



December 16, 2009

JERRY D. LANE
VICE PRESIDENT, CAPITAL METRO AREA OPERATIONS

SUBJECT: Audit Report – Greater South Carolina District Financial Risk Audit
(Report Number FF-AR-10-049)

This report presents the results of our audit of financial risk in the Greater South Carolina District (Project Number 09BD023FF000). This audit was self-initiated and addresses financial risk based on factors evaluated by the U.S. Postal Service Office of Inspector General (OIG) Performance and Results Information System model. The objective of our audit was to determine whether internal controls over retail and unit stamp stock, cash and customer account management, local purchases, and miscellaneous expenses and refunds were in place and effective at selected sites. See [Appendix A](#) for additional information about this audit.

Conclusion

Based on the transactions we reviewed, internal controls over customer account management (master trust), local purchases, and refunds were generally in place and effective. However, we found internal control and compliance issues related to stamp stock, miscellaneous expenses, and cash management. We attributed the internal control deficiencies to insufficient oversight of the managers or supervisors responsible for implementing financial internal controls at the units we audited. We identified \$296,590 in nonmonetary impact for accountable items at risk.¹ See [Appendix D](#) for further information on the nonmonetary impact.

Management Oversight of Internal Control Procedures Needs Improvement

We found internal control issues related to maintaining retail floor stock balances, researching and documenting miscellaneous expenses (financial adjustments), maintaining a detailed record or system-generated log for each financial adjustment, and conducting accountability examinations of the unit cash reserve. These conditions represent four of the 16 specific key internal controls we tested.

¹ Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

In general, we attributed the deficiencies to insufficient oversight of financial procedures at the post offices, stations, and branches. Local managers or supervisors often stated they tried to complete all duties; however, factors such as turnover in key personnel, managing multiple units, and other work-related duties such as delivery limited time spent completing their financial responsibilities. The U.S. Postal Service has an increased risk that losses could occur and go undetected and that financial records could be misstated when units do not follow prescribed financial accountability procedures.

In June 2009, district management implemented stronger district-wide monitoring of individual units. In spite of the deficiencies noted previously, we recognize that the district has initiated these actions, and it appears they are beginning to effect corrective action.² Units are now improving compliance over accountability controls, financial accounting and reporting of transactions, and local disbursement and refunds. For example, there were no significant or systemic problems in conducting accountability examinations over the stamp stock, managing and collecting amounts due from employees who had received salary advances, and following payment methods and maintaining documentation for expense transactions with the daily financial reports.

However, management could expand and enhance the effectiveness of this monitoring program to include documenting corrective actions taken when high-risk offices are identified. The district management's involvement is a key compensating control that is critical in the overall environment to reinforce the importance of compliance with financial and managerial controls. See [Appendix B](#) for our detailed analysis of the findings. [Appendix C](#) presents the results of our internal controls tested at each of the nine units.

We recommend the vice president, Capital Metro Area Operations, direct the district manager, Greater South Carolina District, to:

1. Develop and implement an action plan with milestones that will address the control deficiencies noted.
2. Consider expanding the district's monitoring of unit financial control activities to include a tracking mechanism documenting the corrective action taken for units that are not in compliance.

Management's Comments

Management agreed with our findings and recommendations and stated in their response that an action plan addressing noted deficiencies was initiated. This plan specifically addressed deficiencies, plans, and milestones that have been completed at the specified units. In addition, district managers have expanded their monitoring activities of units by using increased intervals of monitoring units' activities either weekly, monthly, or bi-monthly depending on the type of financial control. Effective December

² As discussed in [Appendix A](#), we examined transactions generated for the October 2008 through June 2009 reporting periods. As such, the deficiencies identified occurred before the June 2009 actions.

31, 2009, the district finance office will provide monthly noncompliance reports to the manager, Post Office Operations, senior plant manager, and the district manager for distribution to the appropriate managers requiring a response to corrective action taken. As mandated by the Capital Metro Area Office, district officials will complete a follow-up review to this response at these post offices by February 4, 2010, to ensure compliance with the recommendations. See [Appendix E](#) for management's comments in their entirety.

