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PRITHA N. MEHRA  
VICE PRESIDENT, BUSINESS MAIL ENTRY & PAYMENT TECHNOLOGIES

SUBJECT: Audit Report – Fiscal Year 2009 Financial Installation Audit –  
Business Mail Entry Units (Report Number FF-AR-10-051)

This report summarizes the results of financial audits we conducted at 96 statistically selected business mail entry units (BMEU) for fiscal year (FY) 2009 (Project Number 09BD002FF000). The objectives of our audits were to determine whether the financial transactions of field operations were reasonably and fairly presented in the accounting records and whether internal controls were in place and effective. We conducted these audits in support of the audit of the U.S. Postal Service's financial statements. The Postal Reorganization Act of 1970 requires annual audits of the U.S. Postal Service's financial statements. See [Appendix A](#) for additional information about this audit.

## Conclusion

Based on the items we reviewed at 96 BMEUs, financial transactions were reasonably and fairly presented in the accounting records and, generally, the internal controls we examined were in place and effective. However, we identified five locations where major controls were not effective.<sup>1</sup> In addition, we identified various internal control and compliance issues related to managing customer accounts and eligibility; accepting, verifying, and clearing the mail; and monitoring Special Postage Payment Systems (SPPS). Although internal controls were generally in place and effective, a significant deficiency continues to exist related to the acceptance of mail.<sup>2</sup> We reported similar mail acceptance and other compliance issues in prior fiscal years' reports.

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<sup>1</sup> Overall, internal controls were not in place and effective at the [REDACTED] sites. Internal controls were in place except in the areas of monitoring customer trust accounts and accepting business mail at the [REDACTED] sites.

<sup>2</sup> This is the third consecutive fiscal year the significant deficiency has been reported. Ernst & Young, LLP, the independent public accounting firm contracted to express an opinion on the Postal Service's financial statements, reported this as a significant deficiency in its *Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* (November 14, 2007, November 14, 2008, and November 16, 2009). A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

Management concurred with the recommendations in our FY 2007 report<sup>3</sup> and, in response, developed a nationwide corrective action plan with measurable goals to correct conditions related to mail acceptance and verification procedures. Although this significant deficiency was not completely remediated in FY 2009, the Postal Service has made progress to correct the deficiency and to comply with future Sarbanes-Oxley (SOX) Act of 2002 requirements.<sup>4</sup> Management anticipates a reduction in the occurrence of these issues once key financial reporting controls are in place and fully implemented.

[Appendix B](#) lists the sites we reviewed, and [Appendix C](#) lists the control deficiencies reported for FYs 2007-2009 and the statistical projections for the FY 2009 reported nationwide deficiencies.<sup>5</sup>

Additionally, we made recommendations to district management addressing the control and compliance issues at each installation, reported \$4.1 million in monetary and \$727,139 in non-monetary impacts, and provided quarterly reports to management on the status of our results. District management's comments were responsive to our findings and recommendations and corrective actions should resolve the issues identified at these individual installations. This year, we also made three referrals to the U.S. Postal Service Office of Inspector General (OIG) Office of Investigations for situations that warranted further examination.

We changed the audit objective for our FY 2010 financial installation audits to evaluate only the key financial reporting controls consistent with the criteria developed for evaluating SOX compliance. We identified seven key financial reporting controls related to overrides, negative balances, inactive accounts and refunds, master trust reconciliation, missing Periodicals statements, postage statement completion and processing, and mail acceptance and verifications.

### **Mail Acceptance and Verification Procedures Were Not Followed**

Our audits at 96 BMEU sites continued to report that Postal Service personnel did not always follow mail acceptance and verification procedures, complete and process postage statements timely, test and calibrate scales, conduct Mail Evaluation Readability Lookup INstrument (MERLIN) verifications, and close inactive accounts. Specifically:

- During our mail observations at BMEUs and detached mail units (DMU),<sup>6</sup> we noted mailing personnel did not always follow the required acceptance, verification, and

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<sup>3</sup> *Fiscal Year 2007 Financial Installation Audit – Business Mail Entry Units* (Report Number FF-AR-08-131, dated March 19, 2008).

