OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 28, 2007

JO ANN FEINDT
VICE PRESIDENT, GREAT LAKES AREA

GLORIA E. TYSON
DISTRICT MANAGER/POSTMASTER
CHICAGO DISTRICT

SUBJECT: Audit Report - Chicago District Financial Accountability (Report Number FF-AR-07-254)

This report addresses financial accountability in the Chicago District (project number 07BD013FF000) and summarizes the results of our financial audits of 14 judgmentally selected stations and branches located within the district (Project Numbers 07BD013FF001 - 07BD013FF013). [redacted]. As such, we will consolidate the results of that audit in this capping report but will not include the dollar value of any related issues as monetary impact in this report. We will report those results under separate cover. The U.S. Postal Service Office of Inspector General (OIG) performed these audits at the request of the District Manager/Postmaster, Chicago District, to assist in determining an accountability baseline for each unit. These 14 units reported almost [redacted] of revenue through the Standard Accounting for Retail System for the period of April 1, 2006, through March 31, 2007.

Results in Brief

Our audit disclosed significant weaknesses in the internal controls over financial operations at the 14 units we audited. Specifically, internal controls over stamps, cash, and money orders were not in place and effective at 12 of the 14 units, resulting in $11.1 million of assets and accountable items at risk. In addition, accountability balances were not fairly presented at six units, while seven units did not accurately collect and record $38,998 in revenue. We also noted compliance issues related to untimely recording of post office box and caller service fees in the Web Box Activity Tracking System (WebBATS). Finally, two units incurred expenses that were not allowable, reasonable, and necessary, and 11 units made disbursements that were not fully supported, resulting in $6,782 of questioned costs. The cumulative results of our accountability examinations, including overall shortages of $75,896 and overages of $110,076, are set forth in Appendix A. Overall, we believe these conditions are attributable to a long-standing history of insufficient knowledge of financial policies and procedures, inadequate managerial accountability, and insufficient oversight.

Until effective financial internal controls are in place and management provides sufficient oversight of unit financial operations, there is significant increased risk for loss of stamps, cash, and other assets, and an increased risk of unrecorded revenue. We identified monetary impact totaling $121,676. (See Appendix D.) This amount included $110,534 in recoverable revenue loss related to stamp and cash shortages and post office box/caller service fees, $4,360 in unrecoverable revenue loss related to retail floor stock shortages, and $6,782 in questioned costs related to unsupported disbursements. Further, the internal control weaknesses placed $11.1 million of assets and accountable items at risk (a non-monetary impact). We will report the monetary and non-monetary impacts in our *Semiannual Report to Congress.* (See Appendix D for a summary.) Additionally, we made 13 referrals to the OIG Office of Investigations and one to the U.S. Postal Inspection Service for situations that warranted further examination.

Background

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

Handbook F-1, *Post Office Accounting Procedures*, November 1996 (updated with *Postal Bulletin* revisions through June 9, 2005), and the *Postmaster/Field Guide*, Version 5.0, provide the procedures postmasters and other installation heads must follow to meet the financial responsibilities of the installation. Management suspended updates to Handbook F-1 on August 18, 2005, and plans to issue a revised handbook in FY 2008.

In the latter part of FY 2006, the Chicago District was subject to negative media attention and increased scrutiny because of untimely mail processing and the resulting lapses in prompt delivery and overall service degradation. In FY 2007, this scrutiny intensified and expanded to include national political attention and demands for the Postal Service to take immediate corrective action. In addition to the service concerns, the district manager identified a problem with financial accountability in Chicago's stations and branches. In April 2007, taking a proactive approach to this problem, the district manager requested the OIG to conduct financial audits of Chicago's stations and branches to assist the district in establishing an accountability baseline for each unit.

The Chicago District is part of the Great Lakes Area, serves ZIP Code areas 606 through 608, covers 255 square miles, and contains a population of over 3 million.

Chicago's post offices deliver mail to 1.1 million households and businesses 6 days each week, and generate more than [redacted] from retail sales at 69 neighborhood post offices.

Objectives, Scope, and Methodology

The objectives of our audit were to determine whether:

- Internal controls over stamp accountability were in place and effective.
- Stamp accountability balances were fairly presented at the 14 judgmentally selected units.
- Certain earned revenue was collected and accurately recorded.
- Judgmentally selected unit expenses were allowable, reasonable, and necessary.