Evaluation of Management's Comments

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

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John Wiethop, director, Field Financial – Central, 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 question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: Joseph Corbett
Vincent H. DeVito, Jr.
Steven A. Darragh
Nicholas L. Rinaldo
Sonny S. Hermes
Stephen J. Nickerson
Steven R. Phelps
Sally K Haring

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

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

The Greater South Carolina District is in the Capital Metro Area and includes approximately 326 post offices, stations, or branches; these units reported more than \$145 million of revenue in fiscal year (FY) 2009. The nine units addressed in this report reported approximately \$21 million of revenue during this period.³

The OIG performs periodic financial risk assessments. Based on quarter 2, FY 2009 financial data in the Enterprise Data Warehouse (EDW), the OIG developed a Cost and Controls Risk Model that ranks the Postal Service’s districts with respect to specific financial risk indicators.⁴ We selected the Greater South Carolina District because indicators in our model suggested the district was a high financial risk compared with others around the country. May and June FY 2009 data ranked this district as the second and seventh highest risk district, respectively, from a financial viewpoint.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether internal controls over retail and unit stamp stock, cash management, customer account management (master trust), local purchases, miscellaneous expenses and refunds were in place and effective at the selected sites.

To accomplish this objective, we audited nine judgmentally selected units within the Greater South Carolina District. We selected the following sites for audit based on high-risk model rankings in the areas of disbursements and refunds, retail floor stock levels, employee items, and financial adjustments.

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³ Data obtained from the Standard Accounting for Retail system.

⁴ The 12 risk indicators in our model are revenue, local purchases, refunds, miscellaneous expenses, nonlocal purchases, clerk cash management, office cash management, employee related items, customer account management, retail stamp stock management, overall unit stamp stock management, and contract postal units.

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At each unit, we conducted the following tests for FY 2009:

- Examined accountability records and reviewed transactions generated for the October 2008 through June 2009 reporting periods related to financial accounting and reporting.
- Obtained the Point-of-Service Clerk Balance's Report to review employee and unit cash balances as well as retail floor stock balances.
- Selected and reviewed high-dollar transactions for employee items, local disbursements, and refunds and traced authorizations to supporting documentation and certifications maintained at the units.
- Reviewed Master Trust Account Summary data from the Cost and Controls Risk Model for master trust to analyze inconsistencies between locally managed trust balances and financial balances in EDW.
- For financial differences, analyzed each unit's Account Identifier Code (AIC) 247, Financial Differences Overage, and AIC 647, Financial Differences Shortage, by journal voucher (JV) number.⁵
- Specifically tested transactions related to banking differences and manually generated transactions⁶ posted to the accounting records because of their inherent risk for potential fraud or loss of funds.

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, policies, and procedures as criteria to evaluate internal controls and data reliability. We interviewed supervisors and employees and observed operations at these judgmentally selected Postal Service sites. We also interviewed the district finance manager to determine what procedures the district had in place to track and monitor retail units' compliance with accounting procedures and compliance with key financial controls.

We conducted this performance audit from August 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

⁵ JV numbers determine the source of the expense, and different JVs are used for expenses from different systems. For example all JVs beginning with 415 originate from the Chesapeake Reconciliation System; all JV 411.0 entries where the Reason Code is not 99 represent unit generated and transmitted expenses.

⁶ Postal Service Form 1412, Daily Financial Report.

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 objective. We discussed our observations and conclusions with management on October 29, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

The OIG issued the following financial audit reports for the Greater South Carolina District within the past 3 years.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<i>FY 2007 Financial Installation Audit –</i> [REDACTED]	FF-AR-07-171	May 30, 2007	\$4,894	\$0	This report identified internal control and compliance issues related to accountability examinations, inactive trust accounts, employee items, closeout and bank deposit preparation procedures, postage validation imprinter adjustments, financial differences, Voyager card procedures, and key and lock examinations. Management agreed with the recommendations.
<i>FY 2009 Financial Installation Audit –</i> [REDACTED]	FF-AR-09-132	March 26, 2009	\$0	\$60,593	This report identified internal control and compliance issues related to stamp, cash, and money order accountability; financial accounting; and reporting and business mail acceptance. Management agreed with the recommendations.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<i>FY 2009 Financial Installation Audit –</i> 	FF-AR-09-159	May 5, 2009	\$0	\$0	We did not note any conditions that materially affected the reasonableness or fairness of the reported financial data.

