



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Use of Data Within Finance and
Planning's Field Budget Process**

Audit Report

September 20, 2012

Report Number FF-AR-12-005



BACKGROUND:

In January 2011, the U.S. Postal Service announced an agency-wide restructuring effort that resulted in closing the Southeast Area Office. The restructuring required the budget and account balances of the Southeast Area administrative office to be closed and reassigned to other active Postal Service area administrative offices.

The audit objective was to determine whether the Postal Service Finance and Planning Department effectively used available data to monitor the field budget, revenue, and expenses during the closing of the Southeast Area.

WHAT THE OIG FOUND:

The Postal Service's Finance and Planning Department did not effectively use available data to monitor the field budget, revenue, and expense variances occurring after the closing of the Southeast Area office. The Postal Service closed the Southeast Area in February 2011; however, it did not move all the Southeast Area's administrative office's financial data to an active Postal Service area through July 2012.

Finance and Planning used financial report data to prepare weekly and monthly reports for all areas but did not call attention to the inappropriately reported Southeast Area budget and revenue and expense transactions. Further, the Postal Service did not have

procedures in place that adequately detailed the required tasks or a timeline to manage the transition.

Because financial accounts were not moved to another Postal Service area, as appropriate, the budget was not eliminated or reassigned, and about \$15 million in revenue and expenses continued to accumulate in Southeast Area accounts after the area closed. Although we did not identify any specific instances, incorrect business decisions and performance evaluations may result if they are based on inaccurate or incomplete data. For example, management may renew transportation contracts unnecessarily or for additional costs because of insufficient data. Further, with optimization anticipated to continue, without a revised budget that reflects anticipated savings from closing offices, the Postal Service is at risk of not realizing those savings.

WHAT THE OIG RECOMMENDED:

We recommended using financial data to inform senior management and other responsible parties of issues requiring resolution and elevate those issues until resolved. Also, we recommended establishing clear policies and procedures for managing financial data when closing an administrative office and designating one functional group to oversee the process.

[Link to review the entire report](#)



September 20, 2012

MEMORANDUM FOR: CYNTHIA SANCHEZ-HERNANDEZ
ACTING VICE PRESIDENT, FINANCE AND PLANNING

TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". A small yellow question mark icon is located in the top right corner of the box.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

SUBJECT: Audit Report – Use of Data Within Finance and Planning's
Field Budget Process (Report Number FF-AR-12-005)

This report presents the results of our audit of the Use of Data Within Finance and Planning's Field Budget Process (Project Number 12BG018FF000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachments

cc: Stephen J. Masse
Anthony E. Mazzei
Jack L. Meyer
James W. Kiser
Pamela C. Curtis
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	1
Monitoring the Southeast Area Budget After the Area Closed	2
Southeast Area Budget Was Not Eliminated or Reassigned After Office Closure	3
Revenue and Expenses Continued to Accumulate in the Closed Southeast Area	4
Postal Service Policies for Closing an Area Office	7
Recommendations	8
Management's Comments	8
Evaluation of Management's Comments	9
Appendix A: Additional Information	10
Background	10
Objective, Scope, and Methodology	11
Prior Audit Coverage	12
Appendix B: Other Impacts	14
Appendix C: Management's Comments	15

Introduction

This report presents the results of our audit of the use of data within Finance and Planning's field budget process (Project Number 12BG018FF000). Our objective was to determine whether the U.S. Postal Service Finance and Planning Department effectively used available data to monitor the field budget, revenue, and expenses during the closing of Southeast Area. This self-initiated audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

In January 2011, the Postal Service announced an agency-wide restructuring and redesign effort that resulted in closing the Southeast Area office. The restructuring required the budget and account balances of the Southeast Area administrative office to be closed out and reassigned to other Postal Service area administrative offices.¹ The restructuring required using Finance Number Assignment (F-8) processes² to reassign the finance numbers³ of affected post offices and other operating entities to the new administrative area within the Finance Number Control Master system.⁴ In addition to properly reassigning finance accounts, the Postal Service had to transfer funds, assets, commitments, contractual obligations, and budgets. The Field Budget Department within Finance and Planning is responsible for developing and allocating the overall area offices' budget and monitoring the actual revenue and expenses and identifying variances against the area offices' budget.

Properly establishing budgets and accurately reporting revenue and expenses are critical because management uses this data for cross-functional reporting, data mining, business performance analysis, and operating cost controls.

