



December 3, 2009

EDWARD H. RUIZ, JR.
ACTING DISTRICT MANAGER, LOS ANGELES DISTRICT

SUBJECT: Audit Report – Fiscal Year 2009 Los Angeles District Financial Risk
(Report Number FF-AR-10-028)

This report presents the results of our audit of financial accountability in the Los Angeles District (Project Number 09BD019FF000). We conducted this self-initiated audit at 11 judgmentally selected post offices and stations and one business mail entry unit (BMEU) to evaluate financial risk as identified by U.S. Postal Service Office of Inspector General's (OIG) Performance and Results Information System (PARIS) models. See [Appendix A](#) for additional information about this audit.

Conclusion

We identified internal control and compliance issues at all but one of the 11 units audited.¹ Six units had internal control and compliance issues over stamp, cash, and money order accountability; and 10 units had internal control and compliance issues over financial accounting and reporting. The [REDACTED] attributed these conditions to inadequately trained supervisors, frequent detail assignments,² and acting manager assignments. When controls are not functioning as prescribed, there is an increased risk the Postal Service could lose cash, accountable items, and revenue without detection and misstate financial records.

Internal Controls Need Improvement

We identified internal control and compliance issues at all but one of the units audited. Six of seven units had issues with stamp, money order, and cash accountability.³ For example, the units exceeded their stock limits by \$485,632, did not properly account for \$1.6 million in money orders, or did not properly manage vending credits after deactivating and removing vending machines from service. Ten of 11 units had financial accounting and reporting issues. For example, units did not research and resolve expense items resulting from financial differences totaling \$81,918 in net shortages, close 129 inactive advance deposit accounts totaling \$107,492, record

¹ At the one unit for which we found no internal control and compliance issues, we reviewed the advance customer deposit accounts and transaction overrides.

² Management makes detail assignments on a temporary basis by moving staff from one unit to the next with the intention of bringing the staff back to their original assignment.

³ As discussed in [Appendix A](#), we only audited the risk indicators for a unit if the unit scored in the top 20 highest risk units in the district. In this instance, we reviewed seven units' stamp, money order, and cash accountabilities.

approximately \$31,000 in business reply mail (BRM) revenue, or monitor \$13,689 in employee items. See [Appendix B](#) for our detailed analysis of the findings. See [Appendix C](#) for a summary of accountability examinations by unit, [Appendix D](#) for details of the \$250,151 monetary impact,⁴ and [Appendix E](#) for details of the \$2,244,240 non-monetary impact.⁵

The [REDACTED] stated that he recently filled some of the acting positions, which should help improve adherence to procedures. In addition, the district finance manager, who has been in his position since January 2009, stated the district recently implemented procedures, which should improve its financial performance. For example, it established a procedure in which the Los Angeles Stamp Distribution Office (SDO) monitors and enforces stamp stock limits. The SDO will not send stamp stock to a unit that has excess stock. Our PARIS model showed some improvement in this area as the number of units in the district with significant excess floor stock declined from 63 to 52 from May to August of 2009.

We recommend the acting district manager, Los Angeles District:

1. Develop an action plan with milestones to address compliance issues at each unit and continue compliance with Postal Service policies.

Management's Comments

Management agreed with the findings and recommendation. Management provided an action plan, which details the corrective action taken to date. Management plans to complete all corrective action by December 15, 2009. See [Appendix F](#) for management's comments in their entirety.

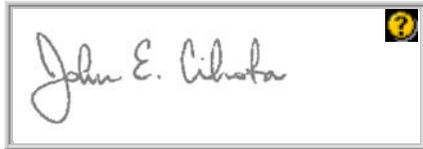
Evaluation of Management's Comments

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

⁴ This includes recoverable revenue loss, recoverable questioned costs, and unsupported unrecoverable questioned costs.

⁵ This includes assets or accountable items such as cash, stamps, and money orders that are at risk of loss because of inadequate internal controls.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Linda Libician-Welch, director, Field Financial – West, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small, square icon with a yellow background and a black question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

cc: Vincent H. DeVito, Jr.
Mark H. Anderson
Mark A. McDonald
Stephen J. Nickerson
Steven R. Phelps
Bill Harris

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Post offices are the initial level where the Postal Service recognizes revenue from operations and include 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.