To accomplish our audit objectives, we conducted limited scope financial audits at 14 judgmentally selected Chicago stations and branches from April 18 through June 27, 2007.[1] We selected these 14 sites for audit based on a series of risk factors, including revenue, expense, and stock levels. Based on our risk factors, we assigned the units identified in Table 1 an assessment level of 5 (High):

Unit Finance No.	Unit Name	Revenue
[redacted]	Cardiss Collins Postal Store	[redacted]
[redacted]	Fort Dearborn Station	[redacted]
[redacted]	Ontario Street Finance Station	[redacted]
[redacted]	Uptown Station	[redacted]
[redacted]	Irving Park Station	[redacted]
[redacted]	Grand Crossing Postal Store	[redacted]
[redacted]	Rogers Park Station	[redacted]
[redacted]	Loop Station	[redacted]
[redacted]	Elmwood Park Branch	[redacted]
[redacted]	Roberto Clemente Station	[redacted]
[redacted]	Charles Hayes Station	[redacted]
[redacted]	Norwood Park Station	[redacted]
[redacted]	Lakeview Station	[redacted]
[redacted]	Station E Finance Station	[redacted]
	xxxxx	[redacted]

Table 1 – Selected Chicago District Stations and Branches

At each unit, we conducted counts of the unit reserve, retail floor stock, and all individual accountabilities. We observed closeout procedures and preparation of the bank deposit on various dates from April 18 through May 31, 2007. We reviewed judgmentally selected FY 2007 transactions related to financial accounting and reporting, post office boxes/caller service, and disbursement transactions. We traced

[1] The district Financial Control and Support (FCS) group is completing financial reviews at the remaining 55 stations the OIG did not audit. Through July 2, 2007, the FCS group had completed 10 reviews and their results were consistent with the findings in this report.

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. Finally, at the request of the Chicago District Manager, we issued a memorandum to each unit containing our audit findings and suggestions in order to expedite remediation of the deficiencies identified.

We conducted this audit from April through September 2007 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on August 2, 2007, and included their comments where appropriate.

Prior Audit Coverage

Since FY 2002, the OIG has issued 13 financial audit reports of units in the Chicago District and two audits of observations of statistical tests for the cost and revenue analysis. (See Appendix B.) In these audits, we identified significant, systemic financial weaknesses over stamp and cash accountability. Generally, management agreed with the findings and recommendations. However, as disclosed in this report, the Postal Service did not fully implement corrective actions or maintain compliance at the units we had previously audited, including the Grand Crossing Station and Cardiss Collins Postal Store.

Results

Significant Financial Internal Control Weaknesses Were Identified

Our audit disclosed significant internal control weaknesses related to stamps, cash, money orders, post office boxes, and disbursements. Specifically, we noted systemic issues regarding safeguarding of and accountability for stamp stock, money orders, and cash; accurate and timely collection and recording of post office box and caller service fees; and adequate tracking and support of disbursements. (We have summarized control weaknesses in Appendix C for each unit audited.) These control weaknesses contributed to shortages of $75,896, overages of $110,076, and over $11 million in total assets and accountable items at risk. (See Appendices A and D.)

Based on our findings during this audit and the results of previous OIG audits in the Chicago District, we believe these conditions are attributable to a long-standing history of insufficient knowledge of financial policies and procedures, inadequate managerial accountability, and insufficient oversight.

Specifically, managers and craft employees often stated that they were unaware of financial procedures. For example, at one exit briefing, a station manager stated that she was “clueless” regarding certain expense transactions. In addition, numerous times during our audits, employees could not enter the results of our stamp and cash counts because they were not familiar with the new Point of Service (POS) system upgrades or certain stamp valuations, which significantly affected their ability to record the results of our accountability examinations. District management agreed that managers often did not have sufficient knowledge of financial procedures. Although various training classes had been provided, no formal, detailed financial training program was required for managers.

