



March 3, 2011

DEBORAH C. ESSLER
DISTRICT MANAGER, NORTHERN NEW ENGLAND DISTRICT

SUBJECT: Audit Report – [REDACTED] VT Post Office
(Report Number FF-AR-11-008)

This report presents the results of our audit of the [REDACTED] Post Office, [REDACTED], VT (Project Number 10BD016FF000). Northern New England (NNE) District and Northeast Area management requested we conduct this audit, which addresses financial risk. Our objective was to determine if the U.S. Postal Service is effectively managing selected financial controls at the [REDACTED] Post Office retail and business mail entry operations. See [Appendix A](#) for additional information about this audit.

The [REDACTED] Post Office reported \$3.9 million of operating revenue for fiscal year (FY) 2010. We conducted this audit in response to a request by the Postal Service related to an online hotline complaint. Specifically, the U.S. Postal Service Office of Inspector General (OIG) received a complaint alleging the [REDACTED], VT Post Office was not properly processing postage due and business reply mail transactions. The complainant alleged that there may be thousands of dollars of funds currently owed to the Postal Service that it has not collected from mailers. The OIG Office of Investigations referred this matter to the district for resolution and action deemed appropriate. The district consulted with area office personnel and requested an audit by the OIG Office of Audit.

Conclusion

The Postal Service did not effectively manage financial operations at the [REDACTED] Post Office. Specifically, we determined the unit did not properly manage financial differences,² advance deposit accounts,³ money order accountabilities, SmartPay[®] transactions,⁴ cash and stamp accountabilities, unit closeout,⁵ and payroll.

¹ We obtained FY 2010 operating revenue for the [REDACTED] Post Office from the Financial Performance Report in the Accounting Data Mart (ADM) for a 12-month period ending September 30, 2010.

² Accounting adjustments related to banking and miscellaneous items.

³ Business Reply Mail (BRM)/ Postage Due (PD)/Merchandise Returns (MR).

⁴ The Postal Service SmartPay Purchase Card Program uses purchase cards under the General Services Administration's SmartPay Program to expedite purchases and provide visibility of local buying activity.

⁵ Refers to the end of day accounting procedure that requires unit personnel to review and file the documents supporting the day's transactions and preparation of the unit's bank deposit.

Our audit did not find that mailers owed funds to the Postal Service; however, the unit did not timely record BRM transactions totaling \$58,552 in FY 2010.

Managing Financial Operations

Management did not effectively implement seven out of 17 financial operations⁶ we examined at the [REDACTED] Post Office. Specifically, the postmaster did not:

- Research and clear financial differences.
- Withdraw funds from the BRM, PD, or MR advance deposit accounts⁷ daily.
- Manage all accountable items.
- Review SmartPay transactions.
- Complete all unit cash reserve counts at the proper frequency and conduct stamp counts according to Point-of-Service (POS) roles designation.
- Properly conduct the unit closeout by verifying that disbursement transactions were supported, reviewing the postage validation imprinter (PVI)⁸ activity report, and ensuring that retail associates (RA) follow bank deposit procedures.
- Complete higher-level duty authorizations.

The [REDACTED] postmaster began her assignment in March 2010 but did not have a financial background. She was not aware of numerous financial management requirements and had received limited financial training since 2007.⁹ Also, the district did not take an active role in monitoring financial operations at the unit. The district finance office provided the post office operations manager (POOM) with the district manager Financial Control Scorecard¹⁰ and relied on the POOM to communicate with the unit when they missed a scorecard target.¹¹ However, neither the POOM nor the District Finance Office provided the necessary oversight to ensure the unit took corrective action to improve low scoring financial controls. We determined that three

⁶ We found errors in the following seven financial operations: (1) financial differences, (2) advance deposit accounts, (3) money order accountabilities, (4) SmartPay transactions, (5) cash and stamp accountabilities, (6) unit closeout, and (7) payroll.

⁷ Customer trust fund accounts which contain advance deposits used to pay for BRM/PD/MR transactions.