Conclusion

The Postal Service's Finance and Planning Department did not effectively use data available in financial reports to monitor the field budget and report revenue and expense variances occurring after the Southeast Area administrative office was closed. The Postal Service closed the Southeast Area Office in February 2011; however, through July 2012, it had not reassigned Southeast Area administrative financial accounts to an active Postal Service area.⁵ Further, the Postal Service did not have procedures in

¹ Currently the Postal Service field office structure includes seven area offices and 67 district offices. The Southeast Area functions were realigned to report to the Southern, Eastern, and Capital Metro areas.

² The F-8 process, a Sarbanes-Oxley control, documents the steps involved in requesting, approving, and making attribute changes or additions to the Finance Number Control Master system.

³ All post offices and operating entities are assigned finance numbers for internal control. Finance numbers are 6-digit or 10-digit unit finance number codes that correlate accounting data with the related Post Office location, headquarters/management organization, or designated projects.

⁴ The Finance Number Control Master system was designed to maintain the integrity of finance numbers used by several computer applications for financial clients. It provides a central point of control for the maintenance of finance numbers, hierarchies, and associated attributes, as well as unit information.

⁵ Handbook F-8, *General Classifications of Accounts and Finance Numbers*, page 8, June 2009, updated with *Postal Bulletin* revisions through September 24, 2009.

place that adequately detailed the required tasks or a timeline to manage the transition. Because accounts for the closed Southeast Area administrative office were not moved to the gaining area, the budget was not eliminated or reassigned, and about \$15 million in revenue and expenses continued to accumulate in the Southeast Area financial accounts after it closed in February 2011. Although we are not aware of any such instances, incorrect business decisions and performance evaluations may result if they are based on inaccurate or incomplete data. For example, management may renew transportation contracts unnecessarily or for additional costs because of insufficient data. The trend of streamlining the field office structure could continue. Without a revised budget, adjusted to reflect anticipated savings from closing offices, the Postal Service is at risk of not realizing those savings.

Monitoring the Southeast Area Budget After the Area Closed

The Postal Service's Finance and Planning Department did not effectively use financial data to monitor the field budget and report revenue and expense variances for the closed Southeast Area. Postal Service guidance⁶ required the Postal Service to move the closing Southeast Area accounts to an active Postal Service area. However, the guidance did not have clear instructions detailing the timeline by functional area – what needs to be done, by whom, and in what order. In addition, several Postal Service organizations attempted to reassign or discontinue Southeast Area accounts, but the actions were rejected because of ongoing financial activity in the accounts. The Postal Service did not designate anyone to oversee the process and no one followed through to ensure the Southeast Area's account was either moved to the gaining area or discontinued. Although the Southeast Area Office was closed in February 2011, when we reviewed the available financial report data from March 2011 through July 2012, we noted:

- The Southeast Area revenue and expense budget remained in place for each month through the end of fiscal year (FY) 2011. There was no budget established for the Southeast Area for FY 2012.
- The Postal Service reported about \$15 million in revenue and expenses for the closed Southeast Area through July 2012. Revenue and expenses continue to accumulate in the closed area.

The Field Budget Department used financial report data⁷ to prepare weekly and monthly summary reports by area. However, they stated they reported financial information for the closed Southeast Area as part of a national total, not attributed to a gaining area. The Southeast Area accounts were not properly reported under a gaining area, and Field Budget did not call proper attention to the inappropriately reported budget, revenue, and expense transactions. Further, Field Budget saw no value in eliminating

⁶ Handbook F-8.

⁷ Financial reports include the financial performance report in the Enterprise Data Warehouse (EDW), which shows items such as current period and year-to-date actual, plan, and same period last year revenue and expenses. It segregates activities by category such as revenue, salary and benefits, and supplies and services.

the budget for the closed Southeast Area Office for FY 2011. Although we did not identify any specific instances, without a revised budget, the Postal Service loses an effective control over revenue and expenditures and, if not adjusted to reflect anticipated savings from closing the area, the Postal Service is at risk of not realizing those savings.

