



January 20, 2011

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SUBJECT: Audit Report – Fiscal Year 2010 Financial Installation Audit –
Business Mail Entry Units (Report Number FF-AR-11-006)

This report summarizes the results of financial audits conducted at 96 statistically selected business mail entry units (BMEU) for fiscal year (FY) 2010 (Project Number 10BD002FF000). The objective of our audit was to determine whether the Postal Service complied with key financial reporting controls for business mail acceptance and verification processes and procedures at the selected units. We conducted these audits in support of the independent public accounting firm's (IPA) overall audit opinions on the U.S. Postal Service's financial statements and internal controls over financial reporting. The Postal Reorganization Act of 1970 requires annual audits of the Postal Service's financial statements. See [Appendix A](#) for additional information about this audit.

In FY 2007, we first reported significant problems related to mail acceptance and verification procedures at BMEUs and detached mail units (DMU).¹ At that time, management concurred with the recommendations in our FY 2007 report² and, in response, developed a nationwide action plan with measurable goals to correct conditions related to mail acceptance and verification procedures. Over the next 3 years, the Postal Service continued to develop and implement actions to correct these issues; thus, we did not make any recommendations in subsequent reports.

¹ The IPA 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).

² *Fiscal Year 2007 Financial Installation Audit – Business Mail Entry Units* (Report Number FF-AR-08-131, dated March 19, 2008).

Conclusion

The Postal Service did not comply with key financial reporting controls for business mail acceptance and verification processes and procedures. We noted that throughout the year the Postal Service implemented various actions in a concerted effort to improve compliance. As a result, the Postal Service's level of compliance with these key controls increased toward the end of the fiscal year compared to the first half of the fiscal year, helping to ensure that customers were appropriately charged and revenues were recognized.

Our test results in the last portion of the year also were consistent with those the Postal Service's Financial Testing Compliance (FTC) Group reported for their testing of the same controls during the last two quarters of FY 2010. However, given the high level of non-compliance we found throughout the year, plus the fact that other FY 2010 U.S. Postal Service Office of Inspector General (OIG) audit reports indicated similar business mail acceptance issues,³ we believe risks remain with the BMEU mail acceptance and verification process and work remains to ensure all revenue is appropriately recognized.⁴ Consequently, in FY 2011, the OIG plans to continue a body of work that will further test Postal Service actions to address BMEU mail acceptance and verification process and procedural issues.

Business Mail Acceptance and Verification Processes and Procedures Were Not Followed

Our audits at 96 BMEU sites reported that Postal Service personnel did not always follow mail acceptance and verification procedures. [Appendix B](#) lists the sites we reviewed and [Appendix C](#) lists the deficiencies reported for FY 2010. Specifically, our testing showed employees at a significant number of sites did not always:

- Comply with financial reporting controls over monitoring and closing inactive accounts.⁵
- Verify, complete, or post statements to customer accounts in a reasonable amount of time.⁶
- Correctly record required information from postage statements in *PostalOne!*.⁶

³ *Fiscal Year 2010 PostalOne! Outage* (Report Number FF-AR-10-205, dated August 5, 2010) and [REDACTED] and [REDACTED] *Business Mail Entry Units Mail Verification Procedures* (Report Number MS-AR-10-005, dated August 30, 2010).

⁴ As a result of the combination of control improvements and additional monitoring controls, the IPA concurred with management that the significant deficiency for business mail acceptance was remediated as of September 30, 2010. (*Report 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 15, 2010).

⁵ Handbook F-101, *Field Accounting Procedures*, Section 16-7, September 2010; and Handbook DM-109, *Business Mail Acceptance*, Table 1-4, page 2 of 3, March 2010.

⁶ Handbook DM-109, Chapters 3 and 5.

