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TIMOTHY C. HANEY
VICE PRESIDENT, NORTHEAST AREA OPERATIONS

JEFFREY C. WILLIAMSON
ACTING MANAGER, PERFORMANCE AND FIELD OPERATIONS SUPPORT

SUBJECT: Audit Report – New York Metro Area Financial Accountability Risk Audit
(Report Number FF-AR-10-013)

This report presents the results of our audit of the New York Metro Area¹ Financial Accountability Risk Audit (Project Number 09BD010FF000). We conducted this self-initiated audit at six judgmentally selected post offices, stations, and branches (units), and district offices in the Westchester, New York, and Triboro Districts: This audit addresses financial risk based on factors evaluated by U.S. Postal Service Office of Inspector General (OIG) Performance and Results Information Systems (PARIS) models. See [Appendix A](#) for additional information about this audit.

Conclusion

The New York Metro Area had not effectively implemented financial internal controls over stamp accountabilities, expenditures, and financial accounting and reporting. This occurred because unit managers were either unaware of requirements or did not provide sufficient attention to the financial controls. Further, area and district managers could have improved oversight of local purchases and refunds. We identified similar issues at 22 randomly selected sites conducted in the New York Metro Area over the past 3 years in support of audits of the U.S. Postal Service's financial statements. As a result, New York Metro Area post offices have an increased risk of losing cash, accountable items, and revenue without detection; and misstating financial records. We identified more than \$100,000 in monetary impact for questioned costs and nearly \$400,000 in non-monetary impact for assets and accountable items at risk.

Beginning in September 2008 and continuing today, the area implemented processes and procedures to monitor individual unit compliance with financial internal controls. As a result, New York Metro Area's ranking in our PARIS model improved from the highest

¹ On October 1, 2009, the Postal Service merged the New York Metro Area into the Northeast Area.

risk area office in the first quarter, fiscal year (FY) 2009, to the third highest risk area for the second and third quarters, FY 2009. During our audit, we noted improvements in total office stamp stock management, retail floor stock count compliance, and clerk and office cash management.

Financial Internal Controls

The New York Metro Area did not effectively implement internal controls over stamp accountabilities, expenditures, and financial accounting and reporting. Although the New York Metro Area recently implemented a process to monitor district level compliance with certain financial internal controls, we identified 48 internal control deficiencies of 92 control tests performed. This occurred because unit managers were not always aware of financial control requirements or did not always place sufficient emphasis on this aspect of their duties, and the area and districts did not provide complete and sufficient oversight.

- Unit managers did not have sufficient awareness of, experience in, and training for financial control requirements. For example, nearly all managers' career background was at Postal Service Operations and, at all six units, managers were unaware of the requirement to research financial differences. In addition, although some districts developed financial training programs for unit managers, most unit managers received fewer than 10 hours of training on financial controls while at their current positions. Further, the Postal Service developed 10 field finance training courses to help employees understand and perform their required financial duties and responsibilities.² However, there was no requirement for unit managers to take these courses.
- Unit managers did not provide sufficient emphasis or attention to compliance with financial internal controls. Generally, managers did not believe this aspect of their required duties was as important as other operationally related duties. For example, at five units, managers were aware of the requirement for maintaining supporting documentation for refunds but did not always ensure their units complied with the requirement. We believe managers would provide increased attention to financial controls if compliance with those controls were included in unit managers' evaluations.
- The Westchester, New York, and Triboro Districts could improve compliance with financial internal controls by providing increased oversight of local purchases and refunds. During FY 2009, New York Metro Area and the related district offices have worked to improve oversight of unit's internal control compliance. We noted improvement in total office stamp stock management, retail floor stock count compliance, and clerk and office cash management. However, we believe increased district oversight is needed to achieve additional improvements.

² The 10 courses are the Field Finance Toolkit training courses listed on the Postal Service intranet (blue pages).

Consequently, New York Metro Area post offices have an increased risk of financial losses. We identified \$114,515 of monetary impact³ and \$386,375 in non-monetary impact for assets and accountable items at risk.⁴ See [Appendix B](#) for a detailed analysis of the finding. [Appendix C](#) presents a summary of the accountability examinations we conducted.

We recommend the vice president, New York Metro Area Operations:

1. At a minimum, within 1 year of an employee becoming a unit manager or customer service supervisor, require the employee to complete the 10 “Field Finance Toolkit” training courses listed on the Postal Service intranet.
2. Require district offices to expand their monitoring of units’ compliance with internal controls to include additional monitoring of local purchases and refunds.
3. Develop and implement an action plan with milestones that will address the specific actions outlined in [Appendix B](#) and continue compliance with Postal Service policies.