The Los Angeles District is in the Pacific Area and includes 140 post offices with Point-of-Service (POS) system technology. The district reported approximately \$724.8 million of revenue in fiscal year (FY) 2008, \$468.2 million⁶ of which the 11 units we audited reported.⁷

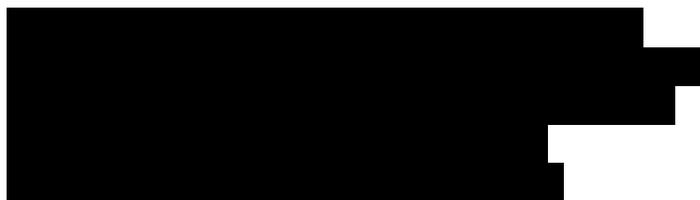
The OIG performs periodic financial risk assessments. Based on financial data in the Enterprise Data Warehouse, the OIG developed the PARIS models, which rank the Postal Service's districts with respect to specific financial and risk indicators.⁸ We selected the Los Angeles District because our models suggested the district was a high financial risk compared to others. For the second and third quarters, FY 2009, our Cost and Control PARIS model data ranked this district as the seventh and fifth highest risk district, respectively.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to identify high-risk accounting activities and determine if corresponding internal control procedures were in place and effective.

To accomplish our objectives, we audited eight judgmentally selected units in the Los Angeles District. We selected the sites based on high floor stamp stock levels, refunds, expenses, inactive advance customer deposit accounts, and transaction overrides. We only audited the risk indicators for units that scored in the top 20 highest risk in the district. Therefore, we did not audit areas related to all risk indicators at all units. The following are the judgmentally selected units:

-
-
-
-
-



⁶ In FY 2009, district revenue was \$726.7 million, and revenue for the 11 units was \$511.9 million.

⁷ We obtained FY 2008 revenue for the Los Angeles District and the judgmentally selected units from the Financial Performance Report via the Accounting Data Mart (ADM) as of September 30, 2008.

⁸ The risk indicators include such items as excess stock, refunds, expenses, inactive accounts, and transaction overrides.

-
-
-



We performed accountability examinations and evaluated whether the internal control structure over disbursements and expenses was implemented and functioning as designed. We reviewed transactions generated for the June 2008 through June 2009 reporting period related to disbursements and expenses.

During the audit, we expanded our review to include BRM/Postage Due (PD) advance customer deposit accounts to determine whether units monitored and closed inactive customer accounts. We reviewed accounts at the following units:

-
-
-



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 and concluded the data was reliable. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We also evaluated whether the internal control structures over stamp and money order accountabilities, disbursements, and expenses were implemented and functioning as designed. We conducted interviews with management and employees to assess their level of knowledge and involvement in the district and the units at these judgmentally selected Postal Service sites. We discussed with district management the potential causes of the conditions identified, considering training, staffing, and oversight of Postal Service unit personnel and operations.

We conducted this performance audit from July through December 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 finding and conclusions based on our audit objectives. We discussed our observations and conclusions with management officials on October 22, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG issued four financial installation audit reports for the Los Angeles District within the past 3 years. The reports identified internal control and compliance issues such as inadequate cash, stamp, and money order accountabilities; inactive advance deposit trust accounts; unresolved financial differences; ineffective mail, passport, and check

acceptance procedures; improper review of Voyager card transactions and users; inadequate safeguarding of assets; and inadequate documentation of leave authorizations. 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 – [REDACTED]</i>	FF-AR-09-012	11/13/2008	\$7,725	\$998,022
<i>FY 2008 Financial Installation Audit – [REDACTED]</i>	FF-AR-08-188	5/27/2008	\$3,900	-
<i>FY 2008 Financial Installation Audit – [REDACTED]</i>	FF-AR-08-186	5/23/2008	\$53,797	\$228,334
<i>FY 2008 Financial Installation Audit – [REDACTED]</i>	FF-AR-08-099	2/7/2008	-	-

APPENDIX B: DETAILED ANALYSIS

Internal Controls Need Improvement

We identified internal control deficiencies over stamp, money order, and cash accountability; and financial accounting and reporting.