- Attach or sign Postal Service (PS) Form 3607, Weighing and Dispatch Certificate, to the postage statement after entering the data into *PostalOne!*.⁷
- Review Periodicals mailing frequencies.⁸
- Review the *PostalOne! Override Report* on a regular basis to ensure all overrides are appropriate.⁹

Postal Service Actions to Fix Deficiencies in Business Mail Acceptance and Verification Processes and Procedures

The Postal Service developed and implemented a detailed plan to correct deficiencies with business mail acceptance and verification processes and procedures that we reported over the past few years.¹⁰ 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 develop and distribute related training and communication materials. Since that time, the Postal Service engaged offices such as Sarbanes-Oxley Management Controls & Integration, Accounting, Financial Control and Support, the Controller, and a certified public accounting firm¹¹ to identify other gaps and weaknesses related to the controls. Throughout FY 2010, the Postal Service made correcting deficiencies in business mail acceptance and verification a top priority and undertook many actions to accomplish that goal. Specifically:

- The Business Mail Acceptance (BMA) Group, under Business Mail Entry & Payment Technologies, implemented a new revenue completeness process which was included in the March 2010 Handbook DM-109. The process focused on check-in/mail receipt, verification, finalizing postage statements in *PostalOne!*, placarding, induction, and end-of-day reconciliation.
- The FTC Group conducted multiple rounds of reviews to test key controls at the unit level.¹²
- BMA provided management instructions and job aids to clarify acceptance and verification procedures and improve consistency.

⁷ Handbook DM-109, Chapter 3. Note: This exception was reported prior to implementation of the revenue completeness process. The process no longer requires employees to attach the form to the statement. It now requires employees to attach PS Form 3607-P, Mail Release Placard, to each mailing cleared for Operations.

⁸ *Domestic Mail Manual* (DMM) 300, *Mailing Standards for the U.S. Postal Service*, Section 707.4.7, December 6, 2010; and Handbook DM-109, Table 1-4, page 2 of 3.

⁹ Handbook DM-109, Table 1-4, page 3 of 3.

¹⁰ Capping Reports: *Financial Installation Audit-Business Mail Entry Units* (FY 2007, Report Number FF-AR-08-131, dated March 19, 2008; FY 2008, Report Number FF-AR-09-052, dated December 22, 2008; and FY 2009, Report Number FF-AR-10-051, dated December 22, 2009).

¹¹ Deloitte & Touche, LLP.

¹² The OIG, at the request of the IPA, assessed FTC's results and performance and will report those results under separate cover.

- BMA provided approximately 30,000 individual field, district, and area staff with various web-based, video, and classroom training to better educate and ensure consistent application of the new revenue completeness mail acceptance and verification procedures.
- Business Mail Remediation, within Finance, established various links on their web site for headquarters and field staff to review reports that monitor field performance and compliance rates and to obtain helpful job-related tools.
- The Business Mail Remediation manager held weekly telecons with area finance, marketing, and accounting managers to monitor remediation progress related to key business mail controls.
- The Business Intelligence Group, in support of Corporate Accounting, developed a commercial revenue entity level control designed to detect significant revenue variances. The group facilitated discussions with strategic account managers and business alliance managers on mailing trends at the individual customer level. Specifically, it reviewed mailers with large revenue variances and identified causes for these variances. The IPA will test this entity level control.
- A special projects team, under Business Mail Entry & Payment Technologies, was recently created to develop the most effective technologies and business practices to improve processes and adapt to changing business mail and customer expectations. The Postal Service hopes to stabilize costs within a streamlined mail acceptance process by expanding access and improving quality, service, and efficiency.¹³

Although the Postal Service implemented the various actions outlined and the Postal Service's FTC group will be testing key financial reporting controls in FY 2011, we believe risks remain.