Generally, unit managers also showed an unwillingness to accept accountability for unit operations and comply with prescribed procedures. During individual site exit briefings for this audit, most station managers refused to sign documents certifying financial accountability for their units when presented to them by the District Finance Manager. In addition, corrective actions from previous audits were not sustained and the same issues often recurred. (See Appendix B for a list of prior audit reports.) For example, we reported in our FYs 2003, 2005, and 2006 audit reports of the Cardiss Collins Postal Store that the unit did not adhere to the requirements of authorized stock levels. We found this condition still existed during our FY 2007 audit, despite our repeated findings and initial unit corrective actions.

Finally, we believe there was insufficient managerial oversight of financial operations resulting from frequent turnover. This issue was also raised in our FY 2005 audit report on the Cardiss Collins Postal Store, where management stated that personnel turnover had continued to hamper the unit’s compliance with financial procedures. In a more recent example, employees at the Rogers Park Station had not used the unit reserve because it was never properly transferred to a new custodian after the previous custodian left the unit in 2006. We identified similar occurrences at other stations throughout the city, including Roberto Clemente. We discussed the issue of turnover with district management, who agreed and stated that oftentimes, personnel changes occurred for operational purposes. While we understand that employee movement is often necessary, we believe that not all financial requirements including accountability transfers were properly completed when turnover occurred, and this negatively impacted financial operations.

Consequently, until such long-standing practices regarding financial procedures are corrected and the financial controls are functioning as prescribed, the Postal Service has significantly increased the risk of financial losses in the Chicago District.

Stamp Stock, Money Orders, and Cash

Internal controls over stamps, cash, and money orders were not in place and effective at 12 of the 14 units.[2] In addition, accountability balances were not fairly presented at six units.[3] The following details some of the more significant individual examples demonstrating accountability deficiencies and insufficient knowledge of financial policies and procedures:

- We found unit employees accepted stock directly into the retail floor, bypassing the control of the unit reserve at both the [redacted]. This practice placed $4.7 million of assets at risk.

- Units did not properly account for all stamp stock on hand. For example, we identified numerous instances of 'found' and 'lost' stamp stock, including over $38,000 in stamps and cash we found at [redacted]. The stock appeared to have been last used in 1992. At [redacted] [redacted], employees could not locate or account for $23,507 in stamp stock identified as mobile unit accountability.

- [redacted]

[2] [redacted],
[redacted].
[3] [redacted].

Redacted

[redacted]

- [redacted].

Redacted

[redacted]

- Supervisors at the [redacted]. As a result, the supervisors were borrowing funds from the cash reserve to pay for food and drinks for the carriers. This resulted in a $314 shortage.

- [redacted]

Redacted

[redacted]

- [redacted]

Post Office Box and Caller Service Fees

Revenues were not accurately collected and recorded at seven of the 14 units,[4] resulting in $38,998 in uncollected revenue. (See Appendix D.) We also noted compliance issues related to timely recording of post office boxes and caller service fees in WebBATS. The following details some of the more significant individual examples demonstrating accountability deficiencies and insufficient knowledge of financial policies and procedures:

- Fees for post office boxes/caller service of $30,928 from calendar years 2002 through 2006 were not collected at [redacted].

- Employees at five units did not record $8,070 of post office box payments in the POS system.

- Employees at seven units did not timely update post office box fee payments in WebBATS. If fees are not properly recorded, there is increased risk that future customer fees will not be collected and errors and/or omissions will exist and not be detected.

Disbursements

Unit expenses were not allowable, reasonable, and necessary at two[5] units, and disbursements were not fully supported at 11[6] units, resulting in $6,782 of questioned costs. If supporting documentation is not adequately maintained, there is an increased risk that expenses are misstated and funds could be improperly disbursed. The following details some of the more significant individual examples demonstrating accountability deficiencies and insufficient knowledge of financial policies and procedures:

- At 11 units, we found Postal Service (PS) Forms 3533, Application and Voucher for Refund, did not have adequate support, and employees did not properly complete the required forms.

- Thirteen units did not maintain individual records as required to monitor or track entries to Account Identifier Code (AIC) [redacted], Financial Differences-Overages, and AIC [redacted], Financial Differences-Shortages.

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4 [redacted].

5 [redacted].

6 [redacted],
[redacted].

