



March 5, 2008

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VICE PRESIDENT, CONTROLLER

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SUBJECT: Audit Report – Fiscal Year 2007 Financial Installation Audits – Post Offices, Stations, and Branches (Report Number FF-AR-08-122)

This report presents the results of our financial installation audits of post offices, stations, and branches for fiscal year (FY) 2007 (Project Number 07BD001FF000). We conducted this work in support of the audit of the U.S. Postal Service's financial statements. Please refer to [Appendix A](#) for additional information about this audit.

## Overall Conclusion

Based on the items we reviewed at 109<sup>1</sup> post offices, stations, and branches, financial transactions were reasonably and fairly presented in the accounting records, and, generally, the internal controls we examined were in place and effective. However, we identified five locations where controls, overall, were not effective, and one location where financial transactions were not reasonably and fairly presented in the accounting records. We also identified seven additional locations where major segments of post office internal controls were not effective. (See [Appendix E](#).) This report includes one recommendation to Postal Service Headquarters to develop an action plan to reduce or eliminate the various, recurring deficiencies in internal control compliance. [Appendix C](#) lists each issue reported during FY 2007 and the number of units where the issue was also reported in FY 2006. [Appendix D](#) gives statistical projections of the number of units with the 10 most frequently reported internal control deficiencies.

We made recommendations to district management addressing the internal control and compliance issues at each installation. District management's comments were responsive to our findings, recommendations, and \$2.1 million in monetary and \$19.2 million in non-monetary impact. The actions taken or planned should correct the

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<sup>1</sup> [Appendix B](#) lists the 109 selected post offices. We used a statistical methodology to select 105 locations, which is explained in [Appendix D](#). We also judgmentally selected four locations: [REDACTED]

[REDACTED] We selected these locations based on requests from Postal Service management or from Office of Inspector General investigators.

issues identified at these installations. [REDACTED]

## Previously Reported Internal Control Deficiencies

We identified 51 internal control issues in our FY 2007 audits that we also reported in our FY 2006 reports, indicating continued unit-level noncompliance with prescribed internal controls. For example, in FYs 2007 and 2006, we reported 33 instances where managers did not close inactive credits, and as of September 30, 2007, we determined the Postal Service maintained \$2.3 million<sup>2</sup> in 21,680 inactive cash retained credits at 8,963 units nationwide.<sup>3</sup> The table below illustrates eight examples of significant internal control deficiencies reported in both FYs 2007 and 2006. While the number of sites with a particular deficiency may change from year to year, control deficiencies with seven or more errors indicate a Postal Service-wide problem. [Appendix C](#) provides a complete list of issues reported in both fiscal years.

### Significant Internal Control Deficiencies Reported in FYs 2007 and 2006

Control Deficiency Description	Number of Sites with Control Deficiencies	
	FY 2007	FY 2006
1. The unit did not conduct timely examinations of cash retained accountabilities.	59	73
2. The unit did not verify or document at least annually that an employee's accountability keys did not open another employee's accountability.	44	44
3. The unit allowed retail floor stock to exceed the 2-week postage sales limit.	42	51
4. The unit did not properly prepare bank deposits.	42	40
5. The unit did not monitor advance deposit accounts for inactivity.	39	29
6. The unit did not monitor and resolve financial differences.	38	29
7. The unit did not verify disbursement transactions were supported.	34	17
8. The unit did not close inactive credits.	33	33

We believe the Postal Service not having a comprehensive action plan to reduce or eliminate these deficiencies contributes to the continued noncompliance. In response to

<sup>2</sup> We will report inactive cash retained credits of \$2,332,893 as non-monetary impact, assets at risk, in our *Semiannual Report to Congress*.

<sup>3</sup> To quantify the nationwide amounts, we queried the Enterprise Data Warehouse (EDW) as of September 30, 2007, using structured query language. The EDW provides a common source of accurate corporate data across organizations to a wide variety of users.

our prior reports regarding these deficiencies, management reemphasized to Postal Service units the importance of following these internal control requirements. However, these actions have not significantly improved compliance.

