Response

Management agrees with this recommendation. A memorandum reinforcing the policy for Supervisor Leave will be sent to the area finance managers by January 30.

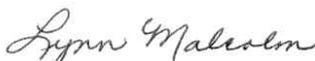
Recommendation #3

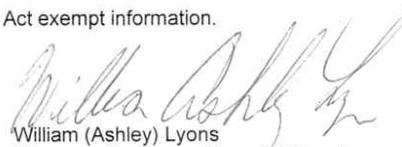
Expand the In-Office Cost System/Time and Attendance Collection System exception reports to include supervisory In-Office Cost System readings.

Response

Management of Statistical Programs agrees with the OIG findings and will provide the reports for review on the Web Base Unit by June 30.

This report contains no Freedom of Information Act exempt information.


Lynn Malcolm
Vice President, Controller


William (Ashley) Lyons
Manager, Corporate Financial Planning

cc: Deborah Giannoni-Jackson
J. Ron Poland
Adlar Anderson
Katherine S. Banks

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WASHINGTON DC 20260

GREAT LAKES AREA
FINANCE



January 15, 2009

Lucine Willis
Director, Audit Operations

SUBJECT: Draft Audit Report - Review of Controls over Supervisor Leave (Report Number CRR-AR-09-DRAFT)

The Great Lakes Area has reviewed the subject Draft Audit Report (Report Number CRR-AR-09-DRAFT) and is in agreement with the finding and recommendations. Additionally, we agree with the monetary and non-monetary calculations and have no Freedom of Information Act (FOIA) issues related to this audit.

Recommendation #4

Incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System exception reports into their supervisory reviews.

Response:

The Great Lakes Area Finance Manager issued a memorandum to the District Finance Managers on January 15, 2009. This memorandum directed them to incorporate the In-Office Cost System/Time and Attendance Collection System discrepancy report into their supervisory reviews.

If you have any questions regarding this response, please contact Vince Rooney, Manager of Accounting, at (630) 539-4748.

A handwritten signature in blue ink, appearing to read "Ronald W. McDowell".

Ronald W. McDowell
Manager, Finance
Great Lakes Area

Attachment

cc: Deborah Giannoni-Jackson
Lynn Malcom
J. Ron Poland
Adlar Anderson
Katherine S. Banks

244 ROLLWOOD DR 4TH FLOOR
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FINANCE
EASTERN AREA OFFICE



January 15, 2009

MEMORANDUM FOR: LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Review of Controls Over Supervisor Leave
(Report Number CRR-AR-09-Draft)

The Eastern Area has reviewed the subject Draft Audit Report (Report Number CRR-AR-09-Draft) and is in agreement with the finding and recommendations. Additionally, we agree with the monetary and non-monetary calculations and have no Freedom of Information Act (FOIA) issues related to this audit.

Recommendation #4 – Incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System exception reports into their supervisory reviews.

Response: - The Eastern Area Finance Manager issued a memorandum on January 14, 2009, directing the District Finance Managers to use the In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory reviews.

If you have any questions regarding this response please contact Mark Tappe, the Manager of Accounting, at (412) 494-2574.

A handwritten signature in black ink, appearing to read "Eric Faber".

Eric Faber
Manager, Finance
Eastern Area

Enclosure

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FINANCE
SOUTHEAST AREA



January 15, 2009

Lucine Willis
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

Subject: Draft Audit Report – Review of Controls over Supervisor Leave
(Report Number CRR-AR-09-DRAFT)

Following is the response from the Southeast Area to the subject audit.

Recommendation #4:

Incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System exception reports into their supervisory reviews.

Response: We are in agreement with this recommendation.

The Southeast Area Finance Manager will issue a memorandum to the District Finance Managers to incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System exception reports into their supervisory reviews. This action will be implemented within 30 days from the date Statistical Programs expands the IOCS/TACS system to include supervisory In-Office Cost System readings.

We do not feel any portion of this report is exempt from disclosure under the FOIA. Additionally, we agree with the monetary and non-monetary calculations.

If you have any questions, please contact Jeanne McAfee, Area Accounting Manager, at 901-747-7546.

A handwritten signature in black ink, appearing to read "Scott H. Ackman".

Scott H. Ackman
Manager, Finance (Acting)

cc: Deborah Giannoni-Jackson
Lynn Malcolm
J. Ron Poland
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Katherine S. Banks

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NORTHEAST AREA OFFICE



January 15, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report-Review of Controls over Supervisor Leave
(Report Number CRR-AR-09-DRAFT)

In response to the subject Draft Audit Report we are in agreement with the findings and recommendations.

Recommendation #4 – Incorporate information from the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory leave reviews.

I have directed the District Finance Managers to:

Utilize the In-Office Cost System/Time and Attendance Collection System discrepancy report when performing leave reviews. This directive will become effective once the supervisor data is incorporated in the report by HQ, Statistical Programs.

The directive was issued to District Finance Managers on January 15, 2009. A copy of the directive is attached.

A handwritten signature in black ink that reads "Elizabeth A. Doell".

Elizabeth A. Doell
Manager, Finance

Attachment

cc: Dan Pierce, NEA Manager, Accounting
Katherine Banks, HQ Manager, Corporate Response and Audit

DAVID B. STOWE
MANAGER FINANCE
PACIFIC AREA



January 15, 2009

Lucine Willis
Director, Audit Operations
1735 North Lynn St
Arlington, VA 22209-2020

SUBJECT: Review of Controls over Supervisor Leave (Report Number CRR-AR-09-DRAFT)

Management agrees with the findings, recommendation, funds that could be put to better use calculation and monetary impact as stated in the above referenced audit.

Recommendation 4:

Recommend area finance managers direct district finance managers to: Incorporate information from the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory leave reviews.