Recommendation

We recommend the District Manager/Postmaster, Chicago District, in coordination with the Vice President, Great Lakes Area:

1. Develop and implement a mandatory financial training program for all unit managers and supervisors.

Management's Comments

Management agreed with the finding and recommendation and stated that the Great Lakes Area and Chicago District have partnered to provide additional financial training to all personnel involved with retail operations. The training will be presented in tiered segments specifically designed to address the procedures involved in the scope of financial responsibilities and will begin in October 2007. Management informed us in subsequent correspondence that the first round of training will be completed by January 2008. At that point, training for new supervisors will be developed and ongoing. Management also agreed with the monetary and non-monetary benefits. Management's comments, in their entirety, are included in Appendix E.

Recommendation

We recommend the District Manager/Postmaster, Chicago District:

2. Establish a system to monitor compliance with financial procedures and establish and enforce accountability for non-compliance.

Management's Comments

Management agreed with the finding and recommendation and stated that by January 2008, the Financial Control and Support analyst staff in the Chicago District will be increased to eight in order to develop personnel with the financial and analytical skills necessary to review and correct all aspects of financial discrepancies that occur at the unit level. One analyst will be assigned per area and will be responsible to work with, assist, and coach management personnel at their stations in the resolution of all financial issues. The District Finance Office, with Post Office Operations, will research and document issues requiring corrective actions that resulted from the financial reviews conducted by the District Finance Office. Post Office Operations will then follow-up on those issues. Finally, the Manager, Post Office Operations, will ensure that changes to station manager assignments are planned with the district's finance office prior to the effective date of change in order to transfer accountability for the outgoing and incoming managers.

Recommendation

We recommend the District Manager/Postmaster, Chicago District:

3. Collect cash/stamp shortages[7] and post office box/caller service fees identified in the individual site memoranda, as appropriate.

Management's Comments

Management agreed with the finding and recommendation and stated that all but two letters of demand for the 27 employees identified have been issued and resolved for cash retained and unit cash reserve shortages. The Chicago District Finance Office is monitoring the collection of all these debts and will complete the administrative portion of the debt issuance process by October 31, 2007. Management also stated that they have collected all post office box and caller service fees for the [redacted].

Recommendation

We recommend the District Manager/Postmaster, Chicago District:

4. Develop an action plan to correct the deficiencies noted at the individual stations and branches, as disclosed in Appendix C to this report.

Management's Comments

Management agreed with the finding and recommendation and stated that the units were required to develop an action plan outlining the actions taken to abate the problems and ensure compliance thereafter. The Chicago District Finance office will also begin revisiting units randomly to conduct reviews of key internal controls as triggered by their financial data analysis. This will begin in October 2007 and will be completed by the end of FY 2008.

Recommendation

We recommend the District Manager/Postmaster, Chicago District:

5. Provide a quarterly and annual summary of unit compliance with financial procedures to the Great Lakes Area regarding remediation of the findings contained in this report.

[7] Accountable employees may be personally responsible for repayment of the cash equivalent for stamp shortages.

Management's Comments

Management agreed with the finding and recommendation and stated the Chicago District Finance office will establish a tracking process for all activities presented as corrective actions, and will provide a quarterly and annual summary report illustrating the improvement by each unit's compliance with financial procedures and internal controls to the Great Lakes Area Finance office. The first quarterly summary will be prepared and sent to the area office for Quarter 1, FY 2008.

Recommendation

We recommend the District Manager/Postmaster, Chicago District:

6. [redacted].

Management's Comments

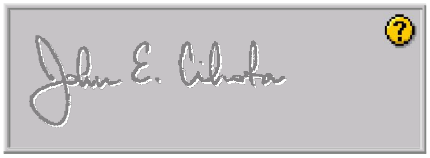
[redacted].

Evaluation of Management's Comments

Management's comments are responsive the recommendations, and actions taken and planned should correct the issues identified in the findings.

The OIG considers all recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John G. Wiethop, Director, Field Financial – Central, or me at (703) 248-2100.



John E. Cihota
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Attachments

cc: Patrick R. Donahoe
H. Glen Walker
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APPENDIX A. SUMMARY OF ACCOUNTABILITY EXAMINATIONS[8]

Redacted

[8] [redacted].