During FY 2007, the Postal Service provided several tools to help managers follow internal control policies when performing their duties. The Postal Service standardized unit procedures by issuing the draft Field Accounting Procedures (FAP), which implemented the financial policies defined in Handbook F-1.<sup>4</sup> The Postal Service also created Accounting Data Mart reports to help managers monitor the frequency of accountability examinations and monitor and clear unresolved employee items. Additionally, Point-of-Service (POS) enhancements enabled managers to track credit examinations electronically to ensure they perform them at the required frequency. We believe these tools can help reduce the types of control deficiencies identified in this report.

We recommend the Vice President, Retail Operations, in conjunction with the Vice President, Controller:

1. Develop and implement an action plan to measurably reduce or eliminate the reported deficiencies. The action plan could include requirements for managers at all levels to use automated tools to monitor and enforce unit-level compliance with internal control requirements.

### **Management's Comments**

Management agreed with our finding, recommendation, and non-monetary impact. They stated Retail and Finance personnel would work cross-functionally to develop and implement an action plan to address control deficiencies identified by the OIG. Additionally, the cross-functional team will develop metrics to measure progress toward addressing the control deficiencies at the local, area, and national levels. Management's target for completion of their strategy to address these deficiencies is the end of FY 2008. We have included management's comments, in their entirety, in [Appendix F](#).

### **Evaluation of Management's Comments**

Management's comments are responsive to our finding and recommendation and the action planned should correct the issue identified in the finding.

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<sup>4</sup> Handbook F-1, *Post Office Accounting Procedures*, November 1996 (updated with *Postal Bulletin* revisions through June 9, 2005).

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



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Attachment

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## **APPENDIX A: ADDITIONAL INFORMATION**

### **BACKGROUND**

The OIG conducts financial field audits at post offices, contract postal units, self-service and automated postal centers; business mail entry units; and stamp distribution offices. These audits are conducted in support of the independent public accounting firm's overall audit opinion on the Postal Service's financial statements.

Post offices are one of the units where the Postal Service initially recognizes revenue from operations and 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. Financial activities at these installations include, but are not limited to: post office box and caller services, money orders, business reply and postage due mail, and postage sales.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our overall objectives were to determine whether financial transactions of field operations were reasonably and fairly presented in the accounting records and whether internal controls were in place and effective.

To accomplish these objectives, we conducted unannounced audit fieldwork from October 2006 through August 2007 at 105 statistically selected post offices, stations, and branches. Additionally, we conducted audits at four judgmentally selected post offices, stations, and branches based on requests from management officials and OIG investigators. These 109 units reported \$284 million in revenue in FY 2006.

[Appendix B](#) lists the locations we audited.

We traced recorded financial transactions to and from supporting documentation and assessed the reliability of computerized data by verifying the computer records to source documents. We also evaluated whether the internal control structure over financial reporting and safeguarding of assets was implemented and functioning as designed.

We conducted our audit from October 2006 through March 2008 in accordance with generally accepted government auditing standards and included tests of internal controls that were 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 January 9, 2008, and included their

comments where appropriate. Additionally, we issued individual reports at each unit audited and made recommendations to district management addressing those findings. District management's comments were responsive to our findings and recommendations, and the actions taken or planned should correct the issues identified at these installations.

## PRIOR AUDIT COVERAGE

We evaluated all findings from reports previously issued at FY 2007 audit sites during FYs 2002 through 2006. We reported the status of the recommendations in each of the installation reports issued. Additionally, we issued six capping reports during FYs 2002 – 2006 summarizing our installation-level audits.

