



December 26, 2008

ROSS PHILO
EXECUTIVE VICE PRESIDENT, CHIEF INFORMATION OFFICER

LYNN MALCOLM
VICE PRESIDENT, CONTROLLER

KATHY AINSWORTH
VICE PRESIDENT, RETAIL OPERATIONS

SUBJECT: Audit Report – Fiscal Year 2008 Financial Installation Audits – Post Offices, Stations, and Branches (Report Number FF-AR-09-055)

This report presents the results of our financial installation audits of 105 post offices, stations, and branches for fiscal year (FY) 2008 (Project Number 08BD001FF000). We conducted this work in support of the audit of the U.S. Postal Service's financial statements. [Appendix A](#) presents additional information about this audit.

Conclusion

Based on the items we reviewed, financial transactions were reasonably and fairly presented in the accounting records, and, generally, the internal controls we examined were in place and effective. In [Appendix B](#), we identify one location where controls, overall, were not effective, and eight additional locations where major segments of post office internal controls were not effective. [Appendix C](#) lists each issue reported during FY 2008 and the number of units where the issue was also reported in FYs 2006 and 2007. [Appendix D](#) presents statistical projections of the number of units with the 10 most frequently reported internal control deficiencies. In our FY 2007 capping report,³ we disclosed similar internal control deficiencies and recommended the Postal Service develop and implement an action plan to measurably reduce or eliminate the reported deficiencies. In FY 2008, the Postal Service developed an action plan to address the control deficiencies and is currently implementing their plan; therefore, we are not making a similar recommendation in this report.

We made recommendations to district management addressing internal control and compliance issues at each installation. District management's comments were responsive to our findings, recommendations, and \$819,602 in monetary and

³ *Fiscal Year 2007 Financial Installation Audits – Post Offices, Stations, and Branches* (Report Number FF-AR-08-122, dated March 5, 2008).

\$25.8 million in non-monetary impacts. The actions taken or planned should correct the issues identified at these installations.⁴

During our analysis of the results of control deficiencies at postal retail units, we identified systemic issues regarding obsolete money order forms, password protection policies, cash receipts, and unsecured passport documents.

Obsolete Money Orders

Post offices maintained over 12,000 obsolete blank money order forms at 10 of the 105 retail units visited in FY 2008. We estimate there are at least 72,814 obsolete blank money order forms remaining at additional retail units⁵ nationwide. In addition, we found the obsolete equipment used to imprint the forms at one of the 10 units that had these forms. The Postal Service designed these money order forms for Paymaster® manual money order imprinters, and these retail units did not destroy or transfer the forms when they converted to the Point-of-Service (POS) financial reporting system. Headquarters management instructs retail unit managers to destroy partial sets of obsolete money order forms and return full blocks, intact, to the Stamp Distribution Office when the unit converts to the POS system. Although management provided guidance to retail unit managers, they did not develop and implement a plan to ensure that retail units complied with the instructions to destroy or return obsolete money order forms following conversions to the POS system. As a result, the Postal Service has an increased risk of \$24.1 million of cash losses if these money orders are stolen and cashed. We consider the \$24.1 million accountable items at risk and will report this non-monetary impact in our *Semiannual Report to Congress*. [Appendix E](#) presents the details of our calculation.

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

1. Develop and implement a plan to eliminate obsolete money order forms from Point-of-Service retail units.

Management's Comments

Management agreed with the recommendation and stated Retail Operations, in coordination with Finance, will instruct field offices to properly dispose of all obsolete money order forms and Paymaster imprinters in compliance with Handbook F-101, *Field Accounting Procedures*. The instructions will include a template to report the actions taken to the Area Retail Manager. In addition, Retail Operations will instruct Area POS Coordinators to ensure that future Integrated Retail Terminal (IRT) offices converted to POS will follow the IRT to POS Conversion Checklist, which includes the proper disposition process for IRT money order forms. Management expects to complete all

⁴ Additionally, at 25 of the sites audited, we referred situations that warranted further examination to the U.S. Postal Service Office of Inspector General (OIG) Office of Investigations.

⁵ We considered retail POS units with at least \$50,000 in annual revenue.

actions by February 28, 2009. Management neither agreed nor disagreed with the non-monetary impact. We have included management's comments, in their entirety, in [Appendix G](#).