⁸ The PVI is a machine used by RAs to print postage which is attached to a mailpiece during a window transaction.

⁹ The training consisted of the postmaster 18 and 20 Local course, which primarily focuses on delivery issues, and the SmartPay Purchase Card Web-Based Training course.

¹⁰ The Northeast Area monitors 15 financial controls for 11 districts through the use of the district manager Financial Control Scorecard.

¹¹ The district manager Financial Control Scorecard presents financial data results in green and red font, with green signifying achievement of the target and red signifying a missed target.

financial operations related to 13 scorecard controls were deficient at the [REDACTED] Post Office.¹²

As a result, the unit did not implement controls designed to detect and prevent erroneous and fraudulent accounting transactions, report all revenue, and provide adequate management over accountable items. Specifically, the unit did not:

- Monitor and resolve 25 financial differences with an absolute value of \$45,153 during the period October 1, 2008, through September 20, 2010. The Postal Service would have recovered \$39,667 in questioned costs if the unit monitored these differences.
- Record revenue transactions valued at \$58,552 daily as of August 31, 2010. The unit processed BRM/PD/MR mail for customers daily but only put the invoices in *PostalOne!* on a weekly or monthly basis as directed by the postmaster. Delays in recording revenue transactions can result in the unit misplacing documents and not recording revenue.
- Record 380 blank money orders to the unit inventory and destroy 100 obsolete money orders as of October 19, 2010. The Postal Service was at risk of having these money orders misappropriated and cashed for up to \$480,000.¹³

See [Appendix B](#) for our detailed analysis of this topic and [Appendix C](#) for the details of monetary and other impacts.

Unit management at the [REDACTED] Post Office took corrective action by addressing several issues during the audit. Specifically, the postmaster destroyed or recorded 480 money orders in the unit inventory, assigned personnel to conduct required daily tasks, and implemented proper unit closeout procedures.

We recommend the district manager, Northern New England District:

1. Direct the postmaster to research and resolve financial differences; review the Postage Validation Imprinter Activity Report for mismatch warnings and make corrections when necessary; complete higher-level duty authorizations; and ensure the SmartPay cardholder and approving official sign, verify, and date credit card statements timely.
2. Direct the post office operations managers and the district finance manager to provide increased oversight of unit financial operations included in the District Manager Financial Control Scorecard.

¹² We found deficiencies with (1) Segmented Inventory Accountability (SIA) Count Compliance - Cumulative percentage by Quarter, (2) Financial Differences - percentage Banking Errors/Deposits, and (3) Financial Differences - Ratio Total Transaction Volume/Units.

¹³ We valued each money order at \$1,000 since that is the largest amount for which someone can cash a money order.

3. Have the district finance manager determine if other postmasters require financial training and provide the training with courses such as those in the Field Finance Toolkit.

Management's Comments

Management agreed with our findings, recommendations, and the \$40,660 of monetary impact. Management stated that the postmaster received training on her responsibilities on November 23, 2010, and conducted a follow-up review on January 28, 2011. Management found that the postmaster researched and resolved financial differences and is maintaining a current log. Management also stated that the postmaster is reviewing the financial report each day, including a review of the PVI Activity Report for mismatch warnings, and is following the proper banking deposit process. Further, management determined that the postmaster is following the proper SmartPay purchase card procedures which ensure the SmartPay cardholder and approving official sign, verify, and date credit card statements timely. Finally, management stated the postmaster immediately implemented the use of PS Form 1723, Assignment Order, for any employee performing higher-level assignments.

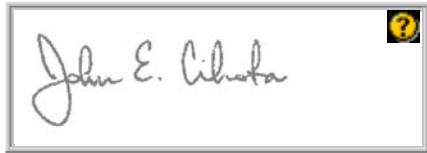
Management stated the district finance manager had provided and will continue to provide oversight of unit financial operations by reviewing the district manager Financial Control Scorecard each month with the NNE District's lead post office operations managers, and will review additional reports to monitor local payments and unit reserve counts. Management stated the district finance manager initiated a review process to compare SmartPay purchases with eBuy requisitions to monitor the SmartPay purchase card financial control. District personnel will continue to use trained postmasters to augment efforts of the Northeast Area remediation group and to provide additional financial control support to district postmasters.