Report Title and Location	OIG Report Number	Report Date
Chicago District Financial Audits:		
<i>Fiscal Year 2006 Financial Installation Audit – Grand Crossing Station – Chicago, Illinois</i>	FF-AR-06-133	Apr 11, 2006
<i>IMPAC Card Purchases – Chicago District – Chicago, Illinois</i>	FF-AR-06-038	Dec 30, 2005
<i>Fiscal Year 2004 Financial Installation Audit – Wacker Drive Station – Chicago, Illinois</i>	FF-AR-04-018	Jan 5, 2004
<i>Fiscal Year 2003 Financial Installation Audit – Chicago Business Mail Entry Unit – Chicago, Illinois</i>	FF-AR-04-011	Oct 31, 2003
<i>Fiscal Year 2003 Financial Installation Audit – Illinois Institute of Technology Contract Postal Unit #50 – Chicago, Illinois</i>	FF-AR-03-245	May 28, 2003
<i>Fiscal Year 2002 Financial Installation Audit – Chicago Business Mail Entry Unit – Chicago, Illinois</i>	FF-AR-03-076	Nov 20, 2002
<i>Fiscal Year 2002 Financial Installation Audit – Parkway Drugs Contract Postal Unit – Chicago, Illinois</i>	FF-AR-03-063	Oct 31, 2002
<i>Fiscal Year 2002 Financial Installation Audit – Chicago Main Philatelic Station – Chicago, Illinois</i>	FF-AR-03-070	Oct 31, 2002
<i>Fiscal Year 2001 Financial Installation Audit – Chicago Stockyard Station, Chicago, Illinois</i>	FF-AR-02-197	Jan 28, 2002
<i>Fiscal Year 2006 Financial Installation Audit – Cardiss Collins Postal Store – Chicago, Illinois</i>	FF-AR-06-250	Aug 17, 2006
<i>Fiscal Year 2006 Financial Installation Audit – Midway Main Office Window – San Diego, California</i>	FF-AR-06-100	Mar 10, 2006
<i>Fiscal Year 2005 Financial Installation Audit – Cardiss Collins Postal Store – Post Office Box Section – Chicago, Illinois</i>	FF-AR-06-048	Jan 9, 2006
<i>Fiscal Year 2005 Financial Installation Audit – Cardiss Collins Postal Store – Chicago, Illinois</i>	FF-AR-05-228	Sep 23, 2005
<i>Fiscal Year 2004 Financial Installation Audit – Southaven Main Post Office – Southaven, Mississippi</i>	FF-AR-04-032	Jan 27, 2004
<i>Fiscal Year 2003 Financial Installation Audit – St. Louis Main Office Finance Unit – St. Louis, Missouri</i>	FF-AR-04-010	Oct 31, 2003

<b>Report Title and Location</b>	<b>OIG Report Number</b>	<b>Report Date</b>
<i>Fiscal Year 2003 Financial Installation Audit – General Mail Facility Finance Station – Detroit, Michigan</i>	FF-AR-03-369	Sep 30, 2003
<i>Fiscal Year 2003 Financial Installation Audit – Houston Post Office – Houston, Texas</i>	FF-AR-03-352	Aug 26, 2003
<i>Fiscal Year 2003 Financial Installation Audit – Chicago Cardiss Collins Postal Store – Chicago, Illinois</i>	FF-AR-03-219	Jun 25, 2003
<i>Fiscal Year 2003 Financial Installation Audit – Cleveland Main Office Window Service – Cleveland, Ohio</i>	FF-AR-03-201	May 16, 2003
<i>Fiscal Year 2003 Financial Installation Audit – Phoenix Main Office Window Service – Phoenix, Arizona</i>	FF-AR-03-172	Apr 15, 2003
<b>Capping Reports</b>		
<i>Fiscal Years 2003 and 2004 Protective Reviews Capping Report</i>	FT-MA-04-003	Aug 12, 2004
<i>Fiscal Year 2006 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-07-094	Feb 20, 2007
<i>Fiscal Year 2005 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-06-196	Jun 20, 2006
<i>Fiscal Year 2004 Financial Installation Audit – Post Offices, Branches, and Stations</i>	FF-AR-05-097	Mar 31, 2005
<i>Fiscal Year 2003 Financial Installation Audit – Post Offices, Branches, and Stations</i>	FF-AR-04-247	Aug 4, 2004
<i>Fiscal Year 2002 Financial Installation Audit – Post Offices, Branches, and Stations</i>	FF-AR-03-146	Mar 21, 2003