The Finance and Planning Department indicated that the restructuring was a joint effort and several functional areas had a role in the Southeast Area closing. While Finance and Planning is not solely responsible for reassigning the Southeast Area Office's budget, revenue, and expense transactions, they had a weekly opportunity to bring the issue to light in meetings with the chief operating officer (COO) and others. If they had acted on the information available in the financial reports, corrective action could have been taken earlier in the process. Consequently, about \$15 million in revenue and expenses continued to accumulate in the Southeast Area financial accounts after it closed in February 2011. These transactions were not included in the financial reports of any of the three gaining Postal Service areas. Business decisions and performance evaluations based on inaccurate or incomplete performance data may be incorrect.

[Southeast Area Budget Was Not Eliminated or Reassigned After Office Closure](#)

Businesses use budgets to control expenditures and monitor revenue, and to establish a benchmark to evaluate performance. The January 2011 Postal Service restructuring was designed to streamline operations and reduce expenses associated with elimination of the Southeast Area. The Field Budget Department issued budget transmittal letters⁸ in March and June 2011 to authorize adjustments for portions of the Southeast Area budget. The authorized adjustments related to the transfer of two network distribution centers (NDC)⁹ and some highway transportation contracts to the three gaining Postal Service areas. This reduced the budget by about \$1 million each month, but left about two-thirds of the budget intact.

From March through September 2011, \$18.5 million remained in the Southeast Area's budget. This amount should have been eliminated or reassigned to the three gaining Postal Service areas. The Field Budget manager indicated that Human Resources (HR) decided not to reassign or discontinue the Southeast Area Office due to a reduction-in-force (RIF) associated with closing the area. Keeping the finance number active enabled HR to identify impacted employees and ensure compliance with special RIF procedures, such as non-competitive reassignments and restricted bidding. However, HR personnel stated the only concern they expressed was keeping the finance number active until the RIF date of September 9, 2011.

⁸ Field Budget periodically issues budget transmittal letters as authorization for Postal Service areas to make budget transfers, increases, or decreases. These adjustments ensure management can fairly assess an area's performance after a newly implemented program or other organizational change.

⁹ A highly mechanized and automated mail processing facility formerly designated as a bulk mail center. NDCs handle the distribution of Standard Mail[®], Periodicals, and Package Service pieces locally and to the network. They also provide surface transfer and dispatch operations for outgoing and incoming Priority Mail[®], First-Class Mail[®], Periodicals, and Standard Mail[®] pieces.

There were 117 employees at the Southeast Area Office before it was closed. By the RIF date, almost all of these employees found other positions within the Postal Service, or retired. Only one employee remained on the rolls. [REDACTED]

[REDACTED] Since there were no districts remaining in the Southeast Area, there was nothing to administer; therefore, there was no need for a budget. If the employees worked in temporary detail assignments or on the transition to new Postal Service areas, the budget and expenses related to those employees should have been transferred either to the gaining areas or to a headquarters functional area responsible for the closing.

Without a revised budget, the Postal Service loses an effective control over expenditures and is at risk of not realizing planned savings. Further, business decisions based on inaccurate or incomplete performance data may be incorrect.

Revenue and Expenses Continued to Accumulate in the Closed Southeast Area

Although the Postal Service properly assigned the financial accounts of all former Southeast Area districts and their reporting units to their respective gaining Postal Service areas in March 2011, Southeast Area administrative accounts were not reassigned. We identified about \$15 million in revenue and expenses that continued to accumulate for the closed Southeast Area through July 2012. Table 1 summarizes revenue and expenses that continued to accumulate after the Southeast Area closed.

Table 1. Revenue and Expenses Accumulated After Closing

Financial Performance Report Line	March – September 2011	October 2011 – July 2012	Total
Total All Revenue	\$1,065,925	\$1,545,433	\$2,611,358
Total All Expense	8,859,766	3,526,304	12,386,070
Total			\$14,997,428

Source: *Financial Performance Report* query in the EDW.¹⁰

Postal Service policy¹¹ requires the closing of any finance number that is no longer needed in service due to restructuring. The Postal Service has a finance number advisory committee¹² that reviews and approves changes, including discontinuing of the financial accounts due to a Postal Service area closure. Postal Service organizations attempted to reassign or close the Southeast Area accounts four times, but the requests were rejected:

¹⁰ Provides customers a single point of access to corporate data, organized at an enterprise level, to facilitate both cross-functional reporting and data mining/business analysis services.

¹¹ Handbook F-8.

¹² The finance number advisory committee consists of personnel from various headquarter functions and the accounting service centers.