Stamp, Money Order, and Cash Accountability

We examined controls over stamps, money orders, and cash at seven units and determined that six did not always adhere to established controls and procedures. Specifically units exceeded their stock limits, did not properly account for money orders, or did not properly manage vending credits after deactivating and removing vending machines from service. When controls are not functioning as prescribed, there is an increased risk the Postal Service could lose cash, accountable items, and revenue without detection and misstate financial records. The issues we identified included:

- Management at three units did not properly account for 4,204 unrecorded, missing, or old style money orders valued at \$1,681,600.⁹ Postal Service policy requires the postmaster to maintain an accurate inventory of all accountable paper within the postal retail unit.¹⁰ Furthermore, policy requires unit management to return old style money orders to the SDO for destruction.¹¹ For example, the [REDACTED] was unaware he had 3,889 in unrecorded, missing, and old style money orders because the unit reserve had not been counted since November 2007. Management at the [REDACTED] [REDACTED] were unaware of 315 missing and unrecorded money orders from their units. Overall, unit management stated they were unaware of money order reconciliation procedures. The [REDACTED] also stated the district has had more acting than permanent managers, which has contributed to the situation. Because of our audit, the district finance manager is now requiring unit management to keep money order control logs and the district will conduct random reviews to verify compliance.
- Management at the [REDACTED] did not close vending credits, deposit vending cash, and return the stock to the SDO after deactivating and removing vending machines from service in June 2008.¹² The previous supervisor had moved the cash and stamp stock for both units into one vault and took extended sick leave without completing the required procedures for closing the accountability. We identified shortages of \$4,187 and \$238 in the two accountabilities. We also found \$7,005 in undeposited cash and \$54,797 in stamps that unit management had not returned to the SDO.

⁹ The OIG determined the average value of lost/stolen money orders is \$400.

¹⁰ FAP, Section 11-3.1.

¹¹ FAP, Section 11-6.11.

¹² Handbook PO-102, *Self-Service Vending Operational and Marketing Program*, Sections 257.2, and 256.1.

See [Appendix C](#) for a summary of accountability examinations by unit. See [Appendix D](#) for the monetary impact associated with the vending shortage and [Appendix E](#) for the non-monetary impact associated with excess stock; unrecorded, missing, and old style money orders; and stock not returned to the SDO.

Financial Accounting and Reporting

We examined financial accounting and reporting controls at 11 units and determined that 10 units did not always adhere to established controls and procedures. Specifically, units did not always monitor financial differences or advance customer deposit accounts, record BRM revenue, or monitor employee items. When units do not perform financial accounting and reporting, there is an increased risk of losing funds and making inaccurate financial statements. The issues we identified included:

- Management at five units did not research and resolve financial differences. Four of those units had net shortages totaling \$81,918. Units are required to research and resolve financial differences and maintain a system-generated record or log.¹³ Unit management generally stated they did not have an understanding of expenses related to differences in financial transactions and did not know they should maintain a log to track expenses. Unit management added they were newly assigned and unaware of the requirement to monitor, research, and resolve financial differences. The district finance manager stated that, because of our audit, they plan to visit any unit that needs help resolving issues when problem transactions are not resolved in 2 days. The district finance manager stated the district is also developing a course to train unit management on monitoring and resolving financial differences.
- Five units did not monitor advance deposit accounts for inactivity. We identified 129 inactive accounts valued at \$107,492. Units are required to close BRM accounts if they are inactive for 2 years and a PD account if it is inactive for 1 year.¹⁴ The unit must send a cancellation notice to the customer and allow customers 10 days from the date of notice to respond. In addition, for account balances of \$25 or less, the unit should withdraw the balance from the customer's account and refund it to Account Identifier Code 126, Miscellaneous Non-Postal Revenue. All the ██████████ stated they either had not received training so did not know how to close inactive accounts, or they did not know it was their responsibility to monitor and close inactive accounts. In addition, the ██████████ did not have access to PostalOne!. Because of our audit, district business mail entry (BME) management stated they plan to train all ██████████ in the district on handling inactive accounts.