APPENDIX B. PRIOR AUDITS

Project Number	Report Title	Report Number	Date Issued
06BD001FF069	*Fiscal Year 2006 Financial Installation Audit - Cardiss Collins Postal Store, Chicago, Illinois*	FF-AR-06-250	8/17/2006
06BD001FF032	*Fiscal Year 2006 Financial Installation Audit - Grand Crossing Station, Chicago, Illinois*	FF-AR-06-133	4/11/2006
05XD005FF000	*Fiscal Year 2005 Financial Installation Audit - Cardiss Collins Postal Store – Post Office Box Section – Chicago, Illinois*	FF-AR-06-048	1/9/2006
05XD006FF000	*International Merchant Purchase Authorization Card Review - Chicago District*	FF-AR-06-038	12/30/2005
05XD005FF000	*Fiscal Year 2005 Financial Installation Audit - Cardiss Collins Postal Store, Chicago, Illinois*	FF-AR-05-228	9/23/2005
04XD005FF001	*Fiscal Year 2004 Financial Installation Audit - Wacker Drive Station, Chicago, Illinois*	FF-AR-04-018	1/5/2004
03XD002FF097	*Fiscal Year 2003 Financial Installation Audit - Chicago Business Mail Entry Unit, Chicago, Illinois*	FF-AR-04-011	10/31/2003
03XD004FF019	*Fiscal Year 2003 Financial Installation Audit - Chicago Main Office, Chicago, Illinois*	FF-AR-03-219	6/25/2003
03XD006FF010	*Fiscal Year 2003 Financial Installation Audit - Chicago Contract Postal Unit #50, Chicago, Illinois*	FF-AR-03-245	5/28/2003
02XD003FF049	*Fiscal Year 2002 Financial Installation Audit – Chicago Business Mail Entry Unit, Chicago, Illinois*	FF-AR-03-076	11/20/2002
02XD012FF021	*Fiscal Year 2002 Financial Installation Audits - Chicago Philatelic, Chicago, Illinois*	FF-AR-03-070	10/31/2002
02XD013FF014	*Fiscal Year 2002 Financial Installation Audit - Chicago #101 Contract Station, Chicago, Illinois*	FF-AR-03-063	10/31/2002
01NA005FF030	*Fiscal Year 2001 Chicago Stockyard Station, Chicago, Illinois*	FF-AR-02-197	1/28/2002
Total Financial Installation Audit Reports		13	
06BD005FF005	*Audit of Statistical Tests for Fiscal Year 2006 – Chicago District Cost and Revenue Analysis, Chicago, Illinois*	FF-AR-06-114	3/21/2006
02XD016FF002	*Audit of Statistical Tests for Fiscal Year 2002 - Chicago District Cost and Revenue Analysis, Chicago, Illinois*	FF-AR-02-280	7/5/2002
Total Cost and Revenue Analysis Audit Reports		2	

APPENDIX C. AUDIT RESULTS BY STATION

Finding Description[9]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	Criteria
Units could not locate stamp stock and cash, which were identified on PS Form 1412, Daily Financial Report.				X			X								X	Handbook F-1, Section 486.3, November 1996 (updated with *Postal Bulletin* revisions through June 9, 2005).
Units did not properly account for stamp stock on PS Form 1412. Stamps were found in locked safe compartments.		X	X					X		X		X			X	Handbook F-1, Section 131.
Units did not properly account for cash on PS Form 1412. Cash was found in unused safe compartments.			X			X		X							X	Handbook F-1, Section 151.43.
Units did not conduct accountability examinations of the unit cash reserve, unit reserve stock, and retail associates' cash retained as frequently as required.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Handbook F-1, Sections 487.3, 487.41, and 487.51.
Units allowed retail floor stock to exceed the 2-week postage sales limit.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Handbook F-1, Section 485.2.
Units did not document accountability examinations counts on PS Form 3294, Cash and Stamp Stock Count and Summary.	X		X	X	X	X	X		X	X	X	X		X	X	Handbook F-1, Sections 487.32, 487.45, 487.55, and 487.65.
Units did not record accountability examinations on PS Form 3368, Accountability Examination Record.	X		X	X	X	X	X		X	X	X	X		X	X	Handbook F-1, Sections 487.32, 487.45, 487.55, and 487.65.
Units did not close inactive credits of retail associates who no longer worked at the unit.		X	X	X		X	X	X	X		X	X		X	X	Handbook F-1, Section 487.41.
Units did not establish stamp credit records' files for retail floor stock, unit reserve stock accountability, unit cash reserve, and cash retained credits.	X					X	X			X		X			X	Handbook F-1, Section 426.5.4.
Units did not use PS Form 3369, Consigned Credit Receipt, when assigning accountabilities.									X			X	X		X	*Postmaster/Field Guide*, Version 5.0, pages 33 and 34, July 2006.