Password Protection Policies

Postal Service accounting procedures do not comply with the information security requirement that prohibits writing down passwords.⁶ Handbook F-101 requires field units to enclose logon IDs and passwords in duplicate key envelopes.⁷ We do not believe the security of these passwords is sufficient and find the Postal Service has an increased risk of losing assets and revenue if these passwords are inappropriately accessed. During our FY 2008 audits, we found that 10 of 105 locations did not adequately secure duplicate key envelopes.⁸ Headquarters management said they require employees to maintain these passwords in duplicate key envelopes to allow supervisors to perform credit examinations when the credit holder is away from the office for an extended period. However, Postal Service policy requires supervisors to cancel credits not used at least once a month and, consequently, no examinations should be required for those on extended leave.

We recommend the Vice President, Controller, in conjunction with the Executive Vice President, Chief Information Officer:

2. Resolve the conflict between the requirement in Handbook F-101, *Field Accounting Procedures*, to enclose Point-of-Service logon IDs and passwords in duplicate key envelopes and the Handbook AS-805, *Information Security*, requirement that prohibits writing down passwords.

Management's Comments

Management agreed with the recommendation and stated Corporate Information Security will update Handbook AS-805 by March 31, 2009, to incorporate security requirements for passwords that are written down or stored outside the user's personal control.

Cash Receipts

Postal Service policy permits the use of unnumbered receipts⁹ for making temporary cash payments or as part of the unit's contingency plan, if POS functions are interrupted because of a power failure or a security breach. However, allowing employees to use unnumbered receipts is not a safe business practice. Unnumbered receipts are a known tool for retail embezzlement and expose the Postal Service to increased risk. For example, retail associates working at POS offices sell postage from shared stock

⁶ Handbook AS-805-C, *Information Security for General Users*, Section 2, May 2007.

⁷ Handbook F-101, Section 3-8, July 2008.

⁸ This condition existed at 12 of 105 locations in our FY 2007 financial installation audits.

⁹ Postal Service (PS) Form 1096, Receipt.

and are not individually accountable for losses. They can embezzle cash by providing unnumbered receipts to customers without recording postage sales. Management was unaware the form was readily available and commonly used at retail units for purposes other than those prescribed. Requiring pre-numbered or system generated receipts helps ensure that retail associates deposit all cash they receive from customers.

We recommend the Vice President, Controller:

3. Update Handbook F-101, *Field Accounting Procedures*, to eliminate references to Postal Service Form 1096, Receipt.
4. Eliminate the electronic copy of Postal Service Form 1096 from the Postal Service's intranet.
5. Issue guidance to the field to destroy all copies of Postal Service Form 1096 and determine when this has been completed.

Management's Comments

Management agreed with the recommendations and stated they need to update Handbook F-101 in regard to unnumbered PS Forms 1096. Management does not want to completely eliminate the use of PS Form 1096 at non-POS offices to support receipt of funds. However, in order to eliminate misuse of the form, they will create a pre-numbered form. Once management creates the pre-numbered form they will eliminate the electronic version and request that all PS Forms 1096 be disposed of properly. Management expects to complete all actions by June 30, 2009.

Unsecured Passport Documents

Employees at 11 units did not secure completed passport applications before mailing them to the passport agency. Primarily, this condition occurred at retail units because managers and employees were unaware of, or did not fully understand, all internal control requirements. We reviewed the guidance and found that it does not clearly state which documents employees should secure and how long they should retain these forms. The *Passport Agent's Reference Guide* (PARG) requires units to secure passport applications. The *Administrative Support Manual* (ASM) and Handbook F-101 require units to secure the Daily Passport Application Transmittal (the transmittal) but not the applications. Handbook F-101 also says units must destroy the transmittal after 4 years, but the PARG and ASM require units to maintain it for 1 year. As a result, Postal Service customers have an increased risk of their Social Security numbers and other sensitive personal information being stolen.

We recommend the Vice President, Retail Operations:

6. Update the portion of the *Administrative Support Manual* that covers securing and retaining Postal Service Forms 5659, Daily Passport Application Transmittal, and Department of State Forms DS-11, Application for a U.S. Passport. The policies and procedures should, at a minimum, be consistent with:
 - Requirements in the *Passport Agent's Reference Guide* for securing passport applications.
 - Guidelines in Handbook F-101, *Field Accounting Procedures*, for retaining Postal Service Forms 5659.