¹³ FAP, Section 8-6.1.

¹⁴ FAP, Section 17-6. The Postal Service, however, is in the process of updating the FAP to change the requirement to close inactive PD accounts after 2 years, rather than 1 year. Therefore, we used the 2-year rule for PD accounts in this report.

- Management at the [REDACTED] did not effectively monitor revenue for unrecorded BRM and Official Mail Accounting System (OMAS)¹⁵ BRM.¹⁶ The [REDACTED] had not recorded BRM revenue for one customer for over 2 years. The [REDACTED] stated she had not received training and did not have access to PostalOne! to record the revenue. At [REDACTED], the unit had not recorded and reported OMAS BRM revenue in over 5 years. The [REDACTED] stated she had not received training. Unit management was aware the [REDACTED] had not received training and did not have access to PostalOne!. Furthermore, unit management at both sites received correspondence from the Eagan, MN, Information Technology and Accounting Service Center's Accounting and Reconciliation Branch (ARB) regarding the unrecorded revenue and was aware they were not recording revenue; however, they stated other duties took priority. As a result, the units did not record revenue of approximately \$31,000. Because of our audit, district BME management stated they would train the BRM clerks.
- Management at the [REDACTED] did not always reconcile, research, or resolve outstanding employee items totaling \$13,689.¹⁷ At both units, supervisors stated they had been at their current position for about 1 month and were unaware of the outstanding employee items. There is an increased risk of lost funds and inaccurate financial statements when management does not monitor and clear employee items.

See [Appendix D](#) for the monetary impact associated with financial differences net shortages, inactive advance deposit accounts, unrecorded BRM revenue, and unresolved employee items.

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

¹⁵ OMAS is a system used to track use of various postal services provided to approximately 185 government agencies. The main services provided include permit imprint and metered mail.

¹⁶ FAP, Sections 6-5.2.2 and 17-5.1.2.

¹⁷ FAP, Section 15-1.3.

Summary of Internal Control Deficiencies¹⁸

Internal Control Deficiency – the unit did not:												Number of units with Internal Control Deficiency	Specific Actions Required
Stamp, Cash and Money Order Accountability													
1. Maintain the stock within authorized limits.	X	X	X	X		X	X					6	Reduce the retail floor stock to limits established by Postal Service policy.
2. Properly account for money orders.	X					X	X					3	Record or return money orders to the SDO, as appropriate.
3. Perform cash and stamp accountability examinations at the proper frequency.		X				X	X					3	Perform and document cash and stamp accountabilities at the required frequencies.
4. Close the vending credit.		X		X								2	None. The unit closed credits during the audit.
5. Record and maintain files for stamp accountabilities and internal stock transfers.	X					X						2	Complete required stamp accountability documentation.
6. Transfer custody of stamp stock.						X	X					2	Adequately secure accountable items.
7. Return redeemed stock to the SDO for destruction. ¹⁹							X					1	Return redeemed stock to the SDO.
8. Keep cash credits separate from other accountable credits.	X											1	None. The unit closed credits during the audit.
Financial Accounting and Reporting													
9. Research and resolve expense items resulting from financial differences.	X		X		X	X	X					5	Log financial differences and ensure timely offset by making annotations to identify status or date of offset.

¹⁸ We did not perform audit steps at the units that are shaded gray.

¹⁹ We found \$20,328 in redeemed stock at the

Internal Control Deficiency – the unit did not:	█	█	█	█	█	█	█	█	█	█	█	Number of units with Internal Control Deficiency	Specific Actions Required
10. Close inactive advance customer deposit accounts.	X		X						X	X	X	5	Close or refund account balances to customers in accordance with Postal Service policy.
11. Properly support, document, and record refund transactions. ²⁰	X					X	X					3	Properly complete, review, and retain support documentation for refund disbursements.
12. Resolve employee items balances.	X	X										2	Reconcile and resolve employee items.
13. Record BRM revenue for OMAS accounts.						X			X			2	Submit OMAS revenue documents to the ARB and train the BRM clerk.
14. Reconcile Accounting Data Mart (ADM) master trust account balances with balances maintained by the unit. ²¹	X											1	Reconcile ADM master trust balances with balances maintained at the unit on a monthly basis.