[9] An "X" indicates the condition noted in the Finding Description was identified at the respective station.

Finding Description[9]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	Criteria
Units did not transfer the unit reserve stock accountability when the previous reserve stock custodian went to another station.							[redacted]			[redacted]					[redacted]	Handbook F-1, Section 421.
Units bypassed unit reserve, and accepted stock directly into the retail floor.							[redacted]		[redacted]						[redacted]	Handbook F-1, Sections 483.6 and 484.2.
Units did not always complete or prepare PS Form 571, Discrepancies of $100 or More In Financial Responsibility, as required.	[redacted]			[redacted]					[redacted]						[redacted]	Handbook F-1, Sections 487.45, 487.55, and 487.65.3.
Unit clerk traveled to a local currency exchange with approximately $600-$700 in cash bag to obtain change for the unit.						[redacted]									[redacted]	Handbook F-1, Section 151.41.
Units did not properly maintain or secure money orders. Money orders were found in locked safe compartments.			[redacted]					[redacted]		[redacted]	[redacted]	[redacted]			[redacted]	Handbook F-1, Section 748.
Units did not properly complete or maintain PS Form 3977, Duplicate Key Envelopes.		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	Handbook F-1, Section 372.1.
Units did not verify or document, at least annually, that an employee's accountability keys did not open another's accountability.						[redacted]			[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	Handbook F-1, Section 426.2.8.
Units did not verify that locks and combinations were changed when accountabilities were relinquished.									[redacted]			[redacted]		[redacted]	[redacted]	Handbook F-1, Section 372.5.
Access to the unit cash reserve was not restricted to cash reserve custodian.			[redacted]							[redacted]					[redacted]	Handbook F-1, Sections, 426.43 and 486.1.2.
Units did not properly secure cash, stamps, money order stock, and accountable items.	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]			[redacted]		[redacted]	[redacted]	Handbook F-1, Sections 422.1 and 482.
Units did not assign and maintain appropriate access levels for employees in the POS financial reporting system.		[redacted]	[redacted]	[redacted]		[redacted]	[redacted]		[redacted]		[redacted]	[redacted]		[redacted]	[redacted]	Handbook AS-805, *Information Security Services*, Section 9-4.1., March 2002 (updated with *Postal Bulletin* revisions through September 29, 2005).
Units did not keep the WebBATS up-to-date.		[redacted]		[redacted]			[redacted]	[redacted]	[redacted]			[redacted]		[redacted]	[redacted]	United States Postal Service letter, *Web Box Activity Tracking System Compliance,* issued July 7, 2006.
Units did not adequately separate post office box duties.	[redacted]	[redacted]						[redacted]		[redacted]				[redacted]	[redacted]	Handbook F-1, Section 132.1.

Finding Description[9]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	Criteria
Units did not enter post office box/caller service payments into the POS system.		[redacted]		[redacted]			[redacted]					[redacted]		[redacted]	[redacted]	Handbook F-1, Section 131.
Units did not collect post office box/caller service fees from customers with caller service.	[redacted]							[redacted]							[redacted]	Postal Operations Manual, Issue 9, July 2002 (updated with *Postal Bulletin* revisions through December 7, 2006, Section 842.212.
Units did not properly perform closeout procedures.	[redacted]		[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	*Postmaster/Field Guide*, Version 5.0, page 51.
Units did not match the appropriate AIC for disbursements reported on the POS system printout report with supporting documentation.				[redacted]			[redacted]								[redacted]	Handbook F-1, Section 333.2.
Units did not properly document refunds on PS Form 3533 and verify disbursement transactions were supported.	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]		[redacted]	[redacted]	*Postmaster/Field Guide*, Version 5.0, page 165.
Units did not monitor and resolve financial differences.	[redacted]	[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	*Postmaster/Field Guide*, Version 5.0, pages 106 and 107.

APPENDIX D. SUMMARY OF MONETARY AND NON-MONETARY BENEFITS

This table presents the monetary and non-monetary impact identified during the audit, rounded to the nearest dollar. These funds will be reported in our *Semiannual Report to Congress*.