- In March 2011 immediately after the restructuring, Revenue and Field Accounting¹³ wanted to reassign Southeast Area accounts to the Southern Area but Finance Business Solutions directed them to delay the action until after the September 9, 2011, RIF date because of concerns about how HR would identify impacted employees.
- In November 2011 and in March 2012, Organizational Effectiveness¹⁴ submitted a request to close the Southeast Area accounts and transfer the financial history to the Southern Area. The committee rejected the request because there was ongoing financial activity, including contractual commitments and assigned vehicles.
- At the end of March 2012, the manager, Accounting Data Mart, submitted another request to reassign Southeast Area accounts to the Southern Area. The committee denied the request because not all of the transportation contracts were resolved and there were actual expenses being reported in the finance accounts.

The finance number advisory committee rejected requests to close Southeast Area financial accounts because of unresolved items such as assets and contracts that needed to be reassigned and actual expenses still being reported. For example:

- Southeast Area Office building – Postal Service Headquarters groups still occupy part of the building in Memphis, TN along with some other government agencies. Therefore, the building, rental income, and related costs, such as depreciation and utility expenses, that were being charged to the Southeast Area could have been transferred to Postal Service Headquarters.
- Transportation expenses – Some highway transportation contracts written by the Southeast Area involved multiple districts (Inter-Sectional Center Facility¹⁵). The three gaining Postal Service areas did not agree on where these expenses should be recorded.
- Travel expenses – Some former Southeast Area employees did not change their personal profiles in eTravel¹⁶ and were still assigning expenses to the Southeast Area.

Although several Postal Service functional areas attempted to reassign or discontinue the Southeast Area financial accounts, no one followed through with the process. Similar issues were reported each time the process was initiated, but no corrective was taken and the process stalled.

¹³ Formerly Field and International Accounting.

¹⁴ Organizational Effectiveness is part of the Postal Service Human Resources department. It works with business stakeholders to identify and bring to the Postal Service's cutting-edge employee classification, development, and management processes.

¹⁵ A postal facility that serves as the processing and distribution center for post offices in a designated geographic area as defined by the 1st 3 digits of the ZIP Codes of those offices. Some serve more than one 3-digit ZIP Code range.

¹⁶ eTravel is the online application Postal Service employees use to create work travel expense reports.

We visited budget managers and staff at all three gaining Postal Service areas (Southern, Eastern, and Capital Metro) and discussed why revenue and expenses continued to be reported for the Southeast Area Office after it had been closed. Eastern and Capital Metro Area budget managers both stated they took on revenue, expenses, and an appropriate portion of the Southeast Area budget for their reassigned districts. Both managers thought that anything remaining for the Southeast Area belonged to Southern Area. However, the Southern Area budget manager thought that some of the expenses belonged to the other gaining areas or to headquarters. Several key Southern and Southeast area managers who understood the initial issues retired during or shortly after the restructuring. Further, there was no centralized oversight to step in and resolve the uncertainty surrounding the reassignment of assets, contracts, revenue, and expenses. As a result, transactions continued to accumulate at the closed Southeast Area Office through July 2012.

If the Postal Service discontinued the Southeast Area financial accounts immediately after the restructuring, any expenses posted to those accounts would have caused an error in the reporting system and forced a resolution of the issues. Even if this action was delayed until after the effective RIF date of September 9, 2011, the 7 prior months were available to resolve the issues that repeatedly prevented closure.

As previously indicated, policy required the Postal Service to reassign Southeast Area accounts to an active Postal Service area. However, current policy does not have clear procedures detailing the timeline by functional area of what needs to be done, by whom, and in what order. Furthermore, there were many groups involved in the restructuring, and no centralized oversight is identified in the procedures to coordinate the efforts. Because the Postal Service did not properly reassign the closed Southeast Area accounts, about \$15 million in revenue and expenses continued to accumulate in the Southeast Area after it closed. These transactions were not included in the financial reports of any gaining Postal Service area. Although we are not aware of any such instances, incorrect business decisions and performance evaluations may result if they are based on inaccurate or incomplete data. For example, management may renew transportation contracts unnecessarily or for additional costs because of insufficient data. We consider \$2.6 million in revenue and \$12.4 million in expenses accumulated from March 2011 through July 2012 as an other impact (data integrity). See [Appendix B](#) for information on the other impacts.

In a meeting on June 7, 2012, we discussed corrective actions in process with the Southern Area budget staff. To resolve the issues preventing discontinuance of the Southeast Area financial accounts, the staff reported they were:

- Working with the Facility group to transfer the former Southeast Area office building to Postal Service Headquarters.
- Working with Supply Management to have transportation contract issues resolved.