## APPENDIX B: POST OFFICES, STATIONS, AND BRANCHES AUDITED AND REPORTS ISSUED NATIONWIDE

Report Title and Number	FY 2006 Revenue	Monetary Impact <sup>5</sup>	Non-Monetary Impact <sup>6</sup>
1 7	\$26,231,491	\$121,676	\$11,139,248
<b><i>Fiscal Year 2007 Financial Installation Audits</i></b>			
2	25,891,507	6,399	86,508
3	18,627,582	91,410	50,811
4	13,373,729	19,725	389,308
5	11,884,484	39,031	—
6	11,109,818	126,671	16,715
7	7,265,692	853,889	369,829
8	7,166,380	—	—
9	7,126,715	14,585	82,666
10 <u>Redacted</u>	7,114,097	75,663	275,864
11	6,923,747	53,021	89,615
12	6,912,304	—	4,100
13	6,479,524	31,114	92,080
14	5,941,050	1,311	63,132
15	5,460,383	64,089	28,659
16	5,030,424	130,591	200,205
17	4,504,981	12,988	10,337
18	4,400,047	943	—

<sup>5</sup> We reported these amounts as unrecoverable questioned costs, recoverable questioned costs, recommended funds put to better use, increased revenue, unrecoverable revenue, recoverable revenue, and refundable revenue.

<sup>6</sup> We reported these amounts as assets at risk, accountable items at risk, and disbursements at risk.

<sup>7</sup> The Chicago District Financial Accountability report summarized the results of audit work conducted at 14 judgmentally selected stations and branches in the district. Since one of the selected units (██████████ Postal Store) was also included in our FY 2007 sample, we reduced the amounts shown in this appendix for revenue, monetary impact, and non-monetary impact.



Report Title and Number	FY 2006 Revenue	Monetary Impact <sup>5</sup>	Non-Monetary Impact <sup>6</sup>
19	\$4,392,536	\$27,235	\$ 2,174
20	3,581,153	21,347	102,486
21	3,309,186	36,655	42,141
22	3,137,444	—	—
23	3,095,723	6,858	—
24	3,059,127	36,103	984,580
25	2,904,008	1,451	—
26	2,730,019	16,186	39,688
27	2,367,968	22,173	69,788
28	2,261,045	1,226	19,689
29	<u>Redacted</u>	—	—
30	2,165,663	4,894	—
31	2,164,754	28,306	3,184
32	2,151,653	809	15,634
33	2,140,690	36,210	35,874
34	2,139,435	1,446	22,558
35 <sup>8</sup>	2,125,628	8,907	104,400
36	2,008,080	1,065	1,775
37	1,995,375	18,817	37,351
38	1,890,802	1,684	16,621
39	1,821,955	—	250,312
40 <sup>9</sup>	1,813,349	—	639,298
41	1,785,074	74,435	39,589
42	1,740,884	—	—

<sup>8</sup> We judgmentally selected this location.

<sup>9</sup> We judgmentally selected this location.