Management’s Comments

Management agreed with our findings and recommendations and will require all new customer service supervisors with responsibility for finance or retail activity to complete the 10 “Field Finance Toolkit” training courses within 1 year of assuming a unit manager or customer service supervisory position. In addition, management will issue a memo to the district managers by November 21, 2009, advising them of their financial responsibilities regarding local purchases and refunds. Further, management will use the district manager Financial Control Scorecard to track and monitor controls over local purchases and refunds beginning in FY 2010.

Regarding development and implementation of an action plan to address the specific actions in [Appendix B](#), management will require district managers to reemphasize the control requirements with all of their reporting units. Effective October 1, 2009, the district manager Financial Control Scorecard used in the Northeast Area will incorporate the former New York Metro Area Districts to monitor and mitigate the high-risk financial controls the audit identified. See [Appendix F](#) for management’s comments in their entirety.

³ The monetary impact includes recoverable revenue loss, recoverable questioned costs, unrecoverable questioned costs, and unsupported unrecoverable questioned costs.

⁴ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

We recommend the acting manager, Performance Field Operations Support:

4. Update FY 2011 pay for performance core requirement indicators to include compliance with financial internal controls for managers and supervisors at post offices, stations, and branches.

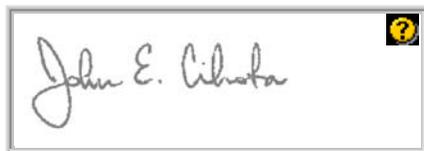
Management's Comments

Management agreed with our finding and recommendation and will consider our proposal for possible inclusion in the FY 2011 performance management system. Management added that the Postal Service currently uses a Sarbanes-Oxley (SOX) Index as part of their performance management system to measure financial controls at retail units and bulk mail acceptance units. Many OIG risk indicators are already included in the SOX index.

Evaluation of Management's Comments

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

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: Patrick R. Donahoe
Steven J. Forte
Vincent H. Devito, Jr.
Elizabeth A. Doell
Joseph A. Branco
Steven R. Phelps
Bill Harris

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Post offices are the initial level where the Postal Service recognizes revenue from operations. The term post offices or units includes main offices, stations, and branches. The postmasters or unit managers 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 reporting and accounting objectives.

On October 1 2009, the Postal Service merged the New York Metro Area into the Northeast Area. The Northeast Area now has management responsibility for all of the former New York Metro Area Districts and post offices. During FY 2009, the New York Metro Area included seven districts with 1,547 post offices and reported approximately \$3.6 billion of operating revenue. The six units audited reported \$12 million of revenue during FY 2009.⁵

The OIG performs periodic financial risk assessments. Based on financial data in the Enterprise Data Warehouse (EDW), the OIG developed a PARIS Cost and Controls Model that ranks the Postal Service's 80 districts according to specific financial risk indicators.⁶ We selected the New York Metro Area because the PARIS model demonstrated the area was a high financial risk compared with others. During FY 2009, data ranked this area as the highest risk area office in the first quarter and third highest risk area for the second and third quarters.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to identify high-risk accounting activities and determine whether corresponding internal control procedures were in place and effective.

To accomplish our objectives, we identified 704 of 1,547 New York Metro Area post offices, branches, and stations with high-risk accounting activities based on our PARIS model. We audited the following six judgmentally selected post offices in three New York Metro Area Districts.

⁵ The FY 2009 revenue figures were obtained from the EDW Accounting Data Mart's Financial Performance Report as of November 03, 2009. The six judgmentally selected units reported \$14 million of revenue during FY 2008.

⁶ The risk indicators include: Revenue, Local Expenses, Refunds, Miscellaneous Expenses (financial differences), Non-Local Purchases, Clerk Cash, Office Cash, Employee Items, Master Trust Accounts, Segmented Inventory Accountability Compliance, Stamp Stock Management, and Contract Postal Unit Management.

Site	District
[REDACTED]	Westchester
[REDACTED]	New York
[REDACTED]	Triboro

Using the PARIS model, we selected the six post offices based on the level of risk associated with those sites in the following factors:

1. Local Purchases
2. Refunds
3. Financial Differences
4. Clerk Cash Management
5. Office Cash Management
6. Employee Items
7. Stamp Stock Count Compliance
8. Overall Unit Stamp Stock Management

Our audit scope covered the period from April 2008 through March 2009. At each unit, we conducted counts of the unit reserve stock. Based on the results of those counts and our evaluation of internal controls over stamp accountabilities, we also counted the retail floor stock at two units. Additionally, we reviewed transactions and tested internal controls over local purchases, refunds, financial differences, clerk and office cash management, employee items, stamp stock count compliance, and overall unit stamp stock management.