- Conducting research and preparing journal entries to transfer FY 2012 financial transactions, such as rental income and personnel expenses, to the appropriate accounts.

The Southern Area provided an estimated completion date of no later than September 30, 2012. Because these corrective actions are in process, we do not plan to make any recommendations to the Southern Area.

Postal Service Policies for Closing an Area Office

During our audit, area budget managers stated the current procedures for closing an administrative office were not complete. We identified the procedures for closing an area office in Handbook F-8. There were only two steps:

- Area offices that are closing will be realigned to another area office.
- Any finance numbers under the closing area must be realigned to a gaining district in the gaining area.

It is usually up to the gaining Postal Service area to determine what needs to be done. All three area budget managers thought that a complete guide or written procedures for closing administrative offices would prevent issues such as those experienced following the Southeast Area closing. Such a guide could detail the reassignment or discontinuance tasks required by each functional area and provide a timeline for completion.

During a meeting with Finance and Planning, Accounting, and Operations managers from Postal Service Headquarters, we discussed the insufficient guidance relating to the closing of an area office. Management acknowledged that having instructions or procedures might have helped in the process of closing the Southeast Area. However, they believed area consolidations did not occur on a regular basis and did not see a need for establishing procedures.

In recent years, the Postal Service has initiated several consolidations intended to reduce costs and streamline its field office structure. From FYs 2002 to 2011, the Postal Service closed four area offices and 18 district offices and centralized Accounting, HR, and other services. Although Postal Service management considered the impact from closing this area immaterial, the trend of streamlining the field office structure could continue.

Because current procedures for closing a Postal Service area were not complete and there was no centralized oversight, the risks associated with inadequate controls could result in financial losses to the Postal Service. Furthermore, management uses this data for business performance analysis, operating cost control, cross-functional reporting, and data mining. Reliance on inaccurate or inadequate financial data could lead to faulty assumptions and conclusions.

Recommendations

We recommend the acting vice president, Finance and Planning:

1. Use financial data to inform senior management and other responsible parties of financial issues requiring resolution and elevate those issues until they are resolved.

We recommend the acting vice president, Finance and Planning, in coordination with the vice president, controller:

2. Establish clear and understandable policies and procedures for managing financial data when closing Postal Service area administrative offices. Policies should clearly identify roles, responsibilities, and timelines and consider designating one functional group to oversee the administration of the process and arbitrate differences.

Management's Comments

Management agreed with both the recommendations, indicating all management within the Finance and Planning Department will elevate and track the vast majority of issues they encounter to resolution. In addition, the vice president, controller, and vice president, Finance and Planning, will work with the COO to provide detailed instructions regarding the closure of an area office. This information will be shared with the U.S. Postal Service Office of Inspector General (OIG) but will not be published until immediately after the announcement of the next area office closing. The target completion date is January 15, 2013.

Management agreed with our finding that the Postal Service did not have procedures in place that adequately detailed the required task or a timeline to manage the transition of financial data. Management partially agreed that the Postal Service's Finance and Planning Department did not effectively use available data to monitor the field budget, revenue and expenses variances after the closing of the Southeast Area Office. Management stated this implied that they did not monitor the overall \$55 billion in total field expenses as opposed to the \$15 million in revenue and expenses at the Southeast Area Office. Furthermore, management stated they called attention to the issue, but agreed they did not follow through to a final resolution.

Management agreed that because financial accounts were not moved, about \$15 million in revenue and expenses continued to accumulate in the Southeast Area accounts after the area closed. Also, while management generally agreed with the issues in the report, they provided comments clarifying statements in the report. See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 2, and corrective actions should resolve the issues identified in the report. In addition, we considered management's comments to statements in the report and revised the report as necessary to clarify.

We agree data were available for the Southeast Area from various sources; however, the report indicated summary reports prepared by Field Budget, and posted to the Field Budget website, did not report the revenue and expenses for the Southeast Area as a separate line item. Our review objective specifically stated that we would determine whether the Postal Service Finance and Planning Department effectively used available data to monitor the field budget, revenue, and expenses related to the closing of the Southeast Area. We did not include a review of Finance and Planning's use of data to monitor the overall field budget and, therefore, did not imply that Finance and Planning did not effectively use data to monitor the overall field expenses. In addition, in several meetings, Finance and Planning's management told us they had weekly meetings with the COO and others. However, they never brought the Southeast Area issue to light in meetings because management believed other groups might have reported the issue to the COO. As stated in the report, if management had acted on the information available in the financial reports, corrective action relating to the closed Southeast Area Office issues may have occurred earlier in the process.