Report Title and Number	FY 2006 Revenue	Monetary Impact <sup>5</sup>	Non-Monetary Impact <sup>6</sup>
43	\$1,681,032	—	—
44	1,648,053	\$4,718	—
45	1,608,034	—	\$ 57,307
46 <sup>10</sup>	1,593,878	6,057	32,915
47	1,591,889	2,084	—
48	1,496,742	1,623	6,993
49	1,494,874	2,594	802
50	1,487,338	4,298	22,601
51	1,480,800	—	9,199
52	1,408,518	7,029	14,035
53	1,393,761	38,945	265,587
54	1,369,966	—	6,158
55	1,309,789	6,076	13,155
56	1,183,220	—	28,203
57	1,179,270	6,143	24,718
58	1,104,677	—	182,158
59	1,061,982	7,264	162,009
60	1,053,105	—	12,231
61	1,001,615	22,080	12,871
62	962,060	—	17,130
63	937,099	—	191,499
64	812,455	—	12,000
65	797,769	—	—
66	745,562	—	1,300,000

<sup>10</sup> We judgmentally selected this location.

Report Title and Number	FY 2006 Revenue	Monetary Impact <sup>5</sup>	Non-Monetary Impact <sup>6</sup>
67	\$742,987	\$ 7,663	\$ 4,780
68	715,590	—	—
69	702,980	—	—
70	652,377	2,825	—
71	648,564	—	33,173
72	641,246	—	—
73	624,390	—	—
74	599,504	20,011	237,324
75	584,000	—	4,142
76	567,161	3,640	40,000
77 <u>Redacted</u>	561,904	1,018	—
78	552,243	40,822	1,124,515
79	546,405	—	—
80	544,889	—	—
81	511,060	1,293	4,644
82	385,876	—	4,133
83	364,225	—	11,381
84	348,610	—	705
85	283,810	—	—
86	267,581	—	—
87	207,163	—	44,279
88	203,835	—	—
89	156,475	—	—
90	132,220	—	—
91	131,221	—	—

Report Title and Number	FY 2006 Revenue	Monetary Impact <sup>5</sup>	Non-Monetary Impact <sup>6</sup>
92	\$129,734	—	—
93	125,300	—	—
94	122,926	—	\$ 4,151
95	110,445	—	—
96	109,831	—	—
97	105,443	—	9,638
98	102,571	—	—
99	88,060	—	—
100 <u>Redacted</u>	81,942	—	—
101	73,830	\$2,538	—
102	72,281	—	2,380
103	71,517	—	—
104	70,799	—	1,466
105	66,939	—	17,771
106	64,555	—	—
107	54,341	—	—
108	54,032	—	—
109	51,046	—	—
<b>Totals</b>	<b>\$284,118,049</b>	<b>\$2,177,634</b>	<b>\$19,242,272</b>

**APPENDIX C: CONTROL DEFICIENCIES REPORTED FOR THE  
105 STATISTICALLY SELECTED POST OFFICES, STATIONS, AND BRANCHES  
AUDITED NATIONWIDE<sup>11</sup>**

Description of Control Deficiency	Number of Sites with Control Deficiencies	
	FY 2007	FY 2006 <sup>12</sup>
<b>STAMP, CASH, AND MONEY ORDER ACCOUNTABILITIES</b>		
The unit did not conduct timely examinations of cash retained accountabilities.	59	73
The unit did not verify or document at least annually that an employee's accountability keys did not open another's accountability.	44	44
The unit did not properly document credit examination results on Postal Service (PS) Form 3294, Cash and Stamp Stock Count and Summary, or retain the forms.	44	35
The unit did not ensure employees prepared or fully completed duplicate key envelopes.	44	N/A
The unit allowed retail floor stock to exceed the 2-week postage sales limit.	42	51
The unit did not document credit examination results on PS Form 3368, Stamp Credit Examination Record.	41	30
The unit did not conduct timely examinations of unit cash reserve accountabilities.	34	41
The unit did not close inactive credits.	33	33
The unit did not restrict access to Postal Service information resources to authorized employees.	24	8
The unit did not conduct timely examinations of unit reserve stamp accountabilities.	20	22
The unit did not verify that locks and combinations were changed.	16	11
The unit did not limit employees' access to the unit cash reserve.	16	9
The total office accountability exceeded the 3-month stamp stock limit.	14	18
The unit reserve custodian did not secure unit reserve stock.	13	N/A
The unit did not secure retail floor stock.	13	14
The unit allowed the cash reserve to exceed the authorized limit.	13	14
The unit did not secure duplicate keys.	12	N/A
The unit did not secure cash and checks.	9	N/A
The unit did not conduct timely examinations of individual stamp credits.	9	3
The unit did not ensure all money orders were inventoried.	9	5
The unit did not remit funds from vending sales.	8	N/A
The unit did not conduct timely examinations of vending accountabilities.	8	24