APPENDIX B: DETAILED ANALYSIS

Management Oversight of Internal Controls Needs Improvement

We found internal control issues related to maintaining retail floor stock balances, researching and documenting miscellaneous expenses (financial adjustments), maintaining a detailed record or system-generated log for each financial adjustment, and conducting accountability examinations over the unit cash reserve. These conditions represent four of the 16 specific key internal controls we tested. For the remaining 12 controls tested,⁷ we noted no issues and attribute that to the recently implemented district-wide monitoring of individual unit performance. Where we noted deficiencies, local unit managers or supervisors generally stated they needed to provide more oversight to those areas.

Retail Floor Stock Limits

Retail floor stock levels at seven of the nine sites we visited exceeded limits by approximately \$297,000.⁸ There were a variety of reasons unit managers or supervisors cited for exceeding the retail floor stock limit, such as other work-related duties preventing them from providing sufficient oversight to maintaining the limits. For example,

- The supervisor at both [REDACTED] post offices said he traveled between three offices and it was difficult to be available when clerks needed stamps replenished. Consequently, he kept the floor stock high.
- The manager at the [REDACTED] gave a similar reason and stated they kept excess stock on the floor to keep from running out of stamps to sell.
- The [REDACTED] was in the process of filling a job vacancy, and the manager who oversaw that unit also had another unit and delivery section to manage. As a result, oversight at this station was a challenge.

Handbook F-101 (F-101), *Field Accounting Procedures*, Section 14, limits the dollar amount of stamps that units can keep as part of their retail floor stock. The limit is based on a formula of postage sales using sales data from the same period last year. Maintaining stock within these limits is important to control or reduce the risk of loss within Segmented Inventory Accountability (SIA) offices,⁹ work hours associated with retail floor stock counts, and the amount of excess stock returned for destruction. To

⁷ Those controls are listed in [Appendix C](#) along with the four controls where we noted deficiencies.

⁸ The allowable threshold for these units' retail floor stock was \$252,000.

⁹ SIA is a financial concept where offices maintain a unit reserve stock and a shared retail floor stock from which employees sell stamps to customers.

correct this deficiency, units must reduce retail floor stock to the limit established by Postal Service policy.

See [Appendix C](#) for information on the specific units where this condition existed. See [Appendix D](#) for the nonmonetary impact associated with excess floor stock.

[Monitoring, Documenting, and Clearing Miscellaneous Expenses \(Financial Adjustments\)](#)

Management at seven units did not always research discrepancies and ensure timely clearance. In addition, management did not maintain detailed records and a log for each miscellaneous expense entry and document their research and support corrective actions (refer to [Appendix C](#) for details). Turnover in supervisory positions and time spent on other duties caused inadequate oversight of this control. On a positive note, units had either just started keeping logs or took corrective actions during our audit. For those units that were not sufficiently researching and clearing financial adjustments, unit managers said that other priorities prevented them from providing adequate oversight over financial differences.

Postal Service policy¹⁰ establishes procedures for creating, offsetting, and documenting miscellaneous expenses. The policy and procedures provide details on the use of AIC 247 and AIC 647 and describes the procedures for creating, offsetting, and documenting differences in financial transactions. Unresolved financial adjustments increase the risk the Postal Service could lose cash, accountable items, and revenue without detection and misstate financial records. Units must maintain a log of financial adjustments to ensure timely offsets and keep detailed records to support expense status or date of offsets.