<sup>4</sup> Public Law 107-204, 11 Stat 745.

<sup>5</sup> Of the 96 statistically selected sites, 84 had internal control issues, seven did not have any conditions that materially affected the reasonableness or fairness of the reported financial data, three had overall ineffective controls, and two had ineffective controls over customer accounts and mail acceptance.

clearance procedures for mailings.<sup>7</sup> Although we observed various noncompliance issues related to this process, the most significant issue related to Periodicals not being verified at BMEUs. For example, units often received Periodicals mailings during non-business hours, and these mailings were allowed to enter the mailstream without verification because of their time-sensitive nature. We continued to report this issue throughout FY 2009, because policy requires Periodicals to receive an initial verification and does not make an exception for publications delivered during non-business hours.

- Employees did not always properly complete or post statements to customer accounts in a timely manner.<sup>8</sup>
- Employees did not always properly test or calibrate scales used to weight verify the mail.<sup>9</sup>
- Employees did not always use the random generator selection list or MERLIN worksheets for selecting trays of mail to verify. In addition, employees did not always perform MERLIN verifications at the proper frequencies.<sup>10</sup>
- Unit employees did not properly close or refund balances in all cases for inactive business mail or Periodicals<sup>11</sup> advance deposit accounts.<sup>12</sup>

### Postal Service Corrective Actions

The Postal Service developed and implemented a detailed corrective action plan in response to a recommendation made in our FY 2007 BMEU Capping Report and the related significant deficiency. In particular, Business Mail Entry & Payment Technologies and Finance personnel created a cross-functional team to identify and implement process changes to strengthen internal controls and to develop and distribute related training and communication materials. Throughout FY 2009, the Postal Service continued to make improvements as it positions itself to comply with SOX and financial reporting requirements. Specifically:

- Business Mail Acceptance (BMA), under Business Mail Entry & Payment Technologies, enhanced PostalOne! and Microstrategy features and capabilities related to inactive accounts, postage statement completion and processing,

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<sup>6</sup> A DMU is an area in a mailer's facility where postal employees perform mail verification, acceptance, dispatch, and other postal functions.

<sup>7</sup> Handbook DM-109, *Business Mail Acceptance*, Chapters 3 and 5, January 2009.

<sup>8</sup> Handbook DM-109, Chapters 3 and 5.

<sup>9</sup> Handbook DM-109, Sections 2-1.3 and 2-3.2(d).

<sup>10</sup> Handbook DM-109, Section 3-5.1.1.

<sup>11</sup> These inactive Periodicals accounts were at additional entry sites. An additional entry is a post office other than the office of original entry where a publisher is authorized to mail a Periodicals publication.

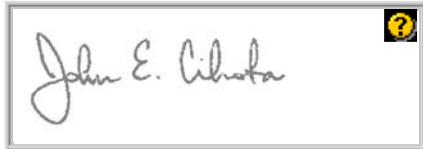
<sup>12</sup> Handbook F-101, *Field Accounting Procedures (FAP)*, Section 16-7, October 2009 and Domestic Mail Manual (DMM) 300, *Mailing Standards for the U.S. Postal Service*, Section 707.30.3.3, November 29, 2009.

negative balances, and overrides. BMA also plans additional updates to PostalOne! in March 2010 to improve the mail acceptance process including a new Bypass Mail Log Report.