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 used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We interviewed supervisors and employees and observed operations at these sites. We also interviewed managers at the New York Metro Area and the Westchester, New York, and Triboro Districts to discuss their monitoring of unit compliance with financial internal controls. We also reviewed unit managers' evaluations and training with area and district managers.

We conducted this performance audit from February through November 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit 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 at the New York Metro Area on September 10, 2009, and Postal Service Headquarters' Performance Field Operations Support on September 16, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG issued the following 22 financial audit reports for the New York Metro Area within the past 3 years. The reports identified control and compliance issues over financial accounting and reporting, expenditures, and stamp and cash accountabilities. The reports made recommendations to address these issues, and management agreed to take corrective action.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact
<i>FY 2009 Financial Installation Audit – South Livingston Station, Livingston, NJ</i>	FF-AR-09-203	7/29/2009	\$1,797	\$22,864
<i>FY 2009 Financial Installation Audit – Whippany Post Office, Whippany, NJ</i>	FF-AR-09-160	5/6/2009	-	\$126,022
<i>FY 2009 Financial Installation Audit – MOWS II, Trenton, NJ</i>	FF-AR-09-061	1/8/2009	\$15,517	-
<i>FY 2009 Financial Installation Audit – James A. Farley New York Main, New York, NY</i>	FF-AR-09-060	12/29/2008	\$213,499	\$1,440,000
<i>FY 2008 Financial Installation Audit – Brooklyn New Lots, Brooklyn, NY</i>	FF-AR-08-283	9/16/2008	\$10,479	\$7,293
<i>FY 2008 Financial Installation Audit – Brooklyn Blythbourne Station, Brooklyn, NY</i>	FF-AR-08-259	8/13/2008	\$1,957	\$66,165
<i>FY 2008 Financial Installation Audit – Ensenada Post Office, Ensenada, PR</i>	FF-AR-08-249	8/1/2008	\$9,146	\$1,147,788
<i>FY 2008 Financial Installation Audit – Franklin D. Roosevelt Post Office, NY, NY</i>	FF-AR-08-208	6/18/2008	\$14,640	\$32,757
<i>FY 2008 Financial Installation Audit – Elberon Branch Post Office, Elberon, NJ</i>	FF-AR-08-184	5/23/2008	\$3,332	\$1,027,486
<i>FY 2008 Financial Installation Audit – Oakhurst, Oakhurst, NJ</i>	FF-AR-08-166	4/22/2008	-	\$7,917
<i>FY 2008 Financial Installation Audit – Staten Island Main Station, Staten Island, NY</i>	FF-AR-08-154	4/10/2008	\$18,428	\$11,113

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact
<i>FY 2008 Financial Installation Audit – Kenilworth Main Post Office, Kenilworth, NJ</i>	FF-AR-08-148	4/1/2008	-	\$24,201
<i>FY 2008 Financial Installation Audit – Kilmer Lobby Branch, Edison, NJ</i>	FF-AR-08-118	3/4/2008	\$6,640	-
<i>FY 2008 Financial Installation Audit – Roselle Branch Post Office, Roselle, NJ</i>	FF-AR-08-110	2/25/2008	\$1,517	\$50,039
<i>FY 2008 Financial Installation Audit – Flushing Main Mobile Post Office, Flushing, NY</i>	FF-AR-08-109	2/25/2008	-	-
<i>FY 2008 Financial Installation Audit – Huntington Post Office, Huntington, NY</i>	FF-AR-08-058	12/28/2007	-	-
<i>FY 2007 Financial Installation Audit – Yauco Post Office, Yauco, PR</i>	FF-AR-08-017	10/30/2007	\$ 40,822	\$1,124,515
<i>FY 2007 Financial Installation Audit – MOWS, Trenton, NJ</i>	FF-AR-07-246	9/19/2007	\$ 64,089	\$28,659
<i>FY 2007 Financial Installation Audit – Lagrangeville Post Office, Lagrangeville, NY</i>	FF-AR-07-232	9/12/2007	\$ 7,663	\$4,780
<i>FY 2007 Financial Installation Audit – White Plains Main Post Office, White Plains, NY</i>	FF-AR-07-230	9/7/2007	\$ 28,306	\$3,184
<i>FY 2007 Financial Installation Audit – Grand Central, New York, NY</i>	FF-AR-07-178	6/19/2007	\$ 53,021	\$89,615
<i>FY 2007 Financial Installation Audit – Midtown Post Office, New York, NY</i>	FF-AR-07-161	5/18/2007	\$ 36,655	\$42,141