[Accountability Examinations for Unit Reserve Cash](#)

Managers did not conduct counts of unit cash reserve¹¹ at four units as required. (Refer to [Appendix C](#) for details on these four sites.) Except for the Spartanburg Post Office, which counted the cash reserve once in July 2009, none of these four offices had conducted counts of the unit cash reserve in the past 12 months.

F-101, Section 13, states that postmasters, managers, or supervisors are responsible for managing all cash credits assigned and must ensure the timely performance of all counts. Local managers stated that they generally did not conduct counts of the unit reserve cash as frequently as required because of inadequate oversight on their part. They also cited other work-related duties, such as supervising personnel or overseeing delivery operations, taking priority as a reason. The Postal Service has an increased risk that losses could occur and go

¹⁰ F-101, Section 8.

¹¹ A unit cash reserve may be established to provide associates a resource for exchanging large bills for rolled coins and smaller denomination currency.

undetected and that financial records could be misstated when units do not follow prescribed accountability procedures. To obtain better controls over examination of the unit cash reserve, units must perform and document all accountability examinations at proper frequencies as established by Postal Service policy.

APPENDIX C: RESULTS OF INTERNAL CONTROL TESTING

Internal Control Tested ¹²											Specific Actions Required
Cash and Stamp Accountability Controls											
Retail floor stock was maintained within limits.	No	No	No	No	No	Yes	Yes	No	No	Reduce and maintain retail floor stock to the limit established by Postal Service policy.	
Individual retail associate (RA) cash retained was maintained within limits.	Yes	Not Applicable									
Unit cash retained was maintained within limits.	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Not Applicable	
Unit reserve stock examinations were performed at required frequency.	Yes	No	Yes	Not Applicable							
Retail floor stock examinations were performed at required frequency.	Yes	Not Applicable									
RA cash examinations were performed at the required frequency.	Yes	Not Applicable									

¹² Some of the controls tested received a “No” response but were not reportable findings because most instances of noncompliance occurred during October – April FY 2009, and corrective actions were in place at the time of our audit. We did not provide a specific action required when we found no significant instances of noncompliance.

APPENDIX C: RESULTS OF INTERNAL CONTROL TESTING (CONTINUED)

Internal Control Tested										Specific Actions Required
Unit cash reserve examinations performed at required frequency.	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Perform and document unit cash reserve examinations at proper frequencies.
Financial Accounting and Reporting of Transactions										
Units researched financial differences and ensured clearance.	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Monitor and resolve financial differences and make adjusting entries as appropriate in accordance with Postal Service policy.
Units maintained a detailed record or system-generated log for each AIC 247 and AIC 647 entry.	Yes	Yes	No	Yes	No	No	No	No	No	Log financial differences to identify status or date of offset.
Units with trust accounts reconciled their customer trust balances with Accounting Data Mart balances.	Yes	Not Applicable								
Units maintained a list and details of all pending employee items to be resolved.	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Not Applicable

APPENDIX C: RESULTS OF INTERNAL CONTROL TESTING (CONTINUED)

Internal Control Tested	Local Disbursements and Refunds										Specific Actions Required
Units recorded local payments in correct account and kept proof of payment.	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Not Applicable
Units used preferred method for paying recurring expenses.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Not Applicable
Units limited use of no-fee money orders for expenses not exceeding \$500 for emergency one-time payments.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Not Applicable
Refunds were completed and submitted during closeout with supporting documentation.	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Not Applicable
Witness's signature was documented for refunded transactions.	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Not Applicable

APPENDIX D:
NONMONETARY IMPACT SUMMARY

Excess Retail Floor Stock	Dollar Amount of Excess
██	\$26,413
██	25,138
██	82,265
██	20,005
██	43,808
██	27,208
██	71,753
Total	\$296,590

APPENDIX E: MANAGEMENT'S COMMENTS

VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



December 4, 2009

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

Subject: Transmittal of Draft Audit Report Response – Greater South Carolina District
Financial Risk Audit (Report Number FF-AR-10-DRAFT, Project number 9BD023FF000)

The Capital Metro Area has reviewed the subject Draft Audit Report (Report Number FF-AR-10-DRAFT, Project number 9BD023FF000) and is in agreement with the findings and recommendations. Additionally, we agree with the non-monetary calculations of accountable items at risk and have no Freedom of Information Act (FOIA) issues related to this audit.