MONETARY IMPACT				
Finding No.	**Finding Title**	**Recoverable Revenue Loss**	**Unrecoverable Revenue Loss**	**Questioned Costs**
1	Retail Floor Stock Shortages		$4,360	
1	Unit Cash Reserve Shortages	$1,150		
1	Unit Reserve Shortages	42,639		
1	Other Segment Shortages	26,706		
1	Cash Retained Shortage	1,041		
2	Uncollected Post Office Box Revenue	38,998		
3	Unsupported Disbursements			$6,782
TOTAL		**$110,534**	**$4,360**	**$6,782**
GRAND TOTAL				**$121,676**

NON-MONETARY IMPACT		
Finding No.	**Description**	**Assets/Accountable Items At Risk**
1	[redacted]	$4,100,000
1	Stock Accepted Directly to the Retail Floor	4,737,587
1	Improperly Secured Stamp Stock	69,039
1	Cash Found in Unused Safe Compartments	1,046
1	Excess Stock Maintained in Retail Floor	679,976
1	[redacted]	1,551,600
TOTAL		**$11,139,248**

APPENDIX E. MANAGEMENT'S COMMENTS

DISTRICT MANAGER

UNITED STATES
POSTAL SERVICE

September 19, 2007

JOHN CIHOTA
DEPUTY ASSISTANT INSPECTOR GENERAL for FINANCIAL ACCOUNTABILITY

SUBJECT: CHICAGO DISTRICT FINANCIAL ACCOUNTABILITY- Report FF-AR-07-DRAFT

Chicago District management does not dispute the audit results on all factual findings. We agree with the monetary impact of $121,676 in recoverable revenue loss and questioned costs and $11,139,248 in non monetary assets or accountable items at risk. We agree to implement each recommendation as outlined in our attached narrative of management actions. Post Office Operations and Finance have partnered together to utilize this report to develop a cadre of financially trained team members who will serve to review and improve financial operations in all units across the city thereby establishing a plan to improve process compliance and reduce future discrepancies of this type.

RECOMMENDATION 1:
Develop and implement a mandatory financial training program for all unit managers and supervisors

Response:
After the 2005 OIG Financial Audit of our Cardiss Collins Postal Store, at the recommendation of the Great Lakes Area, Chicago District Finance used those findings to coordinate and present training to all supervisors, managers, clerks-in-charge and newly appointed ASP candidates across our District. Copies of the attendance sign-in sheets are attached for your convenient review. The training consisted of three modules as follows:

- Daily 1412 Financial Reporting;
- Financial Reporting with POS IBM
- Financial Reconciliation and Reporting Basics

Currently, Great Lakes Area and Chicago District Finance have partnered to provide additional financial training to all personnel involved with retail operations. This training will be presented in tiered segments specifically designed to address the procedures involved in the scope of financial responsibilities for the following positions:

- Managers, Post Office Operations
- Customer Service Operations Managers
- Station Managers
- Supervisors and T-6s/clerks in charge of retail operations

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This additional financial training scheduled to start in October of FY 2008. It will provide each level of management with the knowledge and tools to monitor and ensure compliance with required financial controls and procedures. This documented training will be reflected in every participant's training records which will be updated upon completion of the course(s). Full compliance with and accountability established financial policies and procedures will be monitored and enforced with corrective follow up for any deficiencies that may arise.

RECOMMENDATION 2
Establish a system to monitor compliance with financial procedures and establish and enforce accountability for non-compliance.

Response:
Our Financial Control and Support Analyst staff of four is being increased to eight in order to develop personnel with the financial and analytical skills necessary review and correct all aspects of financial discrepancies that occur at the unit level. One analyst will be assigned per area and will be responsible to work with, assist and coach management personnel at their stations in the resolution of all the financial issues and/or process failures that may arise each day. Some of the additional staff will consist of external ASPs who will later serve as a financial cadre that will handle transfers of accountability as well as any coaching or assistance that may be needed in post office operations.