APPENDIX B: DETAILED ANALYSIS

Financial Internal Controls

The New York Metro Area did not effectively implement financial internal controls over stamp accountabilities, expenditures, and financial accounting and reporting. We identified 48 internal control deficiencies of 92 tests performed. We identified similar issues at 22 randomly selected sites in which we conducted tests in the New York Metro Area over the past 3 years in support of audits of the Postal Service's financial statements. We determined managers did not receive sufficient training to be fully aware of financial control requirements or provide sufficient emphasis or attention to compliance with financial internal controls. Additionally, area and district personnel could improve oversight of unit compliance with internal control requirements.

Beginning in September 2008 and continuing today, the area implemented processes and procedures to monitor individual unit compliance with financial internal controls. As a result, New York Metro Area's ranking in our PARIS model improved from the highest risk area office in the first quarter, FY 2009, to the third highest risk area for the second and third quarters, FY 2009. During our audit, we noted improvements in total office stamp stock management, retail floor stock count compliance, and clerk and office cash management.

Awareness, Experience, and Training

Unit managers were not always aware of financial control requirements, nearly all managers' career background was in Postal Service operations and generally lacked financial experience and training, and the area and district offices did not require managers to complete financial training.

- Twenty-nine of the 48 financial control deficiencies identified occurred because unit managers were not always aware of the financial control requirements. For example,
 - Managers at all six units stated they were unaware of the requirement to research employee items and financial differences, although they received notifications of financial differences that outlined their required action.
 - At three units, management was unaware Postal Service policy limited the amount of stamp stock a unit could carry on its retail floor.
 - At two other units, managers maintained excess retail floor stock because they did not know how to compute the limit.
- Unit managers and supervisors came from operational backgrounds, but most lacked experience in financial internal controls. One of 11 unit managers and supervisors at the six units we audited had an accounting degree and had been detailed as an accounting clerk. However, the remaining 10 managers and

supervisors did not have financial management experience and would have benefited from training.

- Although some districts had developed some financial training, there was not an area-wide financial training requirement for managers and supervisors.⁷ Consequently, most received limited training relating to financial duties and responsibilities. Based on training records reviewed,⁸ 10 of 11 unit managers and supervisors received fewer than 10 hours of training on financial controls while at their current positions.

Manager/Supervisor	Hours of Financial Training
Postmaster –	1.25
Supervisor –	3.75
Manager –	1.50
Postmaster –	9.00 ⁹
Supervisor –	3.00
Postmaster –	7.50
Supervisor –	9.50
Manager –	3.50
Supervisor –	30.00 ¹⁰
Manager –	3.50
Supervisor –	1.00

Further, neither the area nor the districts required personnel to complete the financial training available on the Postal Service intranet. The Postal Service developed 10 "Field Finance Toolkit" training courses to help employees understand and perform their required financial duties and responsibilities. Completion of these courses is voluntary, and employees can take the courses as self-study or with a facilitator. The training courses cover:

- Customer Trust
- Daily Financial Reporting Basics
- Employee Items
- Field Unit Purchasing and Payment Process
- Financial Accountability Overview

⁷ The New York District developed a 24-hour training program based on the course material in the "Field Finance Toolkit" training courses and presented the training quarterly from May 2007 through FY 2008. Additionally, the New York District presented a 4-hour training program on stamp stock management in February and March 2009, and was presenting training Webinars based on the needs of the district. The Westchester District office developed a 4-hour training program. However, the voluntary training was limited to how to access and read reports from the EDW and not all unit managers and supervisors we interviewed participated.

⁸ We reviewed training records from October 1, 2006, through June 30, 2009.

⁹ Included 4 hours of financial training from the Westchester District Financial Control and Support (FCS) office.

¹⁰ Includes 28 hours of financial training from the New York District FCS office.

- Financial Differences
- Financial Security
- Stamp Stock Management
- Timekeeping
- Unit 1412 Closeout

Emphasis on Internal Control Compliance

When managers did know the financial control requirements, they did not provide sufficient emphasis on complying with those controls. Additionally, we believe the formal manager evaluation process does not place sufficient emphasis on complying with controls.