²⁰ We identified \$1,086 in unsupported refunds at the █. At the █, the retail window unit paid five refunds, such as an insurance claim over \$50 and travel expenses it should have paid by other means. In addition, the unit paid three refunds using the wrong account identifier code. At the █, the unit paid one refund for an insurance claim over \$50.

²¹ We identified a negative balance of \$2,544 at the █

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 ²²	[REDACTED]		Total Value of All									
	Shortages	Overages	Shortages	Overages								
Unit reserve stock	\$15,615	-	-	-	-	-	-	\$7,330	-	-	\$15,615	\$7,330
Retail floor stock	-	\$27,590	\$3,422	-	-	-	-	\$3,812	-	\$609	\$3,422	\$32,011
Stamps by mail	\$1,672	-	-	-	-	-	-	-	-	-	\$1,672	-
Vending	-	-	\$4,187	-	\$238	-	-	-	-	-	\$4,425	-

²² We only counted the accountabilities at five units in which the OIG PARIS model ranked the unit as having excess stamp stock.

APPENDIX D: MONETARY IMPACT SUMMARY

This table presents the monetary impact identified during the audits of the 11 units, rounded to the nearest dollar.

Internal Control Deficiency/Reference (from Appendix B)	Finding Description	Recoverable ²³ Revenue	Questioned Costs	
			Recoverable ²⁴	Unsupported Unrecoverable ²⁵
[REDACTED]				
9	Unresolved financial differences (net shortage)			\$25,301
10	Inactive advance deposit account not closed	\$18,419		
12	Unresolved employee items		\$10,066	
[REDACTED]				
Appendix C	Retail floor stock shortage			3,422
Appendix C	Vending shortage			4,187
4	Undeposited vending cash	5,232		
12	Unresolved employee items		3,623	
[REDACTED]				
9	Unresolved financial differences (net shortage)			7,247
10	Inactive advance deposit account not closed	11,251		
[REDACTED]				
Appendix C	Vending shortage			238
4	Undeposited vending cash	1,773		

²³ Revenue the agency has collected but which it should refund because postage or fees were paid in excess of the lawful rate.

²⁴ Recoverable costs that are unnecessary, unreasonable, or an alleged violation of laws or regulations.

²⁵ Unrecoverable cost that are unnecessary, unreasonable, or an alleged violation of law or regulation. These costs are also not supported by adequate documentation.

Internal Control Deficiency/Reference (from Appendix B)	Finding Description	Recoverable ²³ Revenue	Questioned Costs	
			Recoverable ²⁴	Unsupported Unrecoverable ²⁵
9	Unresolved financial differences (net shortage)			32,764
13	Unrecorded BRM and OMAS revenue	28,000		
9	Unresolved financial differences (net shortage)			16,606
11	Unsupported or improperly supported refunds			1,086
10	Inactive advance deposit accounts not closed	21,826		
13	Unrecorded BRM and OMAS revenue	3,114		
10	Inactive advance deposit accounts not closed	30,466		
10	Inactive advance deposit accounts not closed	25,530		
Total	\$250,151	\$145,611	\$13,689	\$90,851

APPENDIX E: NON-MONETARY SUMMARY

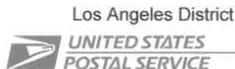
This table presents the non-monetary impact, rounded to the nearest dollar, for each of units audited.

Internal Control Deficiency/ Reference (from Appendix B)	Finding Description	Assets at Risk ²⁶	Accountable Items at Risk ²⁶
[REDACTED]			
1	Excess SBM stock		\$268,540
2	Unrecorded and missing money orders		45,600
14	Master trust account balance not reconciled	\$2,544	
[REDACTED]			
1	Excess retail floor stock		35,785
4	Vending stock not returned to SDO		43,447
[REDACTED]			
1	Excess retail floor stock		48,112
[REDACTED]			
1	Excess retail floor stock		47,960
4	Vending stock not returned to SDO		11,350
[REDACTED]			
1	Excess retail floor stock		53,781
2	Unrecorded money orders		80,400
[REDACTED]			
1	Excess retail floor stock		31,454
2	Unrecorded, missing and old style money orders		1,555,600
7	Redeemed stock not returned to SDO		19,667 ²⁷
	Subtotals	\$2,544	\$2,241,696
Total			\$2,244,240

²⁶ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

²⁷ We identified \$20,329 of redeemed stock the unit did not return to the SDO, but \$662 was included in the floor stock and, thus, claimed as non-monetary impact under the excess floor stock for the [REDACTED].