In addition the District Finance office has been conducting financial audits at retail units across the District. The goal is to audit every retail units and establish a baseline of their financial accountability, 247/647 expenses, employee items, and master trust discrepancies. Upon completion of each audit, exit conferences discussing the discrepancies and the corrective action plans required are held with the station manager, their CSOM, the POOM, Finance Manager and Manager Financial Control and Support. Finance prepares statements of accountability that the station manager signs at the conclusion of the exit conference. Finance also maintains all original documents on file and monitors compliance with the corrective action plans and any follow up that becomes necessary. Through the joint partnership between Finance and Post Office Operations, issues requiring corrective actions will be researched and documented for follow up by Post Office Operations.

Post Office Operations Manager will ensure that changes to station manager assignment are planned with Finance prior to the effective date of change in order to ensure sufficient time is allowed for an accurate transfer of accountability to take place and ensure a clear document of accountability to be established for the outgoing and incoming managers.

This system will be in place by January FY 2008.

RECOMMENDATION 3:
Collect cash/stamps shortages and post office box/caller service fees identified in the individual site memoranda as appropriate.

Response:
Letters of demand for the 27 employees identified with cash retained shortages totaling $1,146.18 are almost complete. To date, we have received about 20 copies of the issued letters of demand and collected $274.98 by 7 employees. Balance due to be collected is $887.14 as illustrated below. Finance is monitoring to ensure resolution.

All but two letters of demand for the 7 unit reserve shortages have been issued and resolved. One is currently being reviewed against a request for relief and its supporting documentation and the second is being researched by one of our analysts for a possible correlation to other related transactions. Collection of these debts has been achieved either by immediate full payment or completion of Forms 3239 for voluntary withdrawals.

The administrative portion of these two shortages should be finalized by October 31, 2007.

[redacted]

The uncollected revenue tnat was identified during the audit for twenty PO Box and caller service fees was researched by our WebBats Coordinator. It was determined that all fees were paid and posted in WebBats at the Loop Station. Copies of the Payment History Report from WebBats are attached for your review.

RECOMMENDATION 4:
Develop an action plan to correct the deficiencies noted at the individual stations branches.

Response:
Upon completion of a financial audit and exit conference, each station manager is given a specific time period to correct all discrepancies identified in the audit report and exit discussion. Additionally, they are required to submit a narrative corrective action plan outlining the actions taken to abate the problems and ensure compliance thereafter. This action plan requires that they list the activities that they are performing daily, weekly and monthly to validate the process compliance and prevent discrepancies in future audits.

We have begun preparation for the Vital Few SIA meeting process that began in the Detroit District and was replicated in the Southeast Michigan District with great success. Meeting attendees will consist of representatives from the OIG Internal Fraud group, Finance Manager, Financial Control and Support Manager, Retail Manager, Customer Service Operations Manager and Station Manager. Meeting schedule and station manager attendance will be determined by the unit's SIA results each month. Units that fail to conduct their SIA count as required or that result in discrepancies that meet or exceed the initial $500 threshold will be required to attend, explain their audit and daily close out process as well as present copies of their audit, daily financial records and accountability assignment forms demonstrating compliance with internal controls. Additionally, Financial Control and Support will provide feedback into the financial issues and concerns and assist with identifying root causes or possible fraudulent activity by analyzing the unit's daily financial records. Retail will analyze transaction activity such as No Sale transactions by individual window clerk to also provide further assistance and support.

Upon completion of all financial audits, Finance will begin revisiting units randomly to conduct reviews of key internal controls as triggered by our financial data analysis. Monitoring compliance and reporting serious compliance failure will be a key part of our actions following the training. This will start in October FY 2008 and will be ongoing throughout the year.

RECOMMENDATION 5:
Provide a quarterly and annual summary of unit compliance with financial procedures to the Great Lakes Area regarding remediation of the findings.

Response:
Finance will establish a tracking process for all activities previously explained. Great Lakes Area Finance will receive a quarterly and annual summary report of these activities and their results illustrating the improvement by each unit's compliance with financial procedures and internal controls. The first quarterly summary will be prepared and sent to the Area Office for Quarter 1, FY 2008.

[redacted]

Response:
Finance will provide the necessary oversight to ensure compliance. A Financial Control & Support Analyst has visited the unit on a random basis starting August 2007 and will continue at least once a month for twelve consecutive months to validate the process.

FOIA EXEMPTION

[redacted]

Gloria E. Tyson — District Manager

Jo Ann Feindt — Vice President, Great Lakes Area