- Unit managers did not always provide sufficient emphasis or attention to compliance with financial internal controls. Generally, managers did not believe this aspect of their required duties was as important as other duties, particularly those related to Postal Service operations. For example,
 - At one unit, management stated it was more convenient to pay for supplies and services using cash or no-fee money orders than using another preferred payment method.
 - At five units, managers were aware of the requirement for maintaining supporting documentation for refunds, but their units did not always comply with the requirement.
 - At one unit, the postmaster knew he was required to examine retail associates' accountabilities, but he did not know at what frequency and did not try to find out. Further, that postmaster did not count all the retail associates' cash at the proper frequency although the district FCS office had informed him of the requirement.
 - Management at two units did not count the unit reserve stock.
 - At one unit, management shipped all stamp stock directly to the retail floor stock. Postal Service criteria requires that units only keep a limited amount of stock in the retail floor stock, and all other stock should be held in the unit reserve stock. Unit management abolished the unit reserve stock on November 17, 2007, and reestablished it on May 1, 2009. During this period, the unit kept as much as \$108,997 in the retail floor stock, and exceeded the maximum retail floor stock limits. Although the district had notified the unit to establish a unit reserve stock, the unit abolished the unit reserve stock again during July 2009.
- Financial internal control compliance was not a significant part of unit managers' and supervisors' evaluations. Under the pay for performance process,

employees are evaluated on organization-wide metrics¹¹ and on individual performance objectives. The organization-wide metrics monitor enterprise and unit performance across the nation, while the individual performance objectives allow the evaluator and employee to set employee-specific goals from a predetermined list. Neither the nationwide metrics nor the employee-specific goals covered financial internal control compliance for unit managers and supervisors. We noted that financial internal control goals were available for district employees.

Oversight of Unit Compliance

The Westchester, New York, and Triboro Districts could improve compliance with financial internal controls by providing increased oversight of local purchases and refunds. The New York Metro Area and the related district offices have worked to improve oversight of unit's internal control compliance. Before FY 2009, the area and districts performed limited monitoring of units' internal control compliance. In September 2008, the New York Metro Area implemented a financial scorecard to measure districts' financial internal control indicators. In response, the districts increased their monitoring of unit's compliance with financial internal controls. New York Metro Area and district offices' increased attention to internal controls has resulted in improvements in overall compliance with financial controls. As a result, New York Metro Area's ranking in our PARIS model improved from the highest risk area office in the first quarter, FY 2009, to the third highest risk area for the second and third quarters, FY 2009. We noted improvement in total office stamp stock management, retail floor stock count compliance, and clerk and office cash management. However, we noted the following specific improvements the district offices could make.

- The New York District monitored local purchases and contacted units monthly, but the Westchester and Triboro Districts did not monitor for local purchases and contact units.
- The districts only reviewed refunds during SOX¹² or other FCS office reviews of units. The Triboro District FCS office performed a SOX review of the Flushing Main Office Station during July 2008. The review identified improperly documented refunds as a risk. However, the unit continued to have undocumented refunds at the time of our audit. We believe additional district

¹¹ Unit and corporate indicators are organization-wide metrics aligned to improved customer service, generate revenue, manage costs and enhance a performance-base culture. The unit and corporate indicators are measured in the National Performance Assessment (NPA) system. NPA is a web-based system that collects performance-related metrics - such as retail revenue, on-time Express Mail® delivery, and so forth - from source systems across the organization. These metrics are translated into web-based balanced scorecards that can be used to monitor the performance of both the entire enterprise and of individual units across the nation. NPA is a stand-alone program that supports the Pay for Performance program and Performance Evaluation System.

¹² The SOX Act of 2002 aims to improve corporate governance and to enhance the accuracy of financial reporting. FCS teams test components of financial processes to support management's annual and quarterly SOX certifications.

oversight over refunds was needed, because all six units audited had unsupported refunds.

Consequently, New York Metro Area post offices have an increased risk of financial losses. We identified \$114,515 of monetary impact and \$386,375 in non-monetary impact for assets and accountable items at risk. At all six units, we found:

- Excess retail floor stock totaling \$154,914.
- Forty-three local purchases totaling \$17,320 that could have been satisfied by another preferred payment method. Additionally, two units did not maintain adequate documentation to support 10 purchases totaling \$1,423.
- Forty-seven refunds valued at \$14,383 without supporting documentation.
- Financial differences expenses totaling \$55,205 were not researched and resolved.
- Seventy-five employee items valued at \$14,885 were not monitored.