Appendix A: Additional Information

Background

Field Budget reports to the vice president, Finance and Planning, and chief financial officer. In addition to developing and allocating the overall area offices' budget, the Field Budget Department monitors revenue and expense performance against the budget and prepares reports using data gathered from EDW queries and other sources. These reports are posted on the Field Budget website or provided to the COO and other executive staff for subjects such as: revenue and expense variances, trends, cluster and area rankings, overtime, and complement. The department also meets with the COO and staff weekly to report on and discuss budget items of concern.

Businesses use budgets to control expenditures and monitor revenue. By comparing expenditures to a corresponding budget, businesses can prevent overspending or recognize underspending that might jeopardize a program's effectiveness. It is generally understood when budgets are developed that changes will be required by the end of the budget period.

In the Postal Service, area offices usually request field budget adjustments, but adjustments can also be initiated as a result of implementing a headquarter program. The Field Budget Department issues budget transmittal letters authorizing budget adjustments. Budget transmittal letters spell out the Postal Service areas involved and how much the budget should be adjusted.

In January 2011, the Postal Service announced an agency-wide restructuring and redesign effort that included closing the Southeast Area Office. The Southeast Area Office, based in Memphis, TN was closed to help streamline Postal Service operations. In March 2011, all Southeast Area district administrative offices, post offices, plants, and motor vehicle service financial accounts were reassigned under the new Southern Area, with two exceptions: the Tennessee District moved to the Eastern Area and the Atlanta District moved to the Capital Metro Area.

Restructuring required all financial accounts from the closing area be reassigned to an active Postal Service area or discontinued. Historical data for any discontinued accounts must be mapped to an active area's accounts, which requires submission of an F-8 processing form. The Postal Service uses the F-8 process to make changes to finance number data in the Postal Service's Finance Number Control Master system. The area designated to receive the closing area's accounts usually requests the changes.

Before submitting a discontinuance request, the following conditions must be met:

- No active employees are assigned to the closed office.
- No assets are attached to the closed office.
- There can be no active or pending charges to the closed office, including purchase orders, open contracts, or expenses.

A finance number advisory committee reviews all finance number discontinuance requests for compliance with the above conditions. Committee membership consists of personnel from various headquarter functions and the accounting service centers. When a non-compliance is identified, the process is halted and a report is provided to the requestor. When the requestor resolves all issues and the report is clear, the Eagan, MN Accounting Service Center processes the change in the Finance Number Control Master system. Data entered in the Finance Number Control Master system feed into EDW.

Discontinued accounts require transfers of funds, assets, commitments, and contractual obligations. Additionally, all of the financial history must transfer to the gaining entity. For example, in the Postal Service's 2011 restructuring, Southern, Eastern, and Capital Metro areas were the gaining entities.

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service's Finance and Planning effectively used available data to monitor field budget, revenue, and expenses during the closing of the Southeast Area. To accomplish our objective, we:

- Interviewed Postal Service Headquarters and area office managers to obtain information on the budget, expenditures, fund allocation, budget adjustments, and monitoring processes.
- Executed EDW queries and analyzed Financial Performance Report data for FYs 2011 and 2012 (October 2010 through July 2012). This data included field budget plan, actual, and year-to-date revenue and expenses for Postal Service areas, and adjustments.
- Determined what data/information the Field Budget Department uses to monitor the field budget. In addition, determined whether the data/information used by the Field Budget Department are sufficient and useful.
- Interviewed Southern, Eastern, and Capital Metro area finance managers to determine why revenue and expenses continue to be reported to the closed Southeast Area Office.

- Discussed procedures to close the Southeast Area Office with headquarters groups, Field Budget, Accounting, HR, and Operations, as well as Southern, Eastern, and Capital Metro area management; and compared current practices with the Postal Service procedures.
- Discussed the impact on the National Performance Assessment¹⁷ system of the Postal Service not including the expenses charged to Southeast Area in any remaining Postal Service areas' scores.

We conducted this performance audit from January through September 2012 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 August 20, 2012, and included their comments where appropriate.