Management's Comments

Management agreed with the recommendation and stated they will update the *Administrative Support Manual* to include proper security of PS Forms 5659 with a retention period consistent with Handbook F-101 and the *Passport Agents Reference Guide*. Revision is targeted for completion by March 31, 2009.

Evaluation of Management's Comments

The OIG considers management's comments responsive to all the recommendations and the corrective actions should resolve the issues identified in the report. We will continue to follow-up on the issues and corrective actions taken in response to our recommendations in our FY 2009 financial installation audits. Although management did not agree or disagree with the non-monetary impact discussed, we will report the \$24.1 million as accountable items at risk in our *Semiannual Report to Congress*.

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 Kevin Ellenberger, Director, Field Financial – East, or me at (703) 248-2100.



John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: William P. Galligan
H. Glen Walker
Vincent H. DeVito, Jr.
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

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

Post offices, which include main offices, stations, and branches, are postal retail units where the Postal Service initially recognizes revenue from operations. Financial activities at these installations include, but are not limited to, post office box and caller service, money orders, payments, and postage sales. Field unit managers and supervisors are responsible for ensuring that employees collect all revenues due the Postal Service, account for revenues in a timely manner, and maintain the required supporting documentation.

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 at 105 statistically selected post offices, stations, and branches. These 105 units reported \$296 million in revenue in FY 2007. [Appendix F](#) 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 this audit from October 2007 through December 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to limit audit risk to a low level that is, in our professional judgment, appropriate for supporting the overall audit opinion on the financial statements. Those standards also require us to consider the results of previous engagements and follow up on known significant findings and recommendations that directly relate to the objectives of the audit. An audit also includes a sufficient understanding of internal controls to plan the audit and determine the nature, timing, and extent of audit procedures to be performed. We supported the external auditors in obtaining reasonable assurance about whether the financial statements are free of material misstatement (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, an audit conducted in accordance with generally

accepted government auditing standards may not detect a material misstatement. However, the external auditors and the OIG are responsible for ensuring that Postal Service officials are aware of any significant deficiencies that come to our attention.

We discussed our observations and conclusions with management on November 17, 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. 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.

PRIOR AUDIT COVERAGE

We evaluated all findings from reports previously issued at FY 2008 audit sites for FYs 2005 through 2007. We reported the status of the recommendations in each of the installation reports issued. Additionally, we issued three capping reports for FYs 2005 through 2007 summarizing our installation-level audits.

Report Title	Report Number	Final Report Date
[REDACTED]	FF-AR-06-066	January 24, 2006
[REDACTED]	FF-AR-06-089	March 2, 2006
[REDACTED]	FF-AR-07-002	October 2, 2006
[REDACTED]	FF-AR-06-045	January 27, 2006
[REDACTED]	FF-AR-05-156	June 24, 2005
Capping Reports		
<i>Fiscal Year 2007 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-08-122	March 5, 2008
<i>Fiscal Year 2006 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-07-094	February 20, 2007
<i>Fiscal Year 2005 Financial Installation Audit – Post Offices, Stations, and Branches</i>	FF-AR-06-196	June 20, 2006

**APPENDIX C: CONTROL DEFICIENCIES AND THE FREQUENCY
THEY WERE REPORTED¹⁰**

Description of Control Deficiency	Number of Sites with Control Deficiencies		
	FY 2008	FY 2007	FY 2006 ¹¹
STAMP, CASH, AND MONEY ORDER ACCOUNTABILITIES			
The unit did not conduct timely examinations of cash retained accountabilities.	52	59	73
The unit allowed retail floor stock to exceed the 2-week postage sales limit.	47	42	51
The unit did not ensure employees prepared or fully completed duplicate key envelopes.	42	44	49
The unit did not conduct timely examinations of unit cash reserve accountabilities.	39	34	41
The unit did not verify or document at least annually that an employee's accountability keys did not open another's accountability.	39	44	44
The unit did not close inactive credits.	33	33	33
The unit did not restrict access to Postal Service information resources to authorized employees.	28	24	8
The total office accountability exceeded the 3-month stamp stock limit.	26	14	18
The unit did not secure retail floor stock.	21	13	14
The unit did not conduct timely examinations of unit reserve stamp accountabilities.	18	20	22
Unit employees did not secure cash and stamp credits.	16	5	N/A
The unit did not verify that locks and combinations were changed.	16	16	11
The unit did not document credit examination results on PS Form 3368, Stamp Credit Examination Record.	14	41	30
The unit did not prevent sales associates from exceeding the authorized cash retained limit.	12	6	10
The unit did not ensure that all money orders were inventoried.	11	9	N/A
The unit did not destroy obsolete or damaged money orders.	11	6	N/A
The unit reserve custodian did not secure unit reserve stock.	10	13	N/A
The unit allowed the cash reserve to exceed the authorized limit.	10	13	14
The unit did not secure duplicate keys.	10	12	N/A
The unit did not secure cash, stamps, or other accountable items.	9	2	N/A
The unit did not secure money orders.	8	6	N/A
The unit did not limit employees' access to the unit cash reserve.	8	16	9
The unit did not properly document credit examination results on PS Form 3294, Cash and Stamp Stock Count and Summary, or retain the forms. ¹²	7	44	35