- Area and district managers are using various ad hoc reports and other communications to monitor field performance.
- Financial Control and Support, under SOX, conducted field reviews to identify root causes for noncompliance with internal controls for processing postage statements correctly and timely. The team also developed additional reports to assist managers in monitoring compliance with established procedures.
- BMA continuously updated Handbook DM-109 and provided management instructions to clarify acceptance procedures and improve consistency.
- BMA provided field staff various web-based, video, and classroom training related to mail acceptance and verification procedures.
- BMA recently initiated a policy change to eliminate verifications of time sensitive Periodicals that meet low-risk criteria. This policy amended current acceptance and verification procedures for local newspaper Periodicals that have been authorized to enter the mailing at delivery facilities during non-business hours so that they can be processed for timely delivery. BMA also plans to update the verification process to ensure Periodicals mailings not meeting the low-risk criteria are verified.
- BMA developed a new concept known as the Lean Mail Acceptance Process (LMAP) that applies Six Sigma and lean principles to the acceptance and verification of mail in BMEUs. LMAP was designed to optimize configuration (including space for staging mail not yet verified); use placards when the mail arrives at the site and when it enters the mailstream; follow the “First In, First Out” philosophy; and rely on a team/triage approach (as opposed to one clerk doing it all). Currently, the Postal Service’s SOX Group is reviewing the process to ensure all necessary controls are in place.

Our audits at 88 units in the first three quarters did not provide any evidence of improvement in the mail acceptance and verification area. However, our testing of the last eight units indicated some improvement occurred late in the fiscal year. We will continue to assess the Postal Service’s progress in achieving and fully implementing these corrective actions. As we are not making recommendations in this report, management determined there was no need to provide formal comments.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John G. Wiethop, director, Field Financial-Central, or me at (703) 248-2100.



John E. Cihota  
Deputy Assistant Inspector General  
for Financial Accountability

Attachments

cc: Joseph Corbett  
Thomas G. Day  
Vincent H. DeVito, Jr.  
Dean J. Granholm  
Maura Robinson  
Julie S. Moore  
Steven R. Phelps  
Douglas G. Germer  
Steven J. Nickerson  
Sally K. Haring

## **APPENDIX A: ADDITIONAL INFORMATION**

### **BACKGROUND**

The OIG conducts field financial audits at revenue-generating units such as BMEUs. We conduct these audits in support of the independent public accounting firm's overall audit opinion on the U.S. Postal Service's financial statements.

BMEUs are established for authorized mailers to present business mailings. The Postal Service requires mailers to properly prepare all mailings, take them to an approved BMEU, and pay for them before they enter the mailstream, unless otherwise authorized by the Pricing and Classification Service Center located in New York, NY.

Most mailings entered at BMEUs are presorted and receive a discounted rate. Presorting mail is a work-sharing incentive that offers discounted postage rates to customers in exchange for performing a portion of the work associated with mail processing. Unless mailers properly prepare business mailings for the discounts claimed, the Postal Service incurs increased processing costs.

The PostalOne! system is the Postal Service's primary system for recording business mail and Periodicals transactions. The PostalOne! system allows users to enter postage statements, deposits, and other financial transactions; and to retrieve reports necessary to manage the daily business of their units. It also allows customers to submit postage statements and other information to the Postal Service through a web-based process. In addition, the Postal Service implemented a national Business Mailer Support database to monitor SPPS at all units. The Postal Service continuously updates the data to enhance oversight and effectiveness in this area.

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

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

To accomplish our objectives, we conducted unannounced audit fieldwork from October 2008 through September 2009 at 96 statistically selected sites that represented approximately \$3.5 billion in revenue for FY 2008.<sup>13</sup> We randomly selected and reviewed business mail and Periodicals postage statements generated for specific reporting periods during FY 2009.

We also reviewed authorizations for Periodicals publications. We observed mail acceptance, verification, and clearance processes and reviewed SPPS in effect at each BMEU. In addition, we reviewed operations at associated DMUs.

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<sup>13</sup> We obtained the FY 2008 operating revenue from the Financial Performance Report in the Accounting Data Mart.

We traced recorded financial transactions to and from supporting documentation. We did not perform a reliability assessment of the automated systems; however, we determined that automated data used for this report was reliable by verifying automated records to source documents. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We also evaluated whether management implemented the internal control structure over the financial reporting and the safeguarding of assets as designed. We interviewed supervisors and employees and observed operations at the Postal Service sites.