Risks Continue to Exist with Business Mail Acceptance

As described in a previous section of this report, our FY 2010 testing of key financial reporting controls at 96 BMEUs identified an unacceptably high degree of non-compliance and increased the risk that the Postal Service may not charge for all business mail deliveries and may not recognize the associated revenue in accounting records. The key BMEU financial reporting controls we tested in FY 2010 were part of the Postal Service's efforts to address design gaps in its mail acceptance and verification process. Further, they were designed to ensure the data related to the nature and volume of mail received from each business mailer was entered into the accounting systems. The non-compliance we found increases the risk that the Postal Service may not accurately bill business mailings to customers or account for them in

¹³ The *BMA Vision and Strategy*, which is integral to the Postal Service's *Vision 2013* implementation, focuses on four key strategic initiatives: Results-Based Automated Verification, Centralized Account Management, Integrated Customer Support and Feedback, and Optimized Business Mail Acceptance Network.

their financial results. These audit results, coupled with findings in other FY 2010 OIG audit reports, leads us to be concerned that risks remain related to business mail acceptance and verification processes and procedures.

Specifically, our FY 2010 *PostalOne! Outage* report found a 4-day outage in February that considerably impacted the effectiveness of business mail operations and customer mailing activities.¹⁴ Certain business mail acceptance controls that relied on *PostalOne!*'s operational availability were not effective during the outage. Interruptions in *PostalOne!* availability present a challenge to the Postal Service's successful correction of identified non-compliance issues because of the heavy reliance on system functionality and availability when accepting and recording business mail. If the system is unavailable, the Postal Service implements a contingency plan that relies on manual processes. Manual processes are inherently more risky because of the potential for human error. The non-compliance issues related to manual processing that we reported this year, and in the past, were a root cause for the deficiencies in mail acceptance and verification processes and procedures.

In addition, in FY 2010 the OIG found the same BMEU non-compliances at two large BMEU operations that were not part of our FY 2010 sample of BMEU sites audited, nor were the units reviewed by FTC as of July 19, 2010. The report¹⁵ concluded that business mail verification procedures were not in place and effective at the Staten Island BMEU. The report identified multiple mail verification issues at the Staten Island BMEU and identified an issue at the Brooklyn BMEU related to the Mailing Evaluation and Readability Lookup INstrument (MERLIN) Sample Selection Matrix.¹⁶

These other reports, in conjunction with our FY 2010 findings as identified herein, reinforce our concern that risk remains in the BMEU mail acceptance and verification process and work remains to ensure the Postal Service appropriately recognizes all revenue. Although we are not making any recommendations in this report, we will continue to test and monitor business mailings and business mail acceptance and verification processes and procedures.

¹⁴ *Fiscal Year 2010 PostalOne! Outage* (Report Number FF-AR-10-205, dated August 5, 2010).

¹⁵ [REDACTED] and [REDACTED] *Mail Entry Units Mail Verification Procedures* (Report Number MS-AR-10-005, dated August 30, 2010).

¹⁶ We noted a [REDACTED] BMEU mail acceptance employee did not use the sample selection matrix to select tray samples for verification on MERLIN. Although the mail acceptance employee generated the sample selection matrix, he did not select sample trays corresponding to the tray numbers identified in the matrix. Instead the mail acceptance employee judgmentally selected sample trays from the top of one of two pallets because it was more convenient than opening the shrink-wrap and selecting the required trays.

Management's Comments

Management did not specifically agree or disagree with the conclusions in the report. However, they stated that in general, BMA has made significant progress in identifying, documenting, and training on key controls for the acceptance and verification of business mailing in FY 2010. Management outlined a number of improvements and actions taken throughout FY 2010. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the conclusions in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact William F. Rickett, acting 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 yellow square icon with a black question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: Joseph Corbett
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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 IPA's overall audit opinions on the Postal Service's financial statements and internal controls over financial reporting.

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 (PCSC) 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 employees 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 day-to-day 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 special postage payment systems (SPPS) agreements at all units.¹⁷ The Postal Service continuously updates the data to enhance oversight and effectiveness in this area.