¹⁰ We reported compliance issues, but we also observed compensating controls. These compensating controls allowed us to conclude that, in most cases, internal controls were in place and effective.

¹¹ Comparative data for items (shown as N/A) is not available. These items were not evaluated in the prior FYs, are summarized in categories different than those used in FY 2008, or had no findings reported in FY 2006 or FY 2007.

¹² In FY 2008, we did not test this control at retail units with the POS financial reporting system.

Description of Control Deficiency	Number of Sites with Control Deficiencies		
	FY 2008	FY 2007	FY 2006 ¹¹
The unit did not conduct timely examinations of individual stamp credits.	7	9	3
The unit did not witness accountability examinations, as required.	6	7	6
The unit did not follow proper vending procedures.	6	7	13
The unit used vending funds to make change.	6	6	N/A
The unit did not record all financial transactions.	5	5	2
The unit did not always post overages and shortages.	5	8	11
The unit did not properly document, execute, or record external stock transfers.	5	4	8
The unit did not remit funds from vending sales.	5	8	N/A
The unit did not secure cash and checks.	4	9	N/A
The unit did not remit all funds from retail operations.	4	5	6
The unit did not ensure cash or stamp reserves were kept separate from other accountable credits.	4	N/A	N/A
The unit did not conduct timely examinations of vending accountabilities.	3	8	24
The unit did not conduct timely examinations of consigned rural route stamp credits.	3	N/A	N/A
The unit did not prevent employees from storing personal funds with Postal Service funds.	2	6	4
The unit did not complete or retain PS Forms 17, Stamp Requisition/Stamp Return, to document an internal stock transfer.	2	4	N/A
The unit did not secure vending accountabilities.	2	3	N/A
The unit did not follow check acceptance procedures.	1	N/A	N/A
The unit did not ensure that all accountabilities were listed on the clerk's balance list or manual accountability recap sheet.	1	3	N/A
The unit did not return Paymaster money order imprinters when the POS system was installed.	1	N/A	N/A
The unit did not adequately separate duties.	1	2	6
FINANCIAL ACCOUNTING AND REPORTING			
The unit did not properly prepare bank deposits.	37	42	40
The unit did not monitor advance deposit accounts for inactivity.	36	39	29
The unit did not monitor and resolve financial differences.	31	38	29
The unit did not review completed PS Forms 5659.	27	N/A	N/A
The unit did not follow closeout procedures.	23	25	12
The unit did not monitor employee items or promptly clear them.	18	34	39
The unit did not ensure that all employees completed Bank Secrecy Act training or document the training.	18	12	N/A
The unit did not properly operate the postage validation imprinter or make adjusting entries.	16	12	13
The unit did not secure completed passport applications before mailing them to the passport agency office.	11	N/A	N/A
The unit did not monitor or reconcile master trust account balances.	9	14	29
The unit did not have a current bad check list for employees to use during check acceptance.	9	2	N/A