Management stated the NNE District will provide financial training to 300 postmasters, managers, and supervisors. Managers will use this training, scheduled to be completed by September 30, 2011, in the future as part of the remediation plan for managers and supervisors who fail financial controls. Management will also use this training as employees take on new assignments involving financial responsibilities. See [Appendix D](#) 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 Kevin Ellenberger, director, Field Financial – East, or me at 703-248-2100.

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

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: Steven J. Forte
Deborah Giannoni-Jackson
Corporate Audit and Response Management

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

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

The [REDACTED] Post Office, [REDACTED] VT, is in the NNE District of the Northeast Area and reported \$3.9 million of operating revenue for FY 2010. We conducted this audit in response to a request by the Postal Service related to an online hotline complaint. Specifically, the OIG received a complaint alleging that the [REDACTED] VT Post Office was not properly processing postage due and business reply mail transactions. The complainant alleged that there may be thousands of dollars of funds currently owed to the Postal Service that it has not collected from mailers. The OIG Office of Investigations referred this matter to the district for resolution and action deemed appropriate. The district consulted with area office personnel and requested an audit by the OIG Office of Audit.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether the Postal Service is effectively managing selected financial controls at the [REDACTED] Post Office retail and business mail entry operations. To meet this objective we reviewed the following financial operations:

Financial Operations Reviewed	Scope and Methodology
Stamp and Cash Accountability	We conducted a count of the unit cash reserve ¹⁴ on October 19, 2010, and reviewed the accountability examinations of the unit cash reserve for a 12-month period ending August 31, 2010. We also reviewed accountability examinations of the retail floor stock to determine if the unit conducted required counts according to POS roles designations.
Money Order Accountability	During the unit reserve count, we determined whether the POS unit had obsolete money orders and whether blank money order stock maintained by the unit reserve custodian was on the unit inventory.

¹⁴ The cash funds which supplement the needs of the unit.

Financial Operations Reviewed	Scope and Methodology
Master Trust Accounts	This unit maintained records for master trust accounts in <i>PostalOne!</i> . ¹⁵ We compared the \$80,988 balance for customer advance deposit accounts in the general ledger to the master trust balance reported in <i>PostalOne!</i> as of August 31, 2010. ¹⁶ We also determined whether the invoices for accounts were being input daily as required to properly record revenue.
Employee Items	We reviewed unit procedures for tracking and collecting four outstanding employee items as of September 29, 2010.
Financial Differences	We reviewed unit procedures for controlling the 25 transactions in account identifier code (AIC) 247, Financial Differences Overage, and AIC 647, Financial Differences Shortage, with an absolute value of \$45,153, occurring during the period October 1, 2008 through September 20, 2010.
Unit Closeout Procedures	We observed the unit's closeout procedures and preparation of the bank deposit on October 19, 2010.
Payroll	We determined employees recorded in the payroll system as "on-duty" were at the unit on October 19, 2010, and verified employees' higher-level and saved grade assignments for pay period 18, Calendar Year 2010.
Post Office (PO) Boxes and Caller Services	We compared fees and box sizes in the Web Box Activity Tracking System (WebBATS) to unit records and actual box sizes in the PO Box section. We also determined whether customers receiving caller services were included in WebBATS and paying their fees.
Voyager	We reviewed the Voyager card Personal Identification Number list and all eight transactions (\$242) generated for the August FY 2010 reporting period.
SmartPay Transactions	We reviewed the 12 transactions, valued at \$2,115, and certifications for the SmartPay statements for the period October 1, 2009 through August 31, 2010.
Overrides	We obtained the <i>PostalOne! Override Report</i> and determined the [REDACTED] Business Mail Entry Unit (BMEU) had no overrides during the August FY 2010 reporting period. In addition, we determined whether unit management reviewed the report daily to ensure all overrides from the previous day were appropriate.