In an effort to improve financial reporting, the Postal Service implemented a revenue completeness process in March 2010 that focused on key business mail acceptance and verification procedures. Specifically, the new process established procedures for mail check-in/receipt, verification, finalizing postage statements in *PostalOne!*, placarding, induction, and end-of-day reconciliation.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether BMEUs complied with key financial controls related to business mail acceptance and verification procedures. To accomplish our objective, we conducted unannounced audit fieldwork from October 2009 through September 2010 at 96 statistically selected sites that represented approximately \$2.5 billion in revenue for FY 2009.¹⁸ We traced recorded financial transactions to and

¹⁷ SPPS provide alternative methods for mailers to calculate and pay postage. SPPS mailers are required to receive Postal Service authorization, SPPS authorization agreements must be reviewed, and authorization agreements must be maintained at BMEUs and DMUs.

¹⁸ We obtained the FY 2009 operating revenue from the Financial Performance Report in the Accounting Data Mart (ADM).

from supporting documentation. We determined that automated data used was sufficiently reliable by verifying automated records to source documents; however, we did not perform a reliability assessment of the automated systems. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We interviewed supervisors and employees and observed operations at this statistically selected Postal Service site.

To determine whether the unit complied with required financial reporting controls, we evaluated the following:

Financial Control	Scope and Methodology
Overrides	We obtained the <i>PostalOne! Override Report</i> and reviewed transactions for a given reporting period to determine whether the causes of the overrides appeared to be prudent and reasonable. In addition, we determined whether the BMEU supervisor reviewed the report daily to ensure all overrides from the previous day were appropriate.
Negative Balances	We obtained the <i>PostalOne! Negative Balances Report</i> and reviewed accounts with negative balances. We determined whether the customer deposited sufficient funds to pay for a mailing before the unit released the mailing for processing.
Inactive Master Trust Accounts and Refunds	We reviewed inactive permit and Periodicals (if the site serves as an additional entry) accounts to determine whether the unit properly closed the accounts and refunded balances according to Postal Service policy. In addition, we determined whether the unit maintained the required documentation to support refunds processed.
Master Trust Account Reconciliation	We compared balances for customer advance deposit accounts (in the manual records or <i>PostalOne!</i>) to the master trust account balance reported in the general ledger.
Missing Periodicals Postage Statements	We reviewed the <i>PostalOne! Transaction Summary Report for Periodicals</i> or the <i>PostalOne! Advertising Percentage Report</i> for the prior 12-month period, and the PCSC's Official Classification Records and Authorization data for Periodicals authorizations to determine whether the unit recorded transactions for all mailings processed.
Postage Statement Completion and Processing	We reviewed business and Periodicals postage statements for completeness and timely posting to <i>PostalOne!</i> .

Financial Control	Scope and Methodology
Observation of Revenue Completeness Process	We physically observed clerks at BMEUs and DMUs accept and process mailings.

We conducted this audit from October 2009 through January 2011 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 objective. 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 officials on December 14, 2010, and included their comments where appropriate.

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 issued seven high-risk reports that assessed nation- and district-wide performance, three headquarters reports that summarized our installation-level audits for FYs 2007 through 2009 and one report that reviewed the impact of the *PostalOne!* system interruptions. Management generally concurred with the results and recommendations contained in these reports. 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	Other Impact	Report Results
Risk and Other Related Reports:					
██████████ and <i>Business Mail Entry Units Mail Verification Procedures</i>	MS-AR-10-005 8/30/201 0		\$0	\$55,029,888	We identified multiple mail verification issues at the ██████████ BMEU and an issue at the ██████████ BMEU related to the MERLIN Selection Matrix.