Description of Control Deficiency	Number of Sites with Control Deficiencies		
	FY 2008	FY 2007	FY 2006 ¹¹
The unit did not ensure business reply mail (BRM) revenue was collected.	5	9	9
Retail associates did not properly complete and submit PS Forms 8105-A, Funds Transaction/Transfer Report.	3	6	N/A
Unit employees did not verify whether customers or businesses were on the bad check list.	3	2	N/A
The unit did not ensure BRM revenue was recorded.	2	1	N/A
The unit did not obtain BRM annual fee payment receipts from BRM agents.	2	1	N/A
The unit did not ensure passport revenue was collected.	2	N/A	N/A
The unit did not separate passport acceptance and review duties.	1	N/A	N/A
POST OFFICE BOXES AND CALLER SERVICE			
The unit did not close or block post office boxes for customers who did not pay their fees.	19	10	11
The unit did not adequately separate post office box duties.	13	13	9
The unit did not keep the Web Box Activity Tracking System up to date.	8	7	9
The unit did not properly collect post office box fees and reserve service fees.	3	5	N/A
The unit did not properly collect caller service fees for customers with caller service.	3	3	3
PAYROLL			
The unit did not have adequate documentation to support payroll transactions.	25	23	27
The unit did not complete or maintain PS Forms 1723, Assignment Order, to support higher-level authorization.	9	4	N/A
The unit did not record higher-level pay for an employee's temporary assignment.	1	N/A	N/A
PURCHASING			
The unit did not verify disbursement transactions were supported.	37	34	17
The unit did not update the master personal identification number (PIN) list for the Voyager fleet credit card.	25	19	21
The unit did not keep receipts to support Voyager transactions.	14	8	12
The unit did not ensure that SmartPay Purchase Card cardholders reviewed, signed, dated, and forwarded the card statements to the approving official within the time limit.	10	8	13
The SmartPay Purchase Card approving official did not verify, sign, and date the credit card statements within the time limit.	8	10	11
The unit did not properly reconcile monthly Voyager purchases.	6	5	4
The cardholder did not create requisitions through eBay's online requisition and approval feature before making purchases.	6	4	N/A
The unit did not secure the Voyager master PIN list.	5	10	6
The unit did not properly record receipts or disbursement accounts.	3	1	1
The unit did not properly assign Voyager PINs.	3	3	4
The unit did not process postage refunds and exchanges properly.	2	1	2

Description of Control Deficiency	Number of Sites with Control Deficiencies		
	FY 2008	FY 2007	FY 2006 ¹¹
The unit did not keep receipts to support SmartPay Purchase Card transactions.	2	2	4
The unit did not use eBuy as the primary purchasing method for local purchases.	1	N/A	N/A
BUSINESS MAIL ACCEPTANCE			
The unit accepted business mailings without verifying the customers signed postage statements.	5	1	N/A
Management did not verify that retail associates completed all applicable sections on business mailer postage statements.	4	1	N/A
The unit did not record business mail postage statements upon mail acceptance.	3	N/A	N/A
The unit did not complete all sections of the postage statements after mail acceptance.	2	N/A	N/A
The unit did not ensure all Permit Imprint revenue was collected.	1	1	N/A
The unit did not verify the mailer's sections of the postage statement were completed.	1	N/A	N/A
The unit accepted business mailings from a customer without verifying the customer paid the annual mailing fee.	1	1	N/A

APPENDIX D: SAMPLING METHODOLOGY

In support of the audit objectives, we 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 23,253 units with revenues of more than \$50,000. We sampled 105 units as a stratified attributes design further allocated to each of four 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.

Finding	Statistical Projections					
	Lower Limit (Percentage)		Upper Limit (Percentage)		Point Estimate (Percentage)	
The unit did not conduct timely examinations of cash retained accountabilities.	5,365	23.07	10,304	44.31	7,835	33.69
The unit allowed retail floor stock to exceed the 2-week postage sales limit.	7,749	33.32	13,341	57.37	10,545	45.35
The unit did not ensure that employees prepared or fully completed duplicate key envelopes.	6,497	27.94	12,225	52.57	9,361	40.26
The unit did not conduct timely examinations of unit cash reserve accountabilities.	5,146	22.13	10,299	44.29	7,722	33.21
The unit did not verify or document at least annually that an employee's accountability keys did not open another employee's accountability.	5,730	24.64	11,297	48.58	8,513	36.61
The unit did not properly prepare bank deposits.	5,235	22.51	10,390	44.68	7,813	33.60
The unit did not verify that disbursement transactions were supported.	4,384	18.85	9,511	40.90	6,948	29.88
The unit did not monitor advance deposit accounts for inactivity.	2,051	8.82	4,671	20.09	3,361	14.45
The unit did not close inactive credits.	2,534	10.90	6,573	28.27	4,554	19.58
The unit did not monitor and resolve financial differences.	4,704	20.23	10,109	43.47	7,406	31.85