<sup>11</sup> To allow us to statistically project the number of units with internal control deficiencies, we did not include judgmentally selected locations. See [Appendix D](#) for the sampling methodology and statistical projections. We reported compliance issues but also noted compensating controls that allowed us to conclude that, generally, internal controls were in place and effective. These issues were not material to the financial statements and did not affect the overall adequacy of internal controls considered necessary for a financial statement audit.

<sup>12</sup> Comparative data for items shown as N/A is not available. These items either were not evaluated in FY 2006 or were summarized in categories different from those used in FY 2007; or no findings were reported in FY 2006.

Description of Control Deficiency	Number of Sites with Control Deficiencies	
	FY 2007	FY 2006 <sup>12</sup>
The unit did not always post overages and shortages.	8	11
The unit did not witness accountability examinations, as required.	7	6
The unit did not follow proper vending procedures.	7	13
The unit did not secure money orders.	6	N/A
The unit did not prevent sales associates from exceeding the authorized cash retained limit.	6	10
The unit did not prevent employees from storing personal funds with Postal Service funds.	6	4
The unit did not destroy obsolete or damaged money orders.	6	N/A
The unit used vending funds to make change.	6	N/A
The unit did not remit all funds from retail operations.	5	6
The unit did not record all financial transactions.	5	2
Unit employees did not secure cash/stamp drawers.	5	N/A
The unit did not properly document, execute, or record external stock transfers.	4	8
The unit did not complete PS Form 17, Stamp Requisition/Stamp Return, to document an internal stock transfer.	4	N/A
The unit did not ensure all accountabilities were listed on the clerk balance list or manual accountability re-cap form.	3	N/A
The unit did not secure vending stamp stock.	3	N/A
The unit did not secure stamps, money order stock, and accountable items.	2	N/A
The unit did not properly document, execute, or record internal money order transfers.	2	N/A
The unit did not adequately separate duties.	2	6
The unit did not secure safe combinations.	1	N/A
The unit did not revalue stock as necessary to adjust for the rate increase.	1	N/A
The unit did not ensure cash reserves were kept separate from other accountable credits.	1	N/A
<b>FINANCIAL ACCOUNTING AND REPORTING</b>		
The unit did not properly prepare bank deposits.	42	40
The unit did not monitor advance deposit accounts for inactivity.	39	29
The unit did not monitor and resolve financial differences.	38	29
The unit did not monitor employee items or promptly clear them.	34	39
The unit did not follow closeout procedures.	25	12
The unit did not monitor or reconcile master trust account balances.	14	29
The unit did not properly operate the postage validation imprinter or make adjusting entries.	12	13
The unit did not ensure all employees completed Bank Secrecy Act training.	12	N/A
The unit did not ensure business reply mail (BRM) revenue was collected.	9	9
Retail associates did not properly complete and submit PS Form 8105-A, Funds Transaction/Transfer Report.	6	N/A
The unit retained copies of completed PS Forms 8105-A and PS Forms 8105-B, Suspicious Transaction Report.	2	N/A