Report Title	Report Number	Final Report Date	Monetary Impact	Other Impact	Report Results
<i>Fiscal Year 2010 PostalOne! Outage</i>	FF-AR-10-205	8/5/2010	\$355,107	\$298,000,000	The February 2010 <i>PostalOne!</i> outage impacted mail acceptance operations and revenue collection efforts nationwide. We determined the Postal Service was not adequately prepared to manually support operations during such an extended outage.
<i>Fiscal Year 2009 [REDACTED] Financial Risk</i>	FF-AR-10-028	12/3/2009	\$0	\$0	Our audit did not identify any control and compliance issues at the [REDACTED] BMEU.
<i>Fiscal Year 2009 – Negative Master Trust Account Balances</i>	FF-AR-09-226	9/30/2009	\$147,274	N/A	Our audit disclosed that 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 <i>PostalOne!</i> system.
<i>Fiscal Year 2009 [REDACTED] Financial Risk Audit</i>	FF-AR-09-225	9/30/2009	\$89,274	\$471,356	We identified internal control and compliance issues at BMEUs related to entering postage statements, closing inactive accounts, and monitoring <i>PostalOne!</i> overrides.
<i>Northland [REDACTED] Mail Entry Financial Risk</i>	FF-AR-09-224	9/28/2009	\$3,664	\$146,096	We identified issues related to postage statements not entered timely into <i>PostalOne!</i> , inactive customer deposit accounts not closed, and Periodicals verifications not performed.

Report Title	Report Number	Final Report Date	Monetary Impact	Other Impact	Report Results
<i>Fiscal Year 2009</i> ██████████ <i>District Business Mail Entry Unit Financial Risk Audit</i>	FF-AR-09-221 9	17/200 9	\$123,560	\$108,182	District management did not effectively monitor all cancelled and inactive advance deposit accounts, postage statement processing, and <i>PostalOne!</i> system overrides.
<i>Fiscal Year 2009</i> ██████████ <i>Financial Risk Audit</i>	FF-AR-09-200	7/24/2009	\$166,094	\$96,750	We identified internal control and compliance issues related to inactive customer trust accounts and value-added refunds.
Capping Reports:					
<i>Fiscal Year 2009</i> <i>Financial Installation Audit - Business Mail Entry Units</i>	FF-AR-10-051	12/22/2009	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; and monitoring SPPS. Although internal controls were generally in place and effective, a significant deficiency existed related to the acceptance of mail.
<i>Fiscal Year 2008</i> <i>Financial Installation Audit - Business Mail Entry Units</i>	FF-AR-09-052 12	22/20 08	N/A	N/A	
<i>Fiscal Year 2007</i> <i>Financial Installation Audit - Business Mail Entry Units</i>	FF-AR-08-131 3	19/200 8	N/A	N/A	

APPENDIX B: BMEUs AUDITED IN FY 2010

	Unit Name	Location	Unit Type	FY 2009 Revenue	OIG Report Number	Monetary Impact ¹⁹	Other Impact ¹⁹
1			Associate Office (AO) ²⁰	\$143,481	FF-AR-10-117	\$0	\$0
2			BMEU	1,100,717	FF-AR-10-052	0	1,605
3			BMEU	46,559,789	FF-AR-10-044	0	0
4			BMEU	10,129,039	FF-AR-10-189	0	0
5			AO	213,061	FF-AR-10-214	0	0
6			AO	95,315	FF-AR-10-135	0	0
7			BMEU	61,482,459	FF-AR-10-085	1,800	0
8			BMEU	17,789,944	FF-AR-10-081	0	0
9			BMEU	612,123	FF-AR-10-073	0	0
10			AO	670,190	FF-AR-10-199	0	0
11			AO 69,831		FF-AR-10-048	0	0
12			AO	1,054,693	FF-AR-10-161	2,222	0
13			BMEU	714,979	FF-AR-10-112	0	1,542
14			BMEU 52,165,2	80	FF-AR-10-102	8,494	0
15			AO 196,45	3	FF-AR-10-134	0	0
16			BMEU 30,605,6	21	FF-AR-10-066	0	0
17			BMEU 120,89	1,702	FF-AR-10-170	0	0
18			BMEU	11,695,562	FF-AR-10-123	0	117,375
19			BMEU	99,295,852	FF-AR-10-176	0	0
20			AO	444,848	FF-AR-10-127	0	0
21			BMEU	57,126,511	FF-AR-10-068	0	0
22			AO	91,996	FF-AR-10-142	0	0
23			BMEU	1,553,956	FF-AR-10-198	0	0
24			BMEU	8,995,801	FF-AR-10-060	0	0
25			AO	962,803	FF-AR-10-190	0	0
26			BMEU	101,510,761	FF-AR-10-223	0	0
27			AO 88,772		FF-AR-10-150	0	0
28			BMEU	92,981,250	FF-AR-10-140	0	0
29			BMEU	8,797,698	FF-AR-10-046	0	0
30			AO	106,953	FF-AR-10-120	0	0
31			AO	53,378	FF-AR-10-054	0	0