APPENDIX E: CALCULATION OF NON-MONETARY IMPACT

At the 14,998 offices in the POS site universe, the overall point estimate of the number of obsolete money order forms is 582,550. However, the relative precision achieved with that estimate does not meet OIG reporting standards. Therefore, we are projecting the number of obsolete money order forms using the lower bound of a two-sided 90 percent interval, and we are 95 percent confident that at POS units with revenues of more than \$50,000, the number of obsolete money order forms is at least 72,814. If each money order form is valued at \$400,¹³ then accountable items at risk of loss because of inadequate internal controls is at least \$29,125,600. We deducted the \$5,024,400 of accountable items at risk identified in the individual FY 2008 installation audit reports from the total estimated amount, leaving a total of \$24,101,200.

¹³ The average value of lost and stolen money orders was \$400.

**APPENDIX F: POST OFFICES, STATIONS, AND BRANCHES AUDITED
AND REPORTS ISSUED NATIONWIDE**

	Report Title and Number	FY 2007 Revenue	Monetary Impact ¹⁴	Non-Monetary Impact ¹⁵
1	[REDACTED]	\$19,630,233	\$34,715	\$1,148
2	[REDACTED]	14,126,719	25,280	1,638,485
3	[REDACTED]	13,227,257	50,039	—
4	[REDACTED]	10,540,583	1,158	4,200
5	[REDACTED]	9,524,647	18,797	1,233,389
6	[REDACTED]	9,000,894	31,259	618,865
7	[REDACTED]	8,994,747	90,881	532,541
8	[REDACTED]	8,896,076	2,714	14,161
9	[REDACTED]	8,469,074	2,183	357,060
10	[REDACTED]	8,136,525	44,785	2,032,886
11	[REDACTED]	8,129,437	39,646	362,133
12	[REDACTED]	7,995,550	1,416	128,075
13	[REDACTED]	7,799,444	14,640	32,757
14	[REDACTED]	7,530,113	—	—
15	[REDACTED]	7,503,575	2,108	63,109
16	[REDACTED]	7,249,057	19,874	5,933,604
17	[REDACTED]	7,123,227	—	—
18	[REDACTED]	6,628,192	8,322	145,234

¹⁴ Depending on the specific nature of the findings involved, we reported these amounts as questioned costs, unsupported questioned costs, funds put to better use, unrecoverable revenue, recoverable revenue, or refundable revenue.

¹⁵ Depending on the specific nature of the findings involved, we reported these amounts as assets at risk, accountable items at risk, revenue at risk, or disbursements at risk.

	Report Title and Number	FY 2007 Revenue	Monetary Impact ¹⁴	Non-Monetary Impact ¹⁵
19	[REDACTED]	\$6,404,916	\$41,669	\$41,341
20	[REDACTED]	6,032,753	8,796	937,890
21	[REDACTED]	5,773,444	—	—
22	[REDACTED]	5,516,656	6,640	—
23	[REDACTED]	5,500,469	—	52,800
24	[REDACTED]	5,456,301	48,214	1,767,566
25	[REDACTED]	5,234,212	60,031	202,056
26	[REDACTED]	3,447,038	10,296	183,530
27	[REDACTED]	3,349,304	18,428	11,113
28	[REDACTED]	3,067,249	19,622	13,196
29	[REDACTED]	3,063,081	—	—
30	[REDACTED]	2,877,470	16,424	66,624
31	[REDACTED]	2,784,812	31,059	1,023
32	[REDACTED]	2,644,903	53,797	228,334
33	[REDACTED]	2,537,471	—	75,167
34	[REDACTED]	2,481,846	1,957	66,165
35	[REDACTED]	2,455,951	8,772	—
36	[REDACTED]	2,444,711	5,499	—
37	[REDACTED]	2,327,952	—	149,902
38	[REDACTED]	2,181,370	—	434,000
39	[REDACTED]	2,167,426	2,574	50,277
40	[REDACTED]	2,157,073	4,807	536,218