Description of Control Deficiency	Number of Sites with Control Deficiencies	
	FY 2007	FY 2006 <sup>12</sup>
The unit did not ensure a current bad check list was available for employees to use during check acceptance.	2	N/A
Unit employees did not verify whether customers or businesses were on the bad check list.	2	N/A
The unit did not ensure all permit imprint revenue was collected.	1	N/A
The unit did not ensure BRM revenue was recorded.	1	N/A
The unit did not obtain BRM annual fee payment receipts from BRM agents.	1	N/A
<b>POST OFFICE BOXES AND CALLER SERVICES</b>		
The unit did not adequately separate post office box duties.	13	9
The unit did not close or block post office boxes for customers who did not pay their fees.	10	11
The unit did not keep the Web Box Activity Tracking System (WebBATS) up to date.	7	9
The unit did not properly collect post office box fees and reserve service fees.	5	N/A
The unit did not collect caller service fees for customers with caller service.	3	3
<b>PAYROLL</b>		
The unit did not have adequate documentation to support payroll transactions.	23	27
The unit did not complete PS Form 1723, Assignment Order, to support higher level authorization.	4	N/A
Human resources personnel did not monitor employees with saved grade provisions.	1	N/A
Management did not post the correct codes for employee leave in the Time and Attendance Collection System.	1	N/A
<b>VOYAGER, SMARTPAY® PURCHASE CARD, and LOCAL DISBURSEMENTS</b>		
The unit did not verify disbursement transactions were supported.	34	17
The unit did not update the Voyager master personal identification number (PIN) list.	19	21
The unit did not secure the Voyager master PIN list.	10	6
The purchase card approving official did not review documentation for accuracy and proper use of the credit card, and sign within 5 working days of receiving the report.	10	13
The unit did not ensure Voyager transactions were supported with receipts.	8	12
The unit did not ensure the purchase cardholder reviewed, signed and dated, and forwarded the purchase card statements to the approving official within 5 working days.	8	13
The unit did not reconcile monthly Voyager purchases.	5	4
The purchase cardholder did not create requisitions through the e-Buy online requisition and approval feature before purchases were made.	4	N/A
The unit did not properly assign Voyager PINs.	3	4
The purchase cardholder purchased a prohibited item.	3	1
The unit did not ensure purchase card transactions were supported with receipts.	2	4
The unit unnecessarily incurred state and local taxes on purchase card purchases.	2	N/A

Description of Control Deficiency	Number of Sites with Control Deficiencies	
	FY 2007	FY 2006 <sup>12</sup>
The unit did not process postage refunds and exchanges properly.	1	2
The unit did not properly record receipts or disbursement accounts.	1	1
The unit purchased food and beverages for a training seminar and an Employee Appreciation Day without receiving approval from a Postal Career Executive Service executive.	1	N/A
<b>POSTAGE STATEMENT REVIEW</b>		
The unit accepted business mailings from a customer without verifying the customer paid the annual mailing fee.	1	N/A
The unit accepted mail without verifying the weight claimed by mailers on postage statements.	1	N/A
The unit did not always follow mail acceptance, verification, and clearance procedures.	1	N/A
Management did not verify that retail associates completed all applicable sections on business mailer postage statements.	1	N/A
The unit accepted business mailings without verifying the customer signed postage statements.	1	N/A



## APPENDIX D: SAMPLING METHODOLOGY

In support of the objectives, the audit team employed a stratified random sample of post offices, stations, and branches (units). The sample design allows statistical projection of the number of units having the types of internal control deficiencies that were the subject of the audit. We made separate projections for each category with internal control deficiencies. The audit universe consisted of 23,284 units with revenues of more than \$50,000. We sampled 105 units as a stratified attributes design further allocated to each of three revenue-based strata.