APPENDIX F: MANAGEMENT'S COMMENTS



Los Angeles District

November 19, 2009

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

SUBJECT: Fiscal Year 2009 Los Angeles District Financial Risk

REPORT NUMBER: FF-AR-10-DRAFT

Thank you for the opportunity to review and comment on the subject audit report. Overall, the audit conducted by OIG team members was fair and professional. The team was courteous, professional, and effective with resolving concerns.

A self-initiated audit was conducted at 11 judgmentally selected post offices and stations and one business mail entry unit (BMEU) to evaluate financial risk as identified by U.S. Postal Service Office of Inspector General (OIG) Performance and Results Information System (PARIS) models.

RECOMMENDATIONS

1. Maintain the stock within authorized limits

RESPONSE: *All of the six units reviewed by the OIG have been contacted by Financial Control & Support and were provided assistance in reducing the excess retail floor stock. The Los Angeles Main Office Stamps by Mail Segment has been closed and is in the process of returning stamp stock to the Main Office Unit Reserve. The SBM segment has returned over \$63,000.00 in stamp stock and expects to return the balance by November 30, 2009. The five remaining units have reduced their RFS below their established levels. Retail Floor Stock levels are reviewed daily by the FCS unit to ensure compliance. As a safeguard to ensure all units comply with stamp stock limits, units will not be allowed to receive additional stamp stock from the Stamp Distribution Office unless they are below limits established by the Postal Service for their Retail Floor stock. Because of these steps taken, the L A District has been able to reduce the Excess Retail Floor Stock from \$1,410,967 to \$292,305 (79.3%).*

7001 S. CENTRAL AVE. ROOM 320
LOS ANGELES CA 90052-9998
PHONE: (323) 586-1200
FAX: (323) 586-1248

- 2 -

2. Properly account for money orders.

RESPONSE: The three units were provided instructions during follow up visits in early September on how to properly maintain an inventory of all accountable paper in their units. Logs are current as of 11/18/09 at the Los Angeles Main Office, Palms, and Wilcox stations.

3. Perform cash and stamp accountability examinations at the proper frequency.

RESPONSE: The District has established an accelerated timetable for the completion of monthly cash counts in order to ensure all counts are performed by the end of each month. The three units identified by the OIG review as failing to properly perform cash counts have counted 100% of their cash credits during the months of September and October. Currently, the three units combined have only two credits to count during the remainder of this month in order to be in compliance with Postal regulations. As a whole, the Los Angeles District is currently ranked first in the Pacific Area for clerk cash counts.

4. Close the vending credit.

RESPONSE: The Financial Control & Support unit conducted final counts for the vending credits at the Beverly Hills Main Office and the Beverly Hills Crescent Station and assisted in the closing of those vending units. Funds for the Beverly Hills Main Office and Crescent Station vending credits were deposited to the bank and all stamp stock were returned for destruction to the SDO on August 4th and 5th respectively. Item adjudicated.

5. Record and maintain files for stamp accountabilities and internal stock transfers.

RESPONSE: Follow up visits to the OIG review sites was conducted and the units were provided with instructions on properly maintaining accountabilities. The Los Angeles Main Office and Wilcox Station are in compliance as of November 18, 2009. Item adjudicated.

6. Transfer custody of stamp stock.

RESPONSE: Follow up visits in early September by the FCS allowed for an opportunity to train the stamp stock custodian on proper procedures in maintaining accountable paper. These issues were discussed with the manager of Wilcox station, Ms. Lydia Jaramillo, and the Finance Supervisor of Palms, Mr. Joseph Baca. Units currently securing, and properly accounting for all accountable items. Item adjudicated.