¹⁵ A suite of services that offers web-based initiatives for business mailers and business mail acceptance employees to transact business reply mail, permit, and other mailings.

¹⁶ This amount includes advance deposit accounts at the postal retail unit and business mail entry unit.

Financial Operations Reviewed	Scope and Methodology
Negative Balances	We obtained the <i>PostalOne! Negative Balances Report for Permit and Periodicals Accounts</i> and determined that customers at the [REDACTED] BMEU did not have any negative balances.
Inactive Accounts and Refunds	We reviewed one inactive permit account to determine whether the unit properly closed the account and refunded the balance according to Postal Service policy. In addition, we determined whether the unit maintained the required documentation to support refunds processed.
Missing Periodicals Postage Statements	We reviewed the <i>PostalOne! Transaction Summary Report for Periodicals</i> for the prior 12-month period ending August 31, 2010, and the Pricing and Classification Service Center's Official Classification Records and Authorization data for Periodicals authorizations to determine whether the unit recorded transactions for all mailings processed.
Postage Statement Processing	We randomly selected 60 of 205 business and 64 Periodicals postage statements for the August FY 2010 reporting period and reviewed them for completeness and timely posting to <i>PostalOne!</i> .
Mail Acceptance Observations	We also observed one clerk at the BMEU accept, verify, and clear four mailings during the week of October 18, 2010.

We conducted this performance audit from September 2010 through March 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 on January 6, 2011, and included their comments where appropriate.

We relied on data obtained from the Postal Service's ADM, *PostalOne!*, and WebBATS and performed specific internal control and transaction tests on these systems' data. We traced recorded financial transactions to and from supporting documentation and assessed the reliability of computerized data by comparing the computer records to source documents. We determined that the data were sufficiently reliable for the purposes of this report. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. Finally, we evaluated whether the unit implemented internal controls over financial reporting and

safeguarding of assets, interviewed supervisor and employees, and observed operations.

PRIOR AUDIT COVERAGE

The OIG has not conducted an audit at the [REDACTED] Post Office in the past 3 years.

APPENDIX B: DETAILED ANALYSIS

Financial Differences

The [REDACTED] Post Office did not effectively monitor and resolve financial differences. Specifically, management did not reconcile 25 out of 100 outstanding financial overages and shortages with correcting entries to AICs 247 and 647. These outstanding entries amounted to a net shortage of \$39,667. The postmaster monitored 75 out of 100 financial differences that were created at the unit; however, she did not realize that differences the St. Louis Accounting Service Center created needed to be researched and resolved. The NNE District includes this financial control on their scorecard but did not provide instruction or guidance to the unit. When units do not comply with financial reporting controls, the Postal Service is at an increased risk of having inaccurate financial statements; and has an increased vulnerability to fraud, unnecessary expenses, and lost revenue. See [Appendix C](#) for the monetary impact.

Master Trust Accounts

The [REDACTED] Post Office did not withdraw funds from customer trust accounts in *PostalOne!* daily.¹⁸ Specifically, the unit did not enter BRM/PD/MR invoices totaling \$58,552 into *PostalOne!* timely during FY 2010. The postmaster erroneously directed unit personnel to record invoice amounts on a daily log and put the revenue into *PostalOne!* on a weekly or monthly basis. She understood this procedure to be correct. Additionally, this financial control is not monitored on the district scorecard. Delays in recording revenue transactions can result in the unit misplacing documents and not recording revenue. See [Appendix C](#) for other impacts.

Accountable Items Management

The [REDACTED] Post Office did not effectively manage accountable items. Specifically, unit management did not record to the unit inventory 380 blank money orders and did not properly dispose of 100 obsolete money orders.¹⁹ During the unit reserve stock count on October 19, 2010, we observed these money orders in the safe but not recorded on inventory records. The postmaster encountered numerous POS system problems which prevented her from including the blank money orders in the RA's accountable inventory. She did not call the Accounting Help Desk²⁰ to resolve these issues because she placed a higher priority on other duties. Further, RAs are not always accessible due to schedule assignments at other offices. Previous unit management secured the obsolete money orders with the unit reserve stock; however, the current postmaster did not receive or seek information from the district on disposal procedures. The postmaster took corrective action during the audit and contacted the

¹⁷ Handbook F-101, *Field Accounting Procedures*, Section 8-6.1, September 2010.