We conducted this audit from October 2008 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 findings and conclusions based on our audit objectives. We discussed the results of our audit with management on December 10, 2009.

### PRIOR AUDIT COVERAGE

We compared findings from the same sites audited during the past 3 years with the current sites to determine whether repeat deficiencies existed. We reported the status of the recommendations in each of the applicable installation reports issued. Additionally, we issued five high-risk reports that assessed nation- and district-wide performance and three headquarters reports that summarized our installation-level audits for FYs 2006 through 2008. Many of the findings identified in these reports still continue and are addressed in this audit report as well.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<i>Fiscal Year 2009 – Negative Master Trust Account Balances</i>	FF-AR-09-226	9/30/09	\$147,274	N/A	Our audit disclosed master trust accounts at 39 units erroneously showed negative balances totaling \$1.58 million because of improper accounting entries and errors that occurred when units converted to the PostalOne! system.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<i>Fiscal Year 2009 Connecticut District Financial Risk Audit</i>	FF-AR-09-225	9/30/09	\$89,274	\$471,356	We identified internal control and compliance issues at BMEUs related to entering postage statements, closing inactive accounts, and monitoring PostalOne! overrides.
<i>Northland District – Business Mail Entry Financial Risk</i>	FF-AR-09-224	9/28/09	\$3,664	\$146,096	We identified issues related to postage statements not entered timely to PostalOne!, inactive customer deposit accounts not closed, and Periodicals verifications not performed.
<i>Fiscal Year 2009 Kentuckiana District Business Mail Entry Unit Financial Risk Audit</i>	FF-AR-09-221	9/17/09	\$123,560	\$108,182	District management did not effectively monitor all cancelled and inactive advance deposit accounts, postage statement processing, and PostalOne! system overrides.
<i>Fiscal Year 2009 Phoenix Financial Risk Audit</i>	FF-AR-09-200	7/24/09	\$166,094	\$96,750	We identified internal control and compliance issues related to inactive customer trust accounts and value-added refunds.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
<b>Capping Reports</b>					
<i>Fiscal Year 2008 Financial Installation Audit – Business Mail Entry Units</i>	FF-AR-09-052	12/22/08	N/A	N/A	We identified various internal control and compliance issues related to managing customer accounts and eligibility; accepting, verifying, and clearing the mail; monitoring SPPS agreements and authorizations; and protecting Postal Service revenue. Although internal controls were generally in place and effective, a significant deficiency existed related to the acceptance of mail.
<i>Fiscal Year 2007 Financial Installation Audit – Business Mail Entry Units</i>	FF-AR-08-131	3/19/08	N/A	N/A	We identified various internal control and compliance issues related to managing customer accounts and eligibility; accepting, verifying, and clearing the mail; monitoring SPPS agreements and authorizations; and protecting Postal Service revenue.
<i>Fiscal Year 2006 Financial Installation Audit – Business Mail Entry Units</i>	FF-AR-07-090	2/15/07	N/A	N/A	We identified various internal control and compliance issues related to managing customer accounts and eligibility requirements; accepting, verifying, and clearing the mail; monitoring SPPS agreements and protecting Postal Service revenue; and following general operating procedures.