¹⁹ We included these amounts in the individual reports previously issued.

²⁰ 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.

²¹ This unit complied with all key financial reporting controls evaluated.

²² This unit had deficiencies in four or more of the key control areas.

	Unit Name	Location	Unit Type	FY 2009 Revenue	OIG Report Number	Monetary Impact ¹⁹	Other Impact ¹⁹
32			AO	\$138,020	FF-AR-10-065	\$0	\$0
33			BMEU	9,921,087	FF-AR-10-079	10,376	0
34			AO	145,885,580	FF-AR-10-145	0	0
35			BMEU	132,487,602	FF-AR-10-074	0	0
36			AO	1,019,241	FF-AR-10-083	0	0
37			AO	12,662,205	FF-AR-10-215	0	0
38			BMEU	108,006,748	FF-AR-10-164	0	0
39			BMEU	77,910,506	FF-AR-10-209	2,688	0
40			BMEU/ DMU	87,493,424	FF-AR-1 0-216	0	0
41			AO	228,701	FF-AR-10-158	0	0
42			BMEU	895,466	FF-AR-10-206	0	0
43			AO	16,305,289	FF-AR-10-076	4,161	0
44			BMEU	57,542,130	FF-AR-10-218	0	0
45			BMEU/ DMU	69,873,099	FF-AR-1 0-173	27,910	0
46			AO	939,124	FF-AR-10-021	0	0
47			BMEU	227,259	FF-AR-10-041	0	0
48			AO	79,938	FF-AR-10-154	0	0
49			BMEU	86,260,355	FF-AR-10-069	1,846	0
50			BMEU 12	361,8 34	FF-AR-10-167	0	0
51			BMEU	114,757,884	FF-AR-10-067	0	0
52			BMEU	79,063,987	FF-AR-10-212	0	0
53			BMEU	7,616,644	FF-AR-10-062	0	0
54			BMEU	3,146,918	FF-AR-10-151	0	0
55			BMEU	50,362,542	FF-AR-1 0-201	8,510	0
56			BMEU	95,033,562	FF-AR-10-141	0	0
57			BMEU	20,786,342	FF-AR-10-219	14,009	0
58			AO	507,479	FF-AR-10-152	0	0
59			AO	2,885,305	FF-AR-10-088	0	0
60			BMEU	16,641,401	FF-AR-10-019	0	0
61			AO 785	90 7	FF-AR-10-125	0	174,478
62			BMEU	65,019,084	FF-AR-10-072	0	0
63			BMEU	24,455,304	FF-AR-10-133	0	0
64			AO 198	74 0	FF-AR-10-078	0	0
65			BMEU	27,348,179	FF-AR-10-040	7,663	0
66			BMEU	1,171,302	FF-AR-10-036	10,790	0
67			AO	92,807	FF-AR-10-063	0	0
68			BMEU	2,245,284	FF-AR-10-084	0	23,258
69			BMEU	5,419,856	FF-AR-10-064	1,288	0
70			BMEU	141,695,737	FF-AR-10-097	16,440	0