¹⁸ Handbook F-101, Sections 17-5.1 and 17-531.2(c).

¹⁹ Handbook F-101, Section 10-5.1.

²⁰ The Accounting Help Desk in St. Louis, MO, is the single point of contact for accounting-related questions or concerns.

Accounting Help Desk to record the 380 blank money orders to the unit inventory. In addition, she processed the 100 obsolete money orders for proper disposal.²¹

Accountable items management is not a financial control monitored on the district scorecard. See [Appendix C](#) for the other impacts.

SmartPay Purchase Card

The [REDACTED] Post Office did not effectively manage the SmartPay Purchase Card Program. Specifically, unit management did not:

- Ensure that the SmartPay cardholder and the reviewing official sign, verify, and date credit card statements timely.²² As of August 31, 2010 there were seven statements in FY 2010 with transactions valued at \$2,115 that the credit card holder and approving official did not certify.
- Maintain receipts for six of the 12 credit card transactions valued at \$993 out of \$2,115 (47 percent).

In her previous assignments, the postmaster was both the purchase card holder and approving official; consequently, she believed only one signature was required on the bank statements. Additionally, in previous assignments, all purchases were made using a manual system in which there were no supporting documents such as computer-generated receipts. As a result, she believed she was correctly managing SmartPay processes and did not seek nor receive guidance from the district. Further, SmartPay Purchase Card requirements are not a financial control monitored on the district scorecard; however, during the exit conference, area personnel stated that the Postal Service is developing an electronic reconciliation program which will provide additional SmartPay controls. When units do not comply with SmartPay Purchase Card financial reporting controls, the Postal Service is at an increased risk of fraud, unnecessary expenses, and lost revenue. See [Appendix C](#) for the monetary and other impacts.

Stamp and Cash Accountabilities

The [REDACTED] Post Office did not conduct the required accountability examinations. Specifically, unit management did not:

- Conduct 11 of 12 required accountability examinations of unit cash reserve during the period September 2009 through August 2010.²³ The acting customer service supervisor was erroneously omitted as the unit cash reserve custodian in the POS

²¹ The postmaster listed the serial numbers of the money orders on a Postal Service (PS) Form 17, Stamp Requisition/Stamp Return, and is awaiting her assigned date to return the money orders to the Stamp Distribution Office for destruction.

²² Handbook AS-709, *Purchase Card Policies and Procedures for Local Buying*, Section 177, September 2008 (updated with *Postal Bulletin* revisions through June 18, 2009).

²³ Handbook F-101, Section 13-8.1.

system; therefore, she encountered numerous problems attempting to conduct the required counts. Unit management did not seek or receive guidance from the district to make the necessary corrections in the POS System to allow the required counts to be conducted.

- Count the retail floor stock and unit reserve stock concurrently for three out of four required accountability examinations during the period September 1, 2009, to August 31, 2010.²⁴ The postmaster erroneously listed herself with dual POS roles as custodian of the unit reserve as well as the retail floor stock when she began her assignment. She did not realize that by having both POS roles, she was required to count both the unit reserve and retail floor stock concurrently.

When units do not properly conduct accountability examinations, the Postal Service is at an increased risk of undetected fraud at the unit.