**APPENDIX B: BUSINESS MAIL ENTRY UNITS AUDITED IN FY 2009**

	Unit Name	Location	Unit Type	FY 2008 Revenue	OIG Report Number	Monetary Impact <sup>14</sup>	Non-Monetary Impact <sup>14</sup>
1			BMEU	\$32,813,797	FF-AR-09-119	\$3,791	\$0
2			Associate Office (AO) <sup>15</sup>	2,203,871	FF-AR-09-070	2,041,675	0
3			AO	159,961	FF-AR-09-075	11,529	0
4			AO	82,774	FF-AR-09-015	0	0
5			AO	882,176	FF-AR-09-106	298	0
6			AO	264,528	FF-AR-09-086	0	0
7			BMEU	3,032,393	FF-AR-09-157	0	0
8			AO	2,064,223	FF-AR-09-121	56,896	0
9			AO	64,973	FF-AR-09-088	0	0
10			BMEU	28,370,710	FF-AR-09-168	9,246	0
11			BMEU	5,502,615	FF-AR-09-208	0	18,617
12			BMEU	98,646,676	FF-AR-09-022	5,851	1,316
13			BMEU	2,126,307	FF-AR-09-045	0	0
14			BMEU	26,004,387	FF-AR-09-004	0	0
15			AO	550,658	FF-AR-09-169	0	0
16			BMEU	295,347,742	FF-AR-09-098R	86,700	0
17			AO	828,073	FF-AR-09-131	1,685	6,822
18			AO	252,636	FF-AR-09-019	0	6,191
19			AO	352,985	FF-AR-09-113	0	0
20			AO	371,104	FF-AR-09-122	0	0
21			BMEU	49,502,190	FF-AR-09-091	2,523	0
22			BMEU	113,385,508	FF-AR-09-184	16,243	0
23			BMEU	11,598,615	FF-AR-09-067	0	0
24			AO	54,893	FF-AR-09-120	0	1,625
25			BMEU	1,028,940	FF-AR-09-142	0	1,043
26			BMEU	206,918,577	FF-AR-09-181	0	0
27			BMEU	186,722	FF-AR-09-180	0	0
28			AO	461,906	FF-AR-09-128	210,123	0
29			AO	144,934,299	FF-AR-09-049	0	0
30			BMEU	56,321,625	FF-AR-09-161	0	0
31			BMEU	53,500,491	FF-AR-09-043	0	0
32			BMEU	4,455,468	FF-AR-09-078	1,392	0
33			BMEU	\$2,055,920	FF-AR-09-220	\$0	\$0
34			AO	77,368	FF-AR-09-105	0	0
35			AO	138,168	FF-AR-09-175	0	0

<sup>14</sup> We included these amounts in the individual reports previously issued.

<sup>15</sup> An AO is a post office that reports to a larger post office or is in the service area of a sectional center facility (SCF). It usually receives and dispatches all mail classes to and from the SCF.

	Unit Name	Location	Unit Type	FY 2008 Revenue	OIG Report Number	Monetary Impact <sup>14</sup>	Non-Monetary Impact <sup>14</sup>
36			BMEU	101,036,472	FF-AR-09-068	2,120	0
37			AO	151,646	FF-AR-09-196	0	0
38			AO	72,821	FF-AR-09-206	0	0
39			BMEU	50,079,840	FF-AR-09-141	0	0
40			AO	123,203	FF-AR-09-114	1,690	0
41			BMEU	2,592,240	FF-AR-09-023	0	0
42			AO	270,301	FF-AR-09-076	121,654	2,239
43			BMEU	18,950,035	FF-AR-09-003	0	39,754
44			AO	171,333	FF-AR-09-191	0	0
45			AO	69,209	FF-AR-09-013	0	0
46			AO	21,243,271	FF-AR-09-032	0	13,685
47			BMEU	165,908,283	FF-AR-09-183	0	0
48			AO	869,648	FF-AR-09-063	0	6,829
49			BMEU	703,056	FF-AR-09-073	42,501	0
50			BMEU	82,866,145	FF-AR-09-127	0	0
51			BMEU	71,499,332	FF-AR-09-014	3,103	0
52			AO	1,248,613	FF-AR-09-101	0	0
53			AO	1,959,568	FF-AR-09-176	0	0
54			AO	976,354	FF-AR-09-011	1,120	0
55			BMEU	13,151,702	FF-AR-09-124	0	0
56			BMEU	71,902,550	FF-AR-09-090	0	0
57			BMEU	224,393,075	FF-AR-09-182	7,566	0
58			AO	144,102	FF-AR-09-083	0	0
59			AO	111,272	FF-AR-09-059	0	0
60			AO	8,466,254	FF-AR-09-064	0	6,635
61			BMEU	87,962,578	FF-AR-09-158	0	0
62			BMEU	1,782,485	FF-AR-09-036	0	0
63			BMEU	29,145,414	FF-AR-09-136	0	0
64			AO	117,759,277	FF-AR-09-093	18,590	0
65			BMEU	65,946,725	FF-AR-09-065	282,503	0
66			BMEU	19,394,550	FF-AR-09-025	0	0
67			BMEU	453,261,259	FF-AR-09-084	0	0
68			BMEU	5,277,961	FF-AR-09-057	0	26,692
69			AO	\$792,465	FF-AR-09-145	\$0	\$7,554
70			BMEU	10,934,079	FF-AR-09-118	0	0
71			AO	1,955,353	FF-AR-09-108	12,542	0
72			AO	2,126,743	FF-AR-09-044	0	0
73			BMEU	70,504,962	FF-AR-09-174	0	23,924