	Unit Name	Location	Unit Type	FY 2009 Revenue	OIG Report Number	Monetary Impact ¹⁹	Other Impact ¹⁹
71			BMEU	\$3,805,952	FF-AR-10-168	\$4,205	\$0
72			AO 242,41	1	FF-AR-10-197	0	0
73			AO	100,189	FF-AR-10-082	0	0
74			BMEU	1,778,654	FF-AR-10-059	0	0
75			BMEU	46,408,039	FF-AR-10-095	19,208	0
76			BMEU 2,264,02	8	FF-AR-10-007	0	0
77			AO	161,247	FF-AR-10-035	0	0
78			AO	1,010,522	FF-AR-10-178	0	0
79			BMEU	1,884,098	FF-AR-10-166	1,604	0
80			AO	315,095	FF-AR-10-188	0	0
81			BMEU	55,234,229	FF-AR-10-147	0	0
82			BMEU	25,599,345	FF-AR-10-204	0	0
83			AO	56,012	FF-AR-10-080	0	0
84			BMEU	1,118,971	FF-AR-10-195	0	0
85			AO	6,488,112	FF-AR-10-010	0	0
86			BMEU	8,590,593	FF-AR-10-024	0	0
87			BMEU	123,612,425	FF-AR-10-107	0	0
88			BMEU	3,019,365	FF-AR-10-077	0	18,549
89			AO	1,334,338	FF-AR-10-180	0	0
90			BMEU 26,079,5	42	FF-AR-10-053	5,626	0
91			AO	620,206	FF-AR-10-181	0	0
92			BMEU	15,222,416	FF-AR-10-058	0	0
93			BMEU 561,57	4	FF-AR-10-109	0	0
94			BMEU	12,751,737	FF-AR-10-175	0	0
95			AO	66,951	FF-AR-10-018	0	0
96			AO	157,114	FF-AR-10-174	0	0
	Total			\$2,546,155,855		\$148,840	\$336,807

APPENDIX C: KEY CONTROL DEFICIENCIES

Control Deficiencies Reported for FYs 2009-2010

Description of Key Financial Reporting Control Deficiency	FY 2010 Number of Locations with Finding Sample Size = 96	FY 2009 Number of Locations with Finding Sample Size = 96
Mail Acceptance and Verification Procedures		
The unit did not comply with financial reporting controls over monitoring and closing inactive accounts (permit and/or Periodicals accounts; site serves as an additional entry for Periodicals).	37	27
The unit did not verify that the mailer's sections of the permit/business mail postage statement were completed (financial attributes only).	36	53
We observed that unit personnel did not accept and verify mailings at the BMEU and/or DMU according to Postal Service policy.	28	44 BMEUs; 11 DMUs
The unit did not complete the Postal Service sections of the permit/business mail postage statement (financial attributes only).	26	55
Unit management did not review the <i>PostalOne! Override Report</i> on a regular basis to ensure all overrides were appropriate.	20	N/A
The unit did not verify that the publisher/customer's sections of the Periodicals postage statement were completed (financial attributes only).	16	23
The unit did not monitor for missing Periodicals postage statements (frequency breaks) or review mailing frequencies. Specifically, the unit allowed mailings to enter the mailstream without a postage statement.	14	26
The unit did not complete the Postal Service sections of the Periodicals postage statement (financial attributes only).	13	26
The unit did not correctly record required information from the permit/business mail postage statement in <i>PostalOne!</i> .	13	6
The unit did not post data from the permit/business mail postage statement to the mailer's account (<i>PostalOne!</i>) within a reasonable amount of time.	10	17
The unit did not correctly record required information from the Periodicals postage statement in <i>PostalOne!</i> .	8	4
The unit did not attach or sign PS Form 3607, Weighing and Dispatch Certificate, to the permit/business mail postage statement after entering the data to <i>PostalOne!</i> .	7	7