Unit Closeout Procedures

The [REDACTED] Post Office did not comply with key financial reporting controls related to performing end-of-day closeout and preparing bank deposits.²⁵ Specifically, unit management did not:

- Verify that 48 of 49 disbursement transactions consisting of expenses and refunds totaling \$439 were supported. Unit management did not conduct a daily review of the supporting documents such as Postal Service (PS) Forms 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. They prioritized other duties and relied on RAs to follow the POS end-of-day review process.
- Resolve postage meter setting mismatch warning. Unit management reviewed the postage amounts for accuracy from the PS Form 1412, Daily Financial Report; however, unit management did not take corrective action to eliminate PVI warnings²⁶ listed on the report.
- Ensure that RAs follow bank deposit procedures. Unit management relied on RAs to prepare and witness the daily bank deposit; however, management did not verify the process.

When units do not properly follow closeout procedures, there is an increased risk of banking errors, financial differences, and undetected fraud at the unit.

²⁴ Handbook F-101, Section 13-4(a).

²⁵ Handbook F-101, Section 5-4.2.

²⁶ These messages alert unit personnel that PVI registers or PVI postage totals are inconsistent.

Payroll

The [REDACTED] Post Office did not effectively manage payroll controls. Specifically, unit management did not complete higher-level duty authorizations²⁷ for 14 of 26 higher-level assignments for the period September 1, 2009, to August 31, 2010.²⁸ Unit management authorized higher-level pay in the Time and Attendance Collection System; however, they misunderstood the requirement to complete a PS Form 1723, for partial day higher-level assignments. When managers do not complete documentation to support higher level assignments, the Postal Service is at an increased risk of overpaying employees.

Financial Management Training and Oversight

The district did not ensure that unit management had sufficient financial training. Consequently, the postmaster was unaware of many financial management requirements. We determined the postmaster began her assignment at the [REDACTED] Post Office in March 2010. Prior to her [REDACTED] postmaster assignment, she held several postmaster positions in the NNE District. We determined through a review of her training records that she did not receive any financial training, other than SmartPay Purchase Card training, since 2007. The postmaster had a delivery background; therefore, she relied on district financial control and support (FCS) resources for guidance in overseeing financial operations. District management stated that there are difficulties addressing financial training since the restructuring of FCS. They rely on web-based training; however, the district has not reviewed postmaster records to determine the extent of their financial operation training.

District management did not provide the unit with the oversight required of all financial operations relative to the district manager Financial Control Scorecard. The scorecard monitors 15 financial controls.

We reviewed financial operations related to 13 of the 15 scorecard items at the [REDACTED] Post Office.²⁹ We identified three financial operation deficiencies comparable to the scorecard and did not identify any errors in the remaining 10.³⁰ The three financial operation deficiencies we noted were:

²⁷ When an employee is temporarily assigned to a higher-level position, the supervisor must complete PS Form 1723, Assignment Order, authorizing a higher level of pay.

²⁸ Handbook F-21, *Time and Attendance*, Exhibit 421.3, (June 2002 updated with revisions through August 2005).

²⁹ We did not review (1) Performance-Based Verifications - Percentage of Verifications Performed and (2) Cash Counts - Percentage of POS RAs Counted.

³⁰ We did not find deficiencies in (1) Postage Statements - Percentage On Time, (2) Non-Active Accounts - *PostalOne!* (3) Negative Balance Accounts - *PostalOne!*, (4) Override Transactions - Number of Statements with Overrides/Total Statements, (5) Excess Stock - Percent Excess Accountability, (6) Retail Floor Stock - Percentage Units Excess Retail Floor Stock, (7) Employee Items- Older than 4 Months POS/eMoves Units, (8) Accounts Receivable - Percentage with Activity, (9) Payment Efficiency Percentage, and (10) Voyager Reconciliation - Percentage of Unreconciled Transactions.

- Financial Differences – Percentage of Banking Errors to Total Days with Banking Activity.
- Financial Differences – Total Number of Unit Transactions.
- SIA Count Compliance – Cumulative Percentage by Quarter.

As discussed previously, unit management at the [REDACTED] Post Office did not monitor and resolve 25 financial differences with an absolute value of \$45,153 during the period October 1, 2008, through September 20, 2010. Regarding SIA count compliance, unit management did not conduct 11 of 12 required accountability examinations of unit cash reserve during the period September 2009 through August 2010. As discussed previously, the acting customer service supervisor was erroneously omitted as the unit cash reserve custodian in the POS system; therefore, she encountered numerous problems attempting to conduct the required counts.