	Unit Name	Location	Unit Type	FY 2008 Revenue	OIG Report Number	Monetary Impact <sup>14</sup>	Non-Monetary Impact <sup>14</sup>
74			AO	2,255,843	FF-AR-09-033	0	1,971
75			BMEU	10,421,033	FF-AR-09-082	720,867	0
76			BMEU	708,121	FF-AR-09-148	0	0
77			AO	165,824	FF-AR-09-050	0	0
78			BMEU	5,529,284	FF-AR-09-162	0	0
79			BMEU	124,040,602	FF-AR-09-188	3,584	0
80			AO	156,928	FF-AR-09-071	0	1,673
81			BMEU	167,432,200	FF-AR-09-066	0	0
82			BMEU	146,323	FF-AR-09-074	0	3,229
83			BMEU	8,711,942	FF-AR-09-026	0	0
84			AO	517,513	FF-AR-09-195	0	0
85			AO	145,102	FF-AR-09-144	0	42,000
86			BMEU	1,194,634	FF-AR-09-017	0	0
87			BMEU	93,237,565	FF-AR-09-077	0	0
88			BMEU	10,920,987	FF-AR-09-187	0	0
89			BMEU	7,599,294	FF-AR-09-222	0	0
90			BMEU	9,930,052	FF-AR-09-099	448,189	515,340
91			BMEU	74,290,447	FF-AR-09-190	3,350	0
92			AO	205,593	FF-AR-09-080	0	0
93			BMEU	37,556,168	FF-AR-09-197	0	0
94			BMEU/DMU	39,366,962	FF-AR-09-170	0	0
95			BMEU	31,778,974	FF-AR-09-079	0	0
96			BMEU	5,636,390	FF-AR-09-214	0	0
	<b>Total</b>			<b>\$3,482,295,236</b>		<b>\$4,117,331</b>	<b>\$727,139</b>

**APPENDIX C: DEFICIENCIES AND PROJECTIONS**

**Control Deficiencies Reported for FYs 2007-2009**

<b>Description of Internal Control Deficiency</b>	<b>FY 2009 Number of Sites with Finding</b>  <b>Sample Size = 96</b>	<b>FY 2008 Number of Sites with Finding</b>  <b>Sample Size = 96</b>	<b>FY 2007 Number of Sites with Finding</b>  <b>Sample Size = 101</b>
<b>Mail Acceptance, Verification, and Clearance Procedures</b>			
The unit did not verify that the mailer's sections of the permit/business mail postage statement were completed. (Operational Attributes)	63	N/A	N/A
The unit did not complete the Postal Service sections of the permit/business mail postage statement. (Operational Attributes)	58	N/A	N/A
The unit did not complete the Postal Service sections of the permit/business mail postage statement. (Financial Attributes) <sup>16</sup>	55	25 (combined financial and operational controls)	21 (combined financial and operational controls)
The unit did not verify that the mailer's sections of the permit/business mail postage statement were completed. (Financial Attributes) <sup>20</sup>	53	25 (combined financial and operational controls)	21 (combined financial and operational controls)
We observed the unit did not properly accept, verify, and clear mail according to Postal Service instructions at the BMEU. <sup>20</sup>	44	36	38
The unit did not have or provide a scale for weight verification, properly test the scale, or calibrate the scale annually at the BMEU. <sup>17</sup>	35	23	21 (at BMEU and/or DMU)
The unit did not verify that the publisher/customer's sections of the Periodicals postage statement were completed. (Operational Attributes)	32	N/A	N/A
The unit did not complete the Postal Service section for weight per copy on the Periodicals postage statement. (Operational Attributes)	31	N/A	N/A
The unit did not complete the Postal Service section for weight per copy on the Periodicals postage statement. (Financial Attributes) <sup>20</sup>	26	13 (combined financial and operational controls)	9 (combined financial and operational controls)
The unit did not verify that the publisher/customer's sections of the Periodicals postage statement were completed. (Financial Attributes) <sup>20</sup>	23	14 (combined financial and operational controls)	7 (combined financial and operational controls)