Description of Key Financial Reporting Control Deficiency	FY 2010 Number of Locations with Finding Sample Size = 96	FY 2009 Number of Locations with Finding Sample Size = 96
We observed unit personnel did not accept and process mailings at the BMEU and/or DMU according to Postal Service policy for revenue completeness:		
Check-In	0	N/A
Verification	6	N/A
Final Recording	0	N/A
Placarding/Induction	0	N/A
End-Of-Day Reconciliation	0	N/A
The unit did not verify that supporting documentation such as PS Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts, was provided for requested refunds.	4	N/A
The unit did not confirm that sufficient funds were on account before processing mailings or review the <i>PostalOne! Negative Balances Report</i> on a daily basis as required.	4	N/A
The unit did not post data from the Periodicals postage statement to the mailer's account (<i>PostalOne!</i>) within a reasonable amount of time.	3	11
The unit did not reconcile master trust balances in the ADM with balances maintained by the unit.	3	2
The unit did not post data from the Periodicals postage statement to the mailer's account (<i>PostalOne!</i>). NOTE: These typically are not part of the postage statement sample.	1	2
The unit did not use PS Form 6116, First-Class Metered Mail – Shortpaid Sampling Worksheet, when sampling First-Class™ metered mail.	0	4
The unit did not verify that a mailer used a valid Coding Accuracy Support System or provided adequate documentation for enhanced carrier route rates.	0	3
The unit did not monitor the mailer's account to ensure the annual fee was paid.	0	2
The unit did not post data from permit/business mail postage statements to the mailer's account (<i>PostalOne!</i>). NOTE: These typically are not part of the postage statement sample.	0	2
The unit did not complete PS Form 8125, Plant-Verified Drop Shipment Verification and Clearance.	0	1

APPENDIX D: MANAGEMENT'S COMMENTS

PRITHA MEHRA
VICE PRESIDENT
MAIL ENTRY & PAYMENT TECHNOLOGY



January 13, 2011

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: OIG FY10 Financial Installation Audit Response (Report #FF-AR-11-DRAFT)

In general, Business Mail Acceptance (BMA) has made significant progress in identifying, documenting and training on key controls for verification and acceptance of business mailings in FY10.

In January 2010 BMA rolled out training on key Financial Controls for the proper verification and acceptance of business mail. Job Aides were developed and posted for all aspects of the acceptance process in a BMEU as well as Special Postage Payment SOPs for Detached Mail Units (DMUs).

BMA held weekly webinars on BMA Compliance that focused on results of audits conducted by the Financial Control team. A written compliance advisory was also established that highlighted critical information relating to the acceptance and verification of business mail. These two mediums further demonstrated the importance of proper acceptance processes. In addition as an initiative this fiscal year BMA will be updating their training in the Learning Management System (LMS) to include training for Supervisors; designed to further educate and enhance their knowledge, skillset and adaptability to effectively manage their respective area(s) of operation(s).

We believe significant improvement was made in FY10 as it relates to revenue assurance in mail acceptance. In FY11 our focus is to resume conducting webinars and communicating with Acceptance employees on our acceptance processes and key Financial Controls.

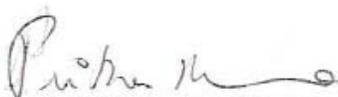
In the report, the PostalOne! outage, which occurred in February 2010, was cited as having considerable impact on the effectiveness of business mail acceptance operations. The outage did impact several of our key controls that rely on PostalOne!. However, a contingency plan was implemented immediately that

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adequately protected revenue and since that time we have refined our contingency plan based on lessons learned in the outage. Also since there has been no further outage we have not been able to test the effectiveness of the refined process.

In closing, as the USPS continues to migrate into an electronic and automated environment, BMA is moving aggressively to automate the acceptance, verification and induction of business mailings. BMA is also constantly striving to improve our processes. The efforts placed on educating acceptance employees in FY10 will transcend this fiscal year.



Pritha Mehra
Vice President, Mail Entry &
Payment Technologies

cc Joseph Corbett
Maura Robinson
Julie S. Moore
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Corporate Audit Response Management