Recommendation No. 1:

We recommend the Vice President, Capital Metro Area Operations, direct the District Manager, Greater South Carolina District, to:

1. Develop and implement an action plan with milestones that will address the control deficiencies noted.

Response No. 1:

The Capital Metro Area agrees with this recommendation and has instructed the District Manager to respond with an action plan addressing the noted deficiencies. (See Attachment 1) District Manager, Nicholas Rinaldi, has submitted the action plan to me. (See Attachment 2, 1a. through 1d.) Milestones for corrective action to address noted deficiencies are indicated in the district plan and have already been completed at the specified units as indicated in 1a. through 1d.

Recommendation No. 2:

We recommend the Vice President, Capital Metro Area Operations, direct the District Manager, Greater South Carolina District, to:

2. Consider expanding the district's monitoring of unit financial control activities to include a tracking mechanism documenting the corrective action taken for units that are not in compliance.

Response No. 2:

The Capital Metro Area agrees with this recommendation and has instructed the District Manager to respond with an action plan to include expanding their current monitoring activities. (See Attachment 1) The District Office has expanded monitoring activities at frequency intervals as indicated under Recommendation 2 of their action plan. Additionally, end of the month non compliance reports are provided to Managers, Post Office Operations, Senior Plant Manager, and the District Manager for distribution to the appropriate managers requiring a response to corrective action taken.

MAILING ADDRESSES:

16501 SHADY GROVE ROAD
GAITHERSBURG, MD 20898-9998
(301) 548-1410
FAX: (301) 548-1434

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If you have any questions regarding this matter, please feel free to contact Kit Allshouse at 301 548-1457.



Jerry D. Lane

Attachments

cc: Bill Harris
Acting Manager, Corporate Audit and Response Management
CARMManager@usps.gov
audittracking@uspsoig.gov

VICE PRESIDENT
CAPITAL METRO AREA OPERATIONS



December 3, 2009

NICHOLAS L. RINALDI

SUBJECT: Transmittal of Draft Audit Report Response – Greater South Carolina District
Financial Risk Audit (Report Number FF-AR-10-DRAFT, Project number 9BD023FF000)

This is in reference to the OIG Financial Risk Audit findings dated November 20, 2009, for the Greater South Carolina District.

Please establish and provide me with your action plan to correct the noted deficiencies to include:

- Setting milestones that will effectively address and correct noted deficiencies in the specific units audited.
- Expanding the current district's monitoring of unit financial control activities to include a tracking mechanism documenting the corrective action taken for units that are not in compliance.

Please submit your response to me and Agnes Nixon no later than December 4.

A handwritten signature in blue ink, appearing to read "Jerry D. Lane".

Jerry D. Lane

Attachment

MAILING ADDRESSES:

16501 SHADY GROVE ROAD
GATHERSBURG, MD 20898-9998
(301) 548-1410
FAX: (301) 548-1434

Attachment 1



December 4, 2009

MEMORANDUM FOR JERRY LANE
VICE PRESIDENT CAPITAL METRO AREA
16501 SHADY GROVE ROAD
GAITHERSBURG, MD 20898-9998

SUBJECT: Transmittal of Draft Audit Report Response – Greater South Carolina District
Financial Risk Audit (Report Number FF-AR-10-DRAFT,
Project number 9BD023FF000)

An audit was conducted in August and September 2009 at nine (9) postal facilities within the Greater South Carolina District where sixteen (16) financial key controls were tested and deficiencies identified in four (4).

The audit included the following offices:



The Greater South Carolina District has taken the following actions in regards to the findings and recommendations of the Office of the Inspector General Report FF-AR-09-131.

Recommendation No. 1:

Develop and implement an action plan with milestones that will address the control deficiencies noted.