<sup>16</sup> This is a key financial reporting control that will be tested in FY 2010.

<sup>17</sup> This key control will be tested under the mail acceptance and verification observation process in FY 2010.

<b>Description of Internal Control Deficiency</b>	<b>FY 2009 Number of Sites with Finding  Sample Size = 96</b>	<b>FY 2008 Number of Sites with Finding  Sample Size = 96</b>	<b>FY 2007 Number of Sites with Finding  Sample Size = 101</b>
The unit did not properly close or refund balances for inactive business mail or Periodicals (at an additional entry) advance deposit accounts or monitor refunds requested by customers. <sup>20</sup>	27	48	53
The unit did not post data from the permit/business mail postage statement to the mailer's account (PostalOne!) within a reasonable amount of time. <sup>20</sup>	17	38	23
The unit did not have or provide a scale for weight verification, properly test the scale, or calibrate the scale annually at the DMU. <sup>21</sup>	16	8	21 (at the BMEU and/or DMU)
The unit did not use or maintain a Bypass Mail Log or have a process in place to identify bypassed mail. <sup>21</sup>	13	13	16
The unit did not post data from the Periodicals postage statement to the mailer's account (PostalOne!) within a reasonable amount of time. <sup>20</sup>	11	27	13
We observed the unit did not accept, verify, and clear mail verifications according to Postal Service instructions at the DMU. <sup>20</sup>	11	7	5
The unit did not utilize the random selection list and MERLIN worksheets for selecting trays of mail to be verified on MERLIN or always perform the MERLIN verifications at the proper frequencies (at BMEU or DMU). <sup>21</sup>	9	17	10
The unit did not attach or sign Postal Service (PS) Form 3607, Weighing and Dispatch Certificate, to the permit/business mail postage statement after entering the data to PostalOne!.	7	4	6
The unit did not correctly record required information from the permit/business mail postage statement in PostalOne!. <sup>20</sup>	6	1	1

### Statistical Projections for the FY 2009 Reported Nationwide Deficiencies

In support of the objectives, the audit team employed a stratified random sample of BMEUs. The sample design allows statistical projection of the number of units with the types of internal control deficiencies that were the subject of the audit. We made separate projections for each category with internal control deficiencies. The audit

universe consisted of 3,071 units with revenues over \$50,000. We sampled 96 units as a stratified attributes design further allocated to each of four revenue-based strata.<sup>18</sup>

We calculated the point estimate of the total number of deviations, as well as the associated confidence interval. Based on the sample results, we projected the following with a 95-percent confidence level.