For the 10 most frequent findings, we calculated the point estimate of the total number of deviations, as well as the associated confidence interval. Based on the sample results, we project the following with a 95 percent confidence level:

Internal Control Deficiency	Statistical Projections		
	Lower Bound (percentage)	Estimate of Population Proportion	Upper Bound (percentage)
The unit did not ensure employees prepared or fully completed duplicate key envelopes.	41.33	(12,695 ± 3,071) 54.52%	67.71
The unit did not properly document credit examination results on PS Form 3294 or retain the forms.	34.61	(11,193 ± 3,134) 48.07%	61.53
The unit did not conduct timely examinations of cash retained accountabilities.	35.02	10,831 ± 2,678 46.52%	58.02
The unit did not verify or document at least annually that an employee's accountability keys did not open another's accountability.	33.01	(10,828 ± 3,141) 46.50%	59.99
The unit did not document credit examination results on PS Form 3368.	29.77	(10,069 ± 3,136) 43.24%	56.71
The unit did not properly prepare bank deposits.	30.50	(10,029 ± 2,927) 43.07%	55.64
The unit allowed retail floor stock to exceed the 2-week postage sales limit.	22.60	(10,828 ± 3,141) 34.58%	46.56
The unit did not conduct timely examinations of unit cash reserve accountabilities.	18.57	(7,109 ± 2,785) 30.53%	42.49
The unit did not monitor and resolve financial differences.	17.32	(6,584 ± 2,552) 28.28%	39.24
The unit did not monitor advance deposit accounts for inactivity.	14.07	(5,072 ± 1,795) 21.78%	29.49

## APPENDIX E: SITES WHERE INTERNAL CONTROLS WERE NOT IN PLACE AND EFFECTIVE

Report		Overall Controls Not Effective	Major Segments of Internal Controls							
			Stamp, Cash, and Money Order Accountability Controls	Financial Accounting and Reporting Controls	Post Office Box and Caller Services Controls	Payroll Controls	Voyager (eFleet) and SmartPay® Purchase Card Controls	Business Mail Acceptance Controls	Vending Controls	Safeguarding of Assets
1	<sup>13</sup>	X	X	X						X
2	<sup>14</sup>	X	X							
3		X	X	X	X					X
4		X	X	X			X			
5		X	X	X			X			
6	<u>Redacted</u>		X							X
7	<sup>14</sup>		X							
8	<sup>14</sup>		X	X						X
9	<sup>14</sup>		X							X
10			X							
11			X						X	
12								X		
<b>Totals</b>		<b>5</b>	<b>11</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>4</b>

<sup>13</sup> Financial transactions were not reasonably and fairly presented in the accounting records at this location.

<sup>14</sup> We judgmentally selected this location.

## APPENDIX F: MANAGEMENT'S COMMENTS



February 27, 2008

JOHN E. CIHOTA

SUBJECT: Financial Installation Audit—Post Offices, Stations, and Branches  
Report Number FF-AR-08-DRAFT

Management agrees with the findings, recommendation, monetary, and non-monetary impacts as outlined in the Office of Inspector General (OIG), Fiscal Year 2007 Capping Report of Post Offices, Stations, and Branches.

Recommendation 1: Develop and implement an action plan to measurably reduce or eliminate the reported deficiencies. The action plan could include requirements for managers at all levels to use automated tools to monitor and enforce unit-level compliance with internal control requirements.

Response:

Management agrees with the OIG's recommendation. Retail and Finance, both in the field and at headquarters, will work cross-functionally to develop and implement an action plan to address the control deficiencies identified by the OIG. In addition, the cross-functional team will develop metrics to measure progress toward addressing the control deficiencies at the local, area, and national level. We will keep you informed as we make progress in the development and implementation of this action plan. Our efforts to address these and all other control deficiencies will be ongoing; however, we will target the completion of our strategy to address these deficiencies by the end of this fiscal year.

This report and management's response does not contain information that may be exempt from disclosure under the FOIA.

Please contact Fred Hintenach at (202) 268-5045 or Steven Phelps at (202) 268-4489 if you have any questions regarding this response or our strategy to address these control deficiencies.

  
Lynn Malcolm  
Vice President, Controller

  
Kathy Ainsworth  
Vice President, Retail Operations

cc: Kathy Banks

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