Response:

Management agrees with this recommendation.

Upon the development and implementation of the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy/exception reports, we will direct district finance managers to incorporate information from these reports into their periodic leave reviews. It is our understanding that this exception report is under development by headquarters and is expected to be rolled out in the near future. Based on this expectation, we will provide a directive to the district finance managers no later than September 1, 2009.

We do not believe this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in black ink that reads "David B. Stowe".

David B. Stowe
Area Finance Manager-Pacific Area

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cc: Deborah Giannoni-Jackson
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CAPITAL METRO AREA OPERATIONS
MANAGER, FINANCE



January 16, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Review of Controls over Supervisor Leave
(Report Number CRR-AR-09-DRAFT)

The Capital Metro Area has reviewed and concurs with the general findings and recommendations of the OIG audit team. We agree in principle with the calculations of monetary impact and commit to capturing potential savings through implemented efficiencies. We also agree that this report and management's response do not contain information that may be exempt from disclosure under the FOIA.

Recommendation 4 – Area finance managers direct district finance managers to:
Incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory reviews.

Response

Management agrees with this recommendation. Upon completion of the expansion of exception reports to include supervisory In-Office Cost readings by Headquarters Manager, Statistical Programs, Capital Metro Area will implement and communicate to district finance within 30 days instructions to utilize the exception report when conducting supervisory leave reviews.

If you have any questions regarding this response, please contact Kit Allshouse, Manager, Accounting at 301-548-1457.

A handwritten signature in black ink, appearing to read "Steve Darragh".

Steve Darragh

cc: Deborah Giannoni-Jackson
Lynn Malcolm
J. Ron Poland
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AREA MANAGER, FINANCE
SOUTHWEST AREA



January 20, 2009

Lucine Willis
Director, Audit Operations

Subject: Review of Controls Over Supervisor Leave (Report Number CRR-AR-09-Draft)

The Southwest Area has reviewed and concurs with the general findings and recommendations of the OIG audit team. We agree with the calculations of monetary and non-monetary calculations and commit to capturing potential savings through implemented efficiencies. We do not have any Freedom of Information Act (FOIA) issues related to this audit.

Recommendation 4 – Area Finance Managers Direct District Finance Managers to: Incorporate the information from supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory reviews.

Management's Response – Management agrees with this recommendation. Upon completion of the expansion of exception reports to include supervisory In-Office Cost readings by Headquarters Manager Statistical Programs, the Area Finance Manager will communicate to District Finance Managers within 30 days to utilize the discrepancy reports when performing supervisory leave reviews.

If you have any questions regarding this response, please contact Mary Pittman, Area Accounting Manager, at (214) 819-8651.

A handwritten signature in black ink, appearing to read "Mark S. Loop".

Mark S. Loop
Area Manager, Finance

cc: Deborah Giannoni-Jackson
Lynn Malcolm
J. Ron Poland
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MANAGER, FINANCE
NEW YORK METRO AREA



January 20, 2009

Lucine Willis
Director, Audit Operations
1735 North Lynn St.
Arlington, VA 22209-2020

SUBJECT: Review of Controls over Supervisor Leave (Report Number CRR-AR-09-DRAFT)

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

Management generally agrees with the overall findings regarding controls over supervisory leave.

Recommendation 4:

Incorporate information from the supervisory In-Office Cost System/Time and Attendance Collection System discrepancy reports into their supervisory leave reviews.

Response

Management agrees with Recommendation 4 and will direct the District Finance Managers to incorporate the information from the supervisory IOCS and TACS discrepancy reports into all reviews involving supervisory leave effective immediately.

Management agrees with the calculations used to determine monetary impact and non-monetary impacts as addressed in the report.

It is our opinion that the audit report does not contain Freedom of Information Act (FOIA) exempt information. Thank you for your efforts regarding this audit; the information provided will be beneficial in strengthening leave controls in our area.


Joseph A. Branco
New York Metro Area

cc: Deborah Giannoni- Jackson
Lynn Malcolm
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FINANCE



January 21, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report - Review of Controls Over Supervisor Leave (Report Number CRR-AR-09-DRAFT)

We have reviewed the subject report. Immediately following receipt of the discussion draft, the attached memo regarding controls over supervisor leave was sent to Western Area district leadership, reemphasizing our current policies and commitment in addressing this financial risk.

While we appreciate the opportunity to comment on the findings and agree with the methodology used to ascertain costs, we cannot agree with the overall monetary impact identified in the audit report. The lack of specificity of how the identified costs would be put to better use and derived, as well as not having a specific cost breakdown for the Western Area, makes it inappropriate to comment on a monetary impact that was national in scope.

To highlight this, in a November 17, 2008 memo from Paul Kuennen, OIG Director, Cost, Revenue, Rates, we were asked to analyze three Western Area discrepancies identified between TACS and IOCS to validate the report accuracy. Our research revealed two of the three readings were found to be misreported in the IOCS reading, with the supervisors initially being listed as being on leave, but actually was in a work status on the clock. This finding supports our conclusion and necessity to reducing the monetary impact identified.

Recommendation #4: We recommend the Area Finance Managers direct the District Finance Managers to incorporate the information from the supervisory In-Office Cost System/Time and Attendance Collection System exception reports into their supervisory leave records.

In response to Recommendation #4, the attached email was sent on January 20, 2008, to our District Finance Managers requesting that they immediately utilize the IOCS/TACS exception reports to validate the work or leave status of supervisors with IOCS/TACS discrepancies. Utilization of these reports will significantly improve our controls over supervisory leave and our overall payroll practices.

We do not believe any of this response is exempt from the Freedom of Information Act.

A handwritten signature in black ink, appearing to read "Steven J. Juhl".

Steven J. Juhl
Manager, Finance

Attachments

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