[Appendix D](#) presents the details of the \$114,515 monetary impact, and [Appendix E](#) presents the detail of the \$386,375 non-monetary impact.

The table on the following page presents a summary of the internal control deficiencies found at each unit.

Internal Control Not Implemented	[Redacted]	Criteria	Specific Actions Required						
Stamp, Cash, and Money Order Accountability									
1. Maintain retail floor stock levels within the 2-week postage sales limit.	X	X	X	X	X	X	6	Handbook F-10, <i>Field Accounting Procedures</i> (FAP) Section 14-2.3, dated July 2009	Reduce the retail floor stock to the 2-week postage sales limit.
2. Properly witness retail floor stock count.					X		1	FAP Section 14-2.6	Have a supervisor witness the retail floor stock counts.
3. Conduct timely examinations of unit reserve stamp stock.		X		X	X		3	FAP Section 13-10.1	Perform and document unit reserve examinations at proper frequencies. Additionally, count the unit reserve stamp stock when the retail floor stock counts exceed the authorized inventory variance outlined in policy.
4. Maintain the total unit stamp stock within the authorized limit.				X	X		2	FAP Section 11-3.4	Reduce total unit stamp stock to the authorized limit.
5. Record money orders.				X			1	FAP Section 11-6.11	Record or return money orders to the Stamp Distribution Office (SDO), as appropriate.
6. [Redacted]	X						1	Management Instruction [Redacted] dated January 1999	[Redacted] update control log, and send copy of log to the SDO.
7. Adhere to the authorized limit for retail associate cash retained credits.				X		X	2	FAP Section 13-8.2 (Cash Retained)	Reduced retail associates cash retained credits to the authorized limit.

Internal Control Not Implemented								Criteria	Specific Actions Required
8. Perform retail associate cash retained credit examinations at the proper frequency.				X		X	2	FAP Section 13-9.3	Perform and document retail associate cash retained credit examinations at least once each month for credits that have funds and every 4 months for credits with a zero balance.
9. Adhere to the total unit authorized cash retained limit.				X		X	2	FAP Section 13-8.1	Reduce the unit cash retained to the authorized level or obtain authorization to increase the limit.
10. Perform examinations of the unit cash reserve at the proper frequency.				X	X		2	FAP Section 13-9.1	Count the unit cash reserve examinations at least once a month.
Expenditures									
11. Properly support or justify refunds.	X	X	X	X	X	X	6	FAP Section 21-1	Properly complete, review, and retain Postal Service Form 3533, Application for Refund of Fees, Products and Withdrawals of Customer Accounts, for refunds.
12. Maintain supporting documentation for local purchases.			X	X			2	FAP Section 19-2.1	Obtain, review, and retain a receipt for local purchases.
13. Follow the preferred payment methods hierarchy for local purchases.	X	X	X	X	X	X	6	FAP Sections 19-1.1 and 19-1.5	Make all payments through electronic funds transfer when available or practical. Otherwise, use the preferred payment methods hierarchy for local purchases.

Internal Control Not Implemented								Criteria	Specific Actions Required	
Financial Accounting and Reporting										
14. Reconcile employee items balances to local unit records and research and resolve any differences. Clear or collect employee items on the Point of Service Unresolved Employee Items Report.	X	X	X	X	X	X	X	6	FAP Sections 15-1.1, 15-1.3, and 15-2.6	Monitor employee items and prepare a file for each one with all appropriate documentation. In addition, maintain a master control for all unresolved employee items.
15. Research and resolve expense items resulting from financial differences or maintain an individual detailed record to monitor the discrepancies.	X	X	X	X	X	X	X	6	FAP Sections 8-1 and 8-6	Log financial differences and ensure timely offset by making annotations to identify status or date of offset.

APPENDIX C: ACCOUNTABILITY EXAMINATION SUMMARY

This table presents the results of accountability examinations performed during the audit, rounded to the nearest dollar. Shortages and overages presented are the total value of all shortages and overages identified.

Accountability	[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]		Total Value of All		
	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage	
Unit Reserve Stock				\$1,166		\$385	\$4,366						\$1,355	\$4,366	\$2,906
Unit Cash Reserve							\$29							\$29	
Retail Floor Stock							\$903		\$2,449					\$3,352	
Vending								\$2,828							\$2,828
Undeposited Cash								\$725 ¹³							\$725

¹³ We found the cash during our audit of the post office. The unit did not record the cash on its records, and management did not know the source of the cash. The Post Office Operations Manager for the unit directed the postmaster to record the cash into Account Identifier Code 247, Financial Differences – Overage.