	Report Title and Number	FY 2007 Revenue	Monetary Impact ¹⁴	Non-Monetary Impact ¹⁵
41	[REDACTED]	\$2,060,223	\$1,705	\$2,142
42	[REDACTED]	1,964,641	—	60,462
43	[REDACTED]	1,900,421	17,193	—
44	[REDACTED]	1,818,808	5,584	538,984
45	[REDACTED]	1,808,747	3,078	146,176
46	[REDACTED]	1,807,857	1,591	906,986
47	[REDACTED]	1,793,592	—	84,315
48	[REDACTED]	1,711,199	1,336	31,199
49	[REDACTED]	1,706,791	—	37,839
50	[REDACTED]	1,581,309	3,900	—
51	[REDACTED]	1,449,327	1,231	263,460
52	[REDACTED]	1,430,306	—	—
53	[REDACTED]	1,329,111	—	7,917
54	[REDACTED]	1,133,786	—	25,149
55	[REDACTED]	1,132,507	—	9,545
56	[REDACTED]	980,398	—	—
57	[REDACTED]	966,647	—	24,201
58	[REDACTED]	955,807	1,193	26,428
59	[REDACTED]	944,450	—	—
60	[REDACTED]	873,099	—	43,809
61	[REDACTED]	865,344	11,666	40,180
62	[REDACTED]	828,616	—	23,879

	Report Title and Number	FY 2007 Revenue	Monetary Impact ¹⁴	Non-Monetary Impact ¹⁵
63	[REDACTED]	\$798,139	\$6,810	\$1,311,097
64	[REDACTED]	796,407	10,479	7,293
65	[REDACTED]	774,348	—	36,026
66	[REDACTED]	765,378	—	7,621
67	[REDACTED]	755,037	—	11,876
68	[REDACTED]	686,266	—	3,998
69	[REDACTED]	668,609	1,064	8,972
70	[REDACTED]	643,000	—	—
71	[REDACTED]	613,369	—	218,697
72	[REDACTED]	580,200	—	—
73	[REDACTED]	574,650	1,517	50,039
74	[REDACTED]	527,125	—	11,235
75	[REDACTED]	518,151	—	13,846
76	[REDACTED]	473,280	—	771,365
77	[REDACTED]	472,145	7,254	4,213
78	[REDACTED]	453,617	—	7,018
79	[REDACTED]	434,960	—	44,764
80	[REDACTED]	324,985	—	—
81	[REDACTED]	289,338	—	—
82	[REDACTED]	260,975	—	1,200
83	[REDACTED]	252,590	—	—
84	[REDACTED]	237,630	—	7,134

	Report Title and Number	FY 2007 Revenue	Monetary Impact ¹⁴	Non-Monetary Impact ¹⁵
85	[REDACTED]	\$221,613	—	\$27,627
86	[REDACTED]	220,011	—	18,763
87	[REDACTED]	201,278	—	16,084
88	[REDACTED]	191,393	\$1,227	629,901
89	[REDACTED]	173,234	—	6,678
90	[REDACTED]	166,391	—	—
91	[REDACTED]	153,953	9,146	1,147,788
92	[REDACTED]	143,653	3,332	1,027,486
93	[REDACTED]	128,384	—	35,280
94	[REDACTED]	119,781	—	15,825
95	[REDACTED]	115,404	—	1,282
96	[REDACTED]	111,496	—	1,434
97	[REDACTED]	100,340	3,894	—
98	[REDACTED]	99,917	—	—
99	[REDACTED]	99,440	—	7,184
100	[REDACTED]	95,792	—	—
101	[REDACTED]	94,370	—	14,161
102	[REDACTED]	71,899	—	4,096
103	[REDACTED]	67,231	—	130,792
104	[REDACTED]	63,120	—	—
105	[REDACTED]	58,439	—	—
	Totals	\$296,052,087	\$819,602	\$25,788,295

APPENDIX G: MANAGEMENT'S COMMENTS



December 16, 2008

Lucine M. Willis

SUBJECT: Transmittal Draft Audit Report – Fiscal Year 2008 Financial Installation Audits –
Post Offices, Stations, and Branches (Report Number FF-AR-09-DRAFT)

Attached please find our management response to each of the recommendations sited in the
above subject audit issued on December 2. Management agrees with each of the
recommendations.

The subject audit report and this response contain information sensitive in nature that, if released,
could possibly be exploited and cause substantial harm to the Postal Service. Therefore, this
information should be classified as "restricted" and exempt from disclosure under the Freedom of
Information Act.

If you have any questions, please call Gladys Zamora at (202) 268-3262.

Handwritten signature of Kathy Ainsworth in black ink.