The district did not take an active role in monitoring the financial controls of the unit. Since losing the FCS resource, they have relied on the POOM to communicate with the unit when they miss a scorecard target. The unit was informed of low scoring financial controls but did not know how to address them. Additionally, the district did not follow up with the unit to ensure compliance with these financial controls.

APPENDIX C: MONETARY AND OTHER IMPACTS

Monetary Impacts

Finding Impact	Category	Amount
Unresolved Financial Differences	Recoverable unsupported questioned costs ³¹	\$39,667
Unsupported SmartPay Purchases	Unrecoverable unsupported questioned costs ³²	993
Total		\$40,660

Other Impacts

Finding Impact	Category	Amount
BRM Invoices Not Entered Timely	Revenue at risk ³³	\$58,552
Obsolete Money Orders Not Destroyed	Accountable items at risk ³⁴	100,000
Unrecorded Money Orders	Accountable items at risk	380,000
SmartPay Purchase Card Statements Not Certified	Disbursements at risk ³⁵	1,122
Total		\$539,674

³¹ Recoverable costs that are unnecessary, unreasonable, or an alleged violation of laws or regulations. These costs are also not supported by adequate documentation. The \$39,667 financial differences amount represents only the net shortage transactions.

³² Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation. These costs are also not supported by adequate documentation.

³³ Revenue the Postal Service is at risk of losing (for example, a mailer seeks an alternative solution for services the Postal Service currently provides).

³⁴ Assets or accountable items (for example, cash, stamps, and money orders) at risk of loss because of inadequate internal controls.

³⁵ Disbursements made without following proper Postal Service internal controls and processes.

APPENDIX D: MANAGEMENT'S COMMENTS

NORTHERN NEW ENGLAND DISTRICT



February 22, 2011

MEMORANDUM FOR

Lucine M. Willis
Director, Audit Operations
Office of Inspector General

SUBJECT: Transmittal of Draft Audit Report – [REDACTED] VT Post Office (Report Number FF-AR-11-DRAFT)

Listed below are my responses to the findings of the audit conducted during October 2010 at the [REDACTED] Vermont, Postal Retail Unit (PRU) and Business Mail Entry Unit (BMEU). I concur with the \$40,660 for Unresolved Financial Differences and Unsupported SmartPay Purchases. The 480 money orders with possible cash value \$480,000 were not included in the monetary amount as the Postmaster took immediate action to record the 380 money orders and destroy the 100 obsolete money orders. The stated money orders were found to be securely locked in the safe during the review.

Recommendation #1:

Direct the Postmaster to research and resolve financial differences; review the Postage Validation Imprinter Activity Report for mismatch warnings and make corrections when necessary; complete higher-level duty authorizations; and ensure the SmartPay cardholder and approving official sign, verify, and date credit card statements timely.

Response: Concur

Research and Resolve Financial Differences: [REDACTED] Postmaster of [REDACTED] VT, who has been trained to complete office transfers and assists other Postmasters with financial processes, reviewed the 247/647 financial process with [REDACTED] Vermont Postmaster [REDACTED] on November 23, 2010.

[REDACTED] returned to the [REDACTED] office and completed a financial review on January 28, 2011 and found that Postmaster [REDACTED] has a current log of 247s/647s that was in balance with the Narrowcaster Report.

Review the Postage Validation Imprinter (PVI) Activity Report for Mismatch warnings and Make Corrections When Necessary: [REDACTED] Postmaster of [REDACTED] VT, who has been trained to complete office transfers and assists other Postmasters with financial processes, reviewed the managers responsibilities for reviewing the office's daily financials; review of the daily PS Form 1412 and supporting documentation including the PVI mismatch report, the proper completion of PS Form 3533, and the proper banking deposit process with [REDACTED] Vermont Postmaster [REDACTED] on November 23, 2010.