Action Taken:

1a. Retail floor stock was not maintained within limits.

	Date Corrected	October 13, 2009
	Date Corrected	October 15, 2009
	Date Corrected	September 30, 2009
	Date Corrected	September 18, 2009
	Date Corrected	November 19, 2009
	Date Corrected	September 8, 2009
	Date Corrected	October 20, 2009

This deficiency has been corrected by all offices as indicated above.

The District Finance Manager monitors the Excess Retail Floor Stock Report in EDW on a weekly basis. A non-compliance report is generated bi-monthly and sent to the MPOOs and District Leadership for corrective action. Finance provides guidance and instructions where needed based

Attachment 2

on responses received. As of result of these actions, the Greater South Carolina District has reduced the Excess Floor Stock from \$1,614,131.84 on July 31, 2009 to \$7,062.65 as of November 28, 2009 and at the same time retaining no Excess Stamp Stock. The September 2009 OIG Risk Model Scorecard now has the Greater South Carolina District with a score of (1 - least Risk) in the Stock Ledger category.

1b. Unit cash reserve examinations not performed at required frequency.

	Date Corrected	September 20, 2009
	Date Corrected	September 21, 2009
	Date Corrected	November 20, 2009
	Date Corrected	September 17, 2009

District Finance has issued communication to the units on November 24, 2009 of the importance of ensuring the cash reserve examinations are completed monthly in accordance with instructions outlined in section 13-9 of Handbook F-101. Some managers were still under the impression that the cash reserve count frequency was not on a monthly basis. However, they have been made aware of the proper count frequency and the examinations are monitored on a monthly basis.

Effective December 2009, a report will be generated from EDW and sent to the MPOOs and District Leadership at the end of each month. A unit cash reserve examination requirement reminder will be sent at or around the 15th of each month. The final report at the end of the month will report non-compliant offices. The end of month non-compliant report will be sent to the MPOOs and District Leadership requiring responses on action taken to correct deficiency.

1c. Units failed to research financial differences and ensured clearance.

	Date Corrected	October 15, 2009
	Date Corrected	September 11, 2009
	Date Corrected	September 11, 2009

Financial Control and Support Group monitors the Financial Differences Report in EDW weekly and notifies each office of unresolved differences. We continue to send out correspondence on these issues and work closely with the units to assist them in resolving financial differences. Additionally, Finance has provided the path in EDW to the units so they can monitor the differences at their level and make the necessary adjustments (via email: June 3, 2009 and June 18, 2009). All units have been instructed to monitor their PS Form 1412 activity on a daily basis to ensure financial differences are valid and cleared in a timely manner (via email: May 6, 2009) with the guidelines per Handbook F-101 outlining Field Managers responsibilities. Instructions and directions to the Financial Training Modules were provided to all offices (via email on June 12, 2009). Also, offices have also been instructed to contact the Accounting Help Desk for issues that they are unable to resolve.

1d. Units failed to maintain a detailed record or system-generated log for each AIC 247/647 entry.

	Date Corrected	November 11, 2009
	Date Corrected	September 11, 2009
	Date Corrected	September 11, 2009
	Date to be Corrected	December 5, 2009
	Date Corrected	November 20, 2009
	Date Corrected	September 30, 2009

On August 27, 2009, District Finance notified each unit via email of the necessity of maintaining a detailed log or system-generated log for POS units (manual log not required in POS units). Instructions as outlined in Handbook F-101 have been provided to the units as well as the training modules located in the Field Finance Toolkit. There are 10 modules located within the toolkit which includes a thorough section on Financial Differences AIC 247/647, District Finance notified the units

with instructions on where to find the toolkit, (via email on June 12, 2009). Field offices have been instructed by District Finance to contact the Accounting Help Desk with any issues they are unable to resolve.

Additionally, on April 8, 2009, District Finance sent each manual unit (eMOVES/IRT) a blank copy of the log in the excel format from Handbook F-101 to be used for the purpose of maintaining the log for Financial Differences.