APPENDIX D: MONETARY IMPACT SUMMARY

This table presents the monetary impact identified during the audits of the six units, rounded to the nearest dollar.

Appendix or Finding Number (from Appendix B)	Finding Description	Questioned Costs			Recoverable Revenue Loss ¹⁴
		Recoverable ¹⁵	Unrecoverable ¹⁶	Unsupported Unrecoverable ¹⁷	
[Redacted]					
11	Unsupported or improperly supported refunds			\$617	
13	Improper Payment Method		\$5,404		
14	Unresolved employee items	\$8,624			
15	Unresolved financial differences (net shortage)	16,865			
[Redacted]					
Appendix C	Retail floor stock shortage			\$2,449	
11	Unsupported or improperly supported refunds			747	
13	Improper Payment Method		425		
14	Unresolved employee items	537			
15	Unresolved financial differences (net shortage)	12,980			
[Redacted]					
11	Unsupported or improperly supported refunds			10,974	
13	Improper Payment Method		8,623		
14	Unresolved employee items	3,414			
15	Unresolved financial differences (net shortage)	4,814			

¹⁴ Revenue that can be collected for goods delivered or services rendered.

¹⁵ Recoverable costs that are unnecessary, unreasonable, or an alleged violation of laws or regulations.

¹⁶ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

¹⁷ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation. These costs are also not supported by adequate documentation.

Appendix or Finding Number (from Appendix B)	Finding Description	Questioned Costs			Recoverable Revenue Loss ¹⁴
		Recoverable ¹⁵	Unrecoverable ¹⁶	Unsupported Unrecoverable ¹⁷	
11	Unsupported or improperly supported refunds			647	
12	Unsupported local purchases			60	
13	Improper Payment Method		154		
14	Unresolved employee items	432			
15	Unresolved financial differences (net shortage)	8,487			
Appendix C	Retail floor stock shortage			903	
Appendix C	Unit reserve stamp stock shortage	4,366			
Appendix C	Unit cash reserve shortage	\$9			
Appendix C	Undeposited cash				725
Appendix C	Vending credit overage				2,828
11	Unsupported or improperly supported refunds			834	
12	Unsupported local purchases			1,362	
13	Improper Payment Method		879		
14	Unresolved employee items	1,363			
15	Unresolved financial differences (net shortage)	7,581			
11	Unsupported or improperly supported refunds			564	
13	Improper Payment Method		1,835		
14	Unresolved employee items	516			
15	Unresolved financial differences (net shortage)	\$4,477			
	Subtotals	\$74,485	\$17,320	\$19,157	\$3,553
	Total \$114,515		\$110,962		\$3,553

APPENDIX E: NON-MONETARY SUMMARY

This table presents the non-monetary impact identified during the audits of the six units, rounded to the nearest dollar.

Reference	Finding Description	Assets at Risk ¹⁸	Accountable Items at Risk ¹⁸
[REDACTED]			
1	Excess retail floor stock		\$5,889
[REDACTED]			
1	Excess retail floor stock		9,353
[REDACTED]			
1	Excess retail floor stock		58,735
9	Excess unit cash retained	\$483	
[REDACTED]			
1	Excess retail floor stock		7,944
[REDACTED]			
1	Excess retail floor stock		21,036
5	Unrecorded money orders		180,400
9	Excess unit cash retained	263	
[REDACTED]			
1	Excess retail floor stock		1,957
6	Unrecorded [REDACTED]		50,315
	Subtotals	746	385,629
	Total		\$386,375

¹⁸ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

APPENDIX F: MANAGEMENT'S COMMENTS

TIMOTHY C. HANEY
VICE PRESIDENT, AREA OPERATIONS
NORTHEAST AREA



October 22, 2009

LUCINE M. WILLIS, DIRECTOR AUDIT OPERATIONS, USPS-OIG

SUBJECT: New York Metro Area Financial Accountability Risk Audit
(Report Number FF-AR-09 DRAFT)

In response to the findings and recommendations cited in Audit FF-AR-09-DRAFT, the Northeast Area (New York Metro Area merged with the Northeast Area effective 10-1-09) is in agreement with the findings and observations outlined in the audit report. Furthermore, management agrees with the monetary impact and calculations as stated. As a result, the following actions will be taken.