[REDACTED] returned to the [REDACTED] office and completed a financial review on January 28, 2011 and found that Postmaster [REDACTED] is reviewing the daily financials each day and following the proper bank deposit process.

Complete Higher-Level Duty Authorizations: [REDACTED] Postmaster [REDACTED] immediately implemented the use of PS Form 1723, Assignment Order, for any employee performing higher-level assignment.

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Ensure the SmartPay Cardholder and Approving Official Sign, Verify, and Date Credit Card Statements Timely: [REDACTED] Postmaster of [REDACTED] VT, who has been trained to complete office transfers and assists other Postmasters with financial processes, reviewed the SmartPay2 Credit Card Cardholder and Approving Official process with [REDACTED] Vermont Postmaster [REDACTED] on November 23, 2010. The process reviews covered the proper purchasing hierarchy, how to pull eBuy2 reports, proper supporting documentation for the SmartPay2 monthly statement review, and proper dating and signing of the SmartPay2 monthly statements.

[REDACTED] returned to the [REDACTED] office and completed a financial review on January 28, 2011 and found that Postmaster [REDACTED] had implemented the month review of the SmartPay2 Credit Card Statements; however was missing the purchasing log. Since the review of January 28, 2011, Postmaster [REDACTED] has implemented the purchasing log.

Recommendation #2:

Direct the Post Office Operations Managers (POOMs) and the District Finance Manager to provide increased oversight of unit financial operations included in the District Manager Financial Control Scorecard.

Response: Concur

The Northern New England (NNE) District Finance Manager prior to the [REDACTED] audit had provided and will continue to provide oversight of unit financial operations by reviewing the District Manager Financial Control Scorecard each month with the NNE Lead POOMs. Other reports reviewed and continue to be reviewed; and action taken by the District Finance Manager to correcting financial processes with the field includes local payments, APC Counts, and Unit Reserve Counts.

Financial accountability for SmartPay2 Credit Card is not found on the District Manager Financial Control Scorecard due to the fact that this information is not conducive to the report. The District Finance Manager has initiated a review of SmartPay2 Credit Card Purchases to eBuy2 requisitions for this key financial process.

In 2009, 100% of the financial support positions were abolished at the District level. The Postmasters in the three states were provided proper financial training prior to that restructure and the District Finance Manager continues to assess risk based on compliance data through available systems. The Finance Manager continues to coordinate with Post Office Operations Managers and the Northeast Area. Post Office Operations Managers utilize trained Postmasters to augment efforts of the NEA remediation group and provide additional financial support to NNE Postmasters.

Recommendation #3:

Have the District Finance Manager determine if other Postmasters require financial training and provide the training with courses such as those in the Field Finance Toolkit.

Response: Concur

The Northern New England District will provide financial training via the Northeast Area Field Financial/SOX Compliance Training sessions to 300 Postmasters, Managers, and Supervisor at seven different sites located in Maine, New Hampshire, and Vermont beginning on March 1, 2011 and ending on April 26, 2011. The topics that will be covered include *Employee Items, Financial Differences AIC 247/647, Stamp Stock Management/Accountable Paper, Unit 1412 Closeout, and SOX Compliance for Field EAS.*

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The Northeast Area Field Financial/SOX Compliance Training sessions will be delivered to the remaining Northern New England District Postmasters by the end of FY 2011. This training is not considered a one time saturation training and will be used in the future as part of the Remediation Plan for Managers and Supervisors who fail financial controls. We will also use this training as employees take on new assignments involving financial responsibilities.

Please feel free to contact Nicki French, Finance Manager of the Northern New England District, at 207-482-7230 with any questions or concerns.

Deborah C. Essler

Deborah C. Essler
District Manager, Customer Service and Sales

cc: Jamie Gallagher, USPS Corporate Audit and Response Management
Elizabeth Doell, Northeast Area Finance Manager
Dan Pierce, Northeast Area Accounting Manager
John Cantwell, Lead POOM (A)
Andy Vaillancourt, Lead POOM (A)
Nicki French, Northern New England Finance Manager