- 3 -

7. Return redeemed stock to the SDO for destruction.

RESPONSE: L A District FCS reviewed the unit accountability report of Palms Station and worked with the stock custodian to redeem all unsalable stamp stock. Stamp stock was sent to the SDO on October 20th, 2009. Item adjudicated.

8. Keep cash credits separate from other accountable credits.

RESPONSE: This issue was resolved during the OIG audit. The FCS unit performed a follow up review and found the separation of accountable credits to be properly maintained. The FCS will continue to review this issue when performing reviews or office visits. Item adjudicated.

9. Research and resolve expense items resulting from financial differences.

RESPONSE: The L A District FCS unit assisted these units by providing Letters of Demand for financial differences and has been monitoring the clearing of those items. 30-day notices of involuntary deduction have been sent to the responsible employees. Additionally, the units were provided training on maintaining logs for financial differences in their units. Logs were current as of last office visits in October. Palms Station was able to reduce its bottom line from \$4,576.80 to \$421.26 on the Net Financial Differences report. Santa Monica M O has reduced their bottom line by 78% in the last 8 weeks. The other units are still working on reconciling the differences. The expected completion date is December 15, 2009.

10. Close inactive advance customer deposit accounts.

RESPONSE: BMEU & BRM clerks have been informed of proper procedures regarding the disposition of funds in trust accounts. As of 11/18/09, all units are current and canceled account balances had been cleared. Item adjudicated

11. Properly support document and record refund transactions.

RESPONSE: Follow up visit of the L A Main Office indicated that the unit is maintaining proper documentation for all refund disbursements in their unit. Visits to Wilcox and Palms stations in October indicated that additional training was necessary. Additional visits by the FCS unit on November 18, 2009 verified compliance. Item abated November 18, 2009.

12. Resolve employee items balances.

RESPONSE: The Los Angeles Main Office has reduced the number of employee items and the value in AIC 754 by 87%. Similarly, the number of employee items on AIC 755 have been reduced from seven to three, a reduction of 57%, with a reduction in value of 45%. Los Angeles Main Office has zero employee shortages pending. The Los Angeles FCS unit has been assisting the Beverly Hills Main Office by providing them with Letters of Demand for the unit's unresolved employee items. The number of

- 4 -

unresolved employee items at Beverly Hills M O has been reduced by 29%. LODs and Notice of Involuntary Deductions have been issued to employees with unresolved employee items. Currently submitting PS Form 3239's to Eagan for processing. Expect Unit to completely clear employee items by December 15, 2009.

13. Record BRM revenue for OMAS accounts.

RESPONSE: *Both units suffered a reduction in staff requiring the training of new BMR clerks. At Greenmead, the employee trained on BRM went on extended sick leave shortly after the training was completed requiring the unit to train a replacement. The unit however has been able to process the data and is current as of November 18, 2009 per current manager. A reduction in staffing at Wilcox combined with a change in management has delayed the reporting of revenue at that unit also. Due to the vast amount of data to be reviewed (5 years worth per OIG) it has taken an exorbitant amount of time to compile the data that needs to be reported. Work is currently in progress. The manager, who is new to the unit, has been compiling the data and the FCS will be responsible for the inputting of the data. Expected date of completion is November 30, 2009.*

Confirmation letter will be forwarded to OIG after completion of OMAS input.

14. Reconcile the Accounting Data Mart (ADM) master trust account balances with balances maintained by the unit.

RESPONSE: *Procedures and training for the reconciliation of Master Trust Accounts balances were provided to the supervisors of the L A BMEU during a follow up visit. As of 11/18/09, the ADM Master Trust Account is in balance with locally maintained balances. Item adjudicated.*

Your guidance and assistance in improving the Los Angeles District's financial accountability is appreciated.

If you have any questions, please contact Mark McDonald at 323-586-1700.



Eduardo H. Ruiz Jr.
A/District Manager
Los Angeles District

cc: Bill Harris, Acting Manager, Corporate Audit and Response Management
Linda J. Libician-Welch, Director, Field Financial – West
David Stowe, Mgr., Finance (Area)
Ken Lucas, Mgr., Accounting (Area)
File