RECOMMENDATION 1: Area Vice President, at a minimum, within one year of an employee becoming a unit manager or customer service supervisor, require the employee to complete the 10 "Field Finance Toolkit" training courses listed on the Postal Service intranet.

RESPONSE - The Area agrees with this recommendation with the following stipulation. Where the core duties of the customer service supervisor are in the delivery or mail processing arena **with no responsibility toward finance or retail activity**, we will not require the completion of the Field Finance Toolkit. A letter will be issued to all District Managers requiring new supervisors to complete all 10 modules within one year of assuming a **unit manager or** customer service supervisory position.

RECOMMENDATION 2: Require district offices to expand their monitoring of units' compliance with internal controls to include additional monitoring of local purchases and refunds.

RESPONSE – We agree with the recommendation and will issue a memo from the Area Vice President to the District Managers in the next 30 days advising them of their financial responsibilities regarding local purchases and refunds. In addition, the District Manager Financial Control Scorecard that is cited in our response to Recommendation 3 will be utilized to track and monitor controls for these issues beginning in FY 2010.

RECOMMENDATION 3: Develop and implement an action plan with milestones that will address the specific actions outlined in *Appendix B* and continue compliance with Postal Service policies.

6 GRIFFIN ROAD NORTH
WINDSOR, CT 06006-7010
860-285-7040
FAX 860-285-1253

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RESPONSE – We agree with the recommendation and our response to Recommendation 1 outlines the timeline for addressing the training issues identified in the audit. In addition to the training effort, a memo emphasizing the financial control requirements cited will be issued from the Area Vice President to the District Managers in the next 30 days. The District Managers will be required to reemphasize the control requirements with all of their reporting units. The Northeast Area has also utilized Financial Control Scorecards for the last several years to monitor financial control deficiencies and take appropriate action where necessary. During FY08, a specific District Manager Financial Control Scorecard was utilized to achieve these objectives. We plan to incorporate the former New York Metro Area Districts into the FY10 format and use the scorecard to monitor and mitigate the high risk financial controls identified in this audit effective October 1, 2009.

RECOMMENDATION 4: Update the pay for performance core requirement indicators to include compliance with financial internal controls for managers and supervisors at post offices, stations and branches.

RESPONSE - The Postal Service utilizes a SOX Index as a Unit Indicator within the National Performance Assessment (NPA) to measure financial controls at Retail units and Bulk Mail Acceptance Units. A number of the Financial Risk Model (FRM) indicators used by the OIG are included in the SOX Index.

In addition, management concurs with this recommendation and will include this CORE requirement as a proposal for inclusion to the FY11 core requirements.

We appreciate your efforts and find no FOIA exclusions.


Timothy C. Haney

cc: OIG (AUDITTRACKING@USPSOIG.GOV)
Bill Harris (CARMManager@USPS.GOV)
Elizabeth Doell
Dan Pierce

JEFFREY C. WILLIAMSON
ACTING MANAGER, PERFORMANCE AND FIELD OPERATIONS SUPPORT



October 23, 2009

Lucine M. Willis
Director Audit Operations

SUBJECT: New York Metro Area Financial Accountability Risk Audit
(Report Number FF-AR-09 DRAFT)

Thank you with providing the Postal Service with the opportunity to review and respond on the findings and recommendations cited in Audit FF-AR-09-DRAFT. Headquarters is in agreement with Recommendation #4 as outlined in the audit report.

Recommendation 4:

Update the pay for performance CORE requirement indicators to include compliance with financial internal controls for managers and supervisors at Post Offices, stations and branches.

Response:

The Postal Service currently utilizes a SOX Index as a Unit Indicator within the National Performance Assessment to measure financial controls at Retail Units and Bulk Mail Acceptance Units. A number of the Financial Risk Model indicators used by the OIG are already included in the SOX Index.

Management concurs with this recommendation and will consider this proposal for possible inclusion to the fiscal year 20011 Operations CORE requirements.

Thank you again for the opportunity to respond to this audit. If you or your staff wishes to discuss any these comments, we are available at your convenience.

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

A handwritten signature in black ink, appearing to read "J. C. Williamson", written over a printed name.

Jeffrey C. Williamson

475 L'ENFANT PLAZA, SW ROOM 7015
WASHINGTON, DC 20260-7015
202-268-2028
FAX: 202-268-2577

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cc: Bill Harris (CARManager@usps.gov)
Elizabeth Doell
Dan Pierce
OIG (AuditTracking@usps.gov)
Tom Henry