Finding	Statistical Projections					
	Lower Limit <sup>19</sup>		Point Estimate <sup>20</sup>		Upper Limit <sup>21</sup>	
Mail Acceptance, Verification, and Clearance Procedures	Units		Units		Units	
The unit did not verify that the mailer's sections of the permit/business mail postage statement were completed. (Operational Attributes)	1,965	64%	2,295	75%	2,626	86%
The unit did not complete the Postal Service sections of the permit/business mail postage statement. (Operational Attributes)	1,835	60%	2,179	71%	2,523	82%
The unit did not complete the Postal Service sections of the permit/business mail postage statement. (Financial Attributes) <sup>20</sup>	1,778	58%	2,124	69%	2,470	80%
The unit did not verify that the mailer's sections of the permit/business mail postage statement were completed. (Financial Attributes) <sup>20</sup>	1,570	51%	1,943	63%	2,315	75%
We observed the unit did not properly accept, verify, and clear mail according to Postal Service instructions at the BMEU. <sup>20</sup>	1,265	41%	1,653	54%	2,041	66%
The unit did not have or provide a scale for weight verification, properly test the scale, or calibrate the scale annually at the BMEU. <sup>21</sup>	742	24%	1,117	36%	1,491	49%

<sup>18</sup> We statistically projected the number of units with internal control deficiencies. While we reported compliance issues, we noted compensating controls that allowed us to conclude that, generally, internal controls were in place and effective, except for the significant deficiency related to mail acceptance. These issues were not material to the financial statements and did not affect the overall adequacy of internal controls considered necessary for a financial statement audit. This appendix includes deficiencies that we reported only at six or more sites related to mail acceptance.

<sup>19</sup> The lower limit is the least estimated number of deviations (units) in which the condition may exist. When the lower bound is less than the number observed in the sample, the observed number is presented in the table as the lower limit.

<sup>20</sup> The point estimate is the estimated total number of deviations (units) in which the condition may exist.

<sup>21</sup> The upper limit is the greatest estimated number of deviations (units) in which the condition may exist.

Finding	Statistical Projections					
	Lower Limit <sup>19</sup>		Point Estimate <sup>20</sup>		Upper Limit <sup>21</sup>	
The unit did not verify that the publisher/customer's sections of the Periodicals postage statement were completed. (Operational Attributes)	964	31%	1,354	44%	1,744	57%
The unit did not complete the Postal Service section for weight per copy on the Periodicals postage statement. (Operational Controls)	1,041	34%	1,429	47%	1,817	59%
The unit did not complete the Postal Service section for weight per copy on the Periodicals postage statement. (Financial Attributes) <sup>20</sup>	980	32%	1,362	44%	1,744	57%
The unit did not verify that the publisher/customer's sections of the Periodicals postage statement were completed. (Financial Attributes) <sup>20</sup>	549	18%	914	30%	1,279	42%
The unit did not properly close or refund balances for inactive business mail or Periodicals (at an additional entry) advance deposit accounts or monitor refunds requested by customers. <sup>20</sup>	397	13%	708	23%	1,020	33%
The unit did not post data from the permit/business mail postage statement to the mailer's account (PostalOne!) within a reasonable amount of time. <sup>20</sup>	433	11%	678	22%	1,011	33%
The unit did not have or provide a scale for weight verification, properly test the scale, or calibrate the scale on annually at the DMU. <sup>21</sup>	61	2%	175	6%	290	9%
The unit did not use or maintain a Bypass Mail Log or have a process in place to identify bypassed mail. <sup>21</sup>	232	8%	542	18%	852	28%
The unit did not post data from the Periodicals postage statement to the mailer's account (PostalOne!) within a reasonable amount of time. <sup>20</sup>	171	6%	446	15%	720	24%
We observed the unit did not accept, verify, and clear mail verifications according to Postal Service instructions at the DMU. <sup>20</sup>	30	1%	121	4%	212	7%

Finding	Statistical Projections					
	Lower Limit <sup>19</sup>		Point Estimate <sup>20</sup>		Upper Limit <sup>21</sup>	
The unit did not utilize the random selection list and MERLIN worksheets for selecting trays of mail to be verified on MERLIN or always perform the MERLIN verifications at the proper frequencies (at BMEU or DMU). <sup>21</sup>	14	0.5%	101	3%	189	6%
The unit did not attach or sign PS Form 3607 to the permit/business mail postage statement after entering the data to PostalOne!.	94	3%	336	11%	578	19%
The unit did not correctly record required information from the permit/business mail postage statement in PostalOne!. <sup>20</sup>	37	1%	262	9%	487	16%