Recommendation No. 2:

Consider expanding the district's monitoring of unit financial control activities to include a tracking mechanism documenting the corrective action taken for units that are not in compliance.

The Greater South Carolina District has or will implement monitoring/tracking immediately:

<u>Key Control</u>	<u>Frequency</u>	<u>Action Response Freq</u>
Retail Floor Stock	Weekly	Monthly
Cash Retained	Bi-monthly	Monthly
Unit Cash Retained	Monthly	Monthly
Unit Reserve Stock	Weekly	Monthly
Retail Floor Stock	Weekly	Weekly
RA Cash Counts	Weekly	Monthly
Unit Cash Reserve Exam	Bi-monthly	Monthly
AIC's 247/647	Weekly	Monthly
Customer Trust	Monthly	Monthly
Employee Items	Weekly	Monthly
Local Payments/Methods	Monthly	Monthly
Refunds	Monthly	Monthly

On June 3, 2009 the District provided the field offices with the location and path in EDW (via email) where the *POSTMASTER* folder is located which provides reports that can assist them on a daily basis in tracking and controlling their financial key controls.

Nonmonetary Impact:

Appendix D: Nonmonetary Impact Summary of Excess Retail Floor Stock in the amount of \$296,590.00 collectively.

The District agrees with this finding and the following action was taken. This deficiency has been corrected by all offices as indicated in response number 1. The District Finance Manager monitors the Excess Retail Floor Stock Report in EDW on a bi-weekly basis (around mid-month) and sends notification to all offices as to their status. Close to the end of the month, District Finance sends another status report of all units and the MPOO's that are not in compliance. Each unit must then submit the reason why they failed to follow required instructions. Additionally, the path to pull this report from EDW has been sent to each office for access to monitor and verify stock limits. This process has been effective in achieving the desired results. From July 31, 2009 to November 28, 2009, we reduced our excess retail floor stock from \$1,614,131.84 to \$7,062.65. This equates to a \$1,607,069.19 reduction overall.

Notable Accomplishments:

Prior to June, 2009, Greater SC District ranked as low as number 2 on a national basis (Lower numbers representing Highest Risk and Higher numbers representing Least Risk) on the OIG Financial Risk Assessment Scorecard. However, district management implemented stronger controls and increased communication and monitoring efforts of the individual units. Presently, as a direct result of our increased focus on financial issues, we have come from a national ranking of number 2 in May 2009, to number 26 in September 2009 improving on 7 of the 12 categories represented on the OIG Risk Model.

The Greater South Carolina District has also made gains in the following controls:

Un-Matched Salary Advances - reducing the number by 266 and \$127,043.73 from June 2009 to September 2009, by implementing upfront controls (SOP – AIC 554, April 2009) and providing focus, follow-ups and assistance.

Employee Receivables - reducing the number from 334 to 266 and moving the collections in progress from 57 to 157 from June 2009 to September 2009.

Employee Items – reduced from 975 to 338 from June 2009 to September 2009.

Excess Stamp Stock – Consistently maintained zero (0) excess stamp stock.

[REDACTED]

Clerk Cash Retained – reduced clerks in non-compliance from 191 non-compliant (out of 734) or 26% as of February 28, 2009 to 1 non-compliant (out of 921) or 0.13% as of November 28, 2009.

Office Cash – reduced out of tolerance units from 89 to 20 improving our compliance from 44.03% to 84.15% from June 2009 to September 2009, which resulted in moving our score from a five (5 - most risk) to a one (1 – Least Risk)

RA Cash Counts – Have maintained 100% compliance last 3 months.

As mandated by the Capital Metro Area Office, Financial Control and Support will complete a follow-up review to this response at these Post Offices within 60 days to ensure compliance to the recommendations. All action items, as well as inherent risks, reported herewith will be verified and the status provided in writing to the Area Accounting Manager.

[REDACTED]

The observations and support provided by the Office of the Inspector General are very much appreciated.

Sincerely



Nicholas L Rinaldi
District Manager
Greater SC District

cc: File