Kathy Ainsworth
Vice President, Retail Operations

Handwritten signature of Lynn Malcolm in black ink.

Lynn Malcolm
Vice President, Controller

Handwritten signature of Ross Philo in black ink.

Ross Philo
Executive Vice President, Chief Information Officer

cc: William Galligan
H. Glen Walker
Vincent DeVito, Jr.
Katherine Banks



Fiscal Year 2008 Financial Installation Audits – Post Offices, Stations, and Branches
(Report Number FF-AR-09-DRAFT)

Recommendation 1:

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

Develop and implement a plan to eliminate obsolete money order forms from Point-of-Service retail units.

RESPONSE:

Management agrees that obsolete money order forms at Point of Service (POS) retail units must be destroyed or returned following the conversion to the POS system. Retail Operations in coordination with Finance will provide instructions to the field offices to properly dispose all obsolete money order forms and Paymaster imprinters in compliance with Handbook F-101, *Field Accounting Procedures*. Instructions will include a template to report back to the Area Retail Manager any action taken by each office. This will be implemented NLT February 28, 2009.

In addition, Retail Operations will instruct the Area Point of Service (POS) Coordinators to ensure that future IRT offices converted to POS will follow the IRT to POS Conversion Checklist, which includes the proper disposition process of IRT money order forms.

Target Completion Date: February 28, 2009

Recommendation 2:

We recommend the Vice President, Controller, in conjunction with the Executive Vice President, Chief Information Officer:

Resolve the conflict between the requirement in Handbook F-101, *Field Accounting Procedures*, to enclose Point-of-Service logon IDs and passwords in duplicate key envelopes and the Handbook AS-805, *Information Security*, requirement that prohibits writing down passwords.

RESPONSE:

Management agrees with the recommendation. Corporate Information Security will update Handbook AS-805, *Information Security* to incorporate the following under Chapter 9, 6.1.8 – Password Protection:

“If passwords are written down and stored outside the users’ personal control, they must be secured in a tamper resistant manner to ensure that any disclosure or removal of the written password is clearly recognizable”.

Target completion date is March 31, 2009

Recommendation 3:

We recommend the Vice President, Controller:

Update Handbook F-101, *Field Accounting Procedures*, to eliminate references to Postal Service Form 1096, *Receipt*.

RESPONSE:

Management agrees that Handbook F-101, *Field Accounting Procedures*, needs to be updated in regards to unnumbered Form 1096 receipt. As indicated at the exit conference, Form 1096 cannot be completely eliminated because this is used by non-POS offices to support receipt of funds. In order to eliminate misuse of the form, we will create a pre-numbered form. This is targeted for completion by June 30 2009.

Recommendation 4:

We recommend the Vice President, Controller:

Eliminate the electronic copy of Postal Service (PS) Form 1096 from the Postal Service Intranet.

RESPONSE:

Management agrees with the recommendation. Electronic copy of Postal Service Form 1096 from the internet will be eliminated as soon as the pre-numbered form is created, per our response on recommendation #3. The new form will only be available from the Material Distribution Center.

Target Completion Date: June 30 2009

Recommendation 5:

We recommend the Vice President, Controller:

Issue guidance to the field to destroy all copies of Postal Service Form 1096 and determine when all forms have been destroyed.

RESPONSE:

Management agrees that once the new pre-numbered form are available, a communication will be published via Postal Bulletin article, with specific instructions that all previous PS Form 1096 dated before December 2008 are obsolete and must be disposed properly.

Recommendation 6:

We recommend the Vice President, Retail Operations:

Update the Administrative Support Manual for securing and retaining Postal Service (PS) Form 5659, *Daily Passport Application Transmittal*, and Department of State Form DS-11, *Application for a U.S. Passport*. The policies and procedures should, at a minimum, be consistent with:

- Requirements in the *Passport Agent's Reference Guide* for securing passport applications.
- Guidelines in Handbook F-101, *Field Accounting Procedures*, for retaining PS Forms 5659.

RESPONSE:

Management agrees with the recommendation. The Administrative Support Manual (ASM) Section 422 will be updated to include proper security of PS Form 5659, *Daily Passport Application Transmittal*, with the appropriate retention period consistent with Handbook F-101, Field Accounting Procedures and Passport Agent's Reference Guide. Revision is targeted for completion by March 31, 2009.