To conduct this review, we relied on computer-processed data maintained by Postal Service operational systems. We did not test the validity of controls over these systems; however, we verified the accuracy of the data by confirming our analysis and results with Postal Service managers and other postal data sources. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Chief Information Officer's Budget Data</i>	IT-AR-11-007	8/25/2011	None
<p>Report Results: The review of the chief information officer's budget and actual expense data for FYs 2010 and 2011 revealed 40 inappropriately assigned reporting units and incorrect aggregations of data under the current financial hierarchy maintained in the Finance Number Control Master system. Management agreed to assess the current process to carry out reorganization and redesign activities; however, they disagreed that enhanced validation procedures and controls were necessary. The report identified \$14 million of other impact.</p>			

¹⁷ A system of scorecards used to monitor the performance of the Postal Service and its individual units across the nation. The National Performance Assessment system supports the Postal Service's Pay for Performance program and Performance Evaluation System.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Field Offices' Role in Cost-Reduction and Revenue-Generation Efforts</i>	GAO-12-506	4/25/2012	None
<p>Report Results: This report discussed (1) the role of area and district employees in implementing the Postal Service's cost-savings and revenue-generation efforts, and (2) the Postal Service's actions to consolidate its field office structure in 2011 and the impact of this consolidation. The Government Accountability Office did not make recommendations in this report.</p>			

Appendix B: Other Impacts

Recommendation	Impact Category	Amount
2	Data Integrity ¹⁸	\$14,997,428

¹⁸ Data used to support management decisions that are not fully supported or completely accurate. This can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.

Appendix C: Management's Comments



September 10, 2012

LUCINE M. WILLIS, DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Use of Data Within Finance and Planning's Field Budget Process (Report Number FF-AR-12-DRAFT)

Thank you for the opportunity to provide comments on this draft audit report.

The objective of this audit was to determine whether the Postal Service Finance and Planning department effectively used available data to monitor the field budget, revenue, and expenses during the closing of the Southeast Area.

Management is in agreement with both recommendations. In addition, we agree with the finding that the Postal Service did not have procedures in place that adequately detailed the required tasks or a timeline to manage the transition of financial data. We also agree that because financial accounts were not moved, about \$15 million in revenue and expenses continued to accumulate in the Southeast Area accounts after the area closed.

However, we are in partial agreement with the finding that the Postal Service's Finance and Planning department did not effectively use available data to monitor the field budget, revenue and expense variances after the closing of the Southeast Area office. As written, this implies that we did not monitor the overall \$55 billion in total field expenses as opposed to just the \$15 million in revenue and expenses at the Southeast Area office. We did not adequately monitor the expenses in the Southeast Area office, but that in no way impacted the monitoring of the overall total field performance. We are also in partial agreement with the finding that Finance and Planning did not call attention to the inappropriately reported Southeast Area budget, revenue and expenses. Finance and Planning did call attention to this issue, but did not follow through to a final resolution.

In addition, there are several items throughout the report that require clarification. The Highlights section states that we did not move the Southeast Area's administrative office's financial data to an active Postal Service area, however, that is only partially true, as portions of the data were transferred, as described in the report. The Introduction, as well as page nine, incorrectly states that the Field Budget department is responsible for developing, allocating, and monitoring the budgets for the area offices. We develop, allocate, and monitor the budgets for the Areas as a whole, but not for the area offices specifically. The budgets for the plants, post offices, and area offices are done by the Area Controllers. On page two, it says that we reported financial information for the closed Southeast Area as part of a national total, which is partly correct. Certain reports were handled that way, but other reports such as Flash, Financial Performance Report, and National Work hour Reporting System, continued to show the Southeast Area data individually. In all cases, the expenses were accounted for. Also on page two, it says that Field Budget saw no value in eliminating the budget for a closed area. This statement was provided in reference to FY 2011 because actual expenses were still hitting that finance number. We did not allocate a plan for FY 2012.

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-2-

Management agrees that the \$2.6 million in revenue and \$12.4 in expenses should not have accrued in the Southeast Area Office finance number. Although these were captured in the overall Postal Service financials, they were not in the appropriate finance numbers.

Recommendation 1:

We recommend the vice president, Finance and Planning: Use financial data to inform senior management and other responsible parties of financial issues requiring resolution and elevate those issues until they are resolved.

Management Response / Action Plan:

Management agrees with this recommendation. The vast majority of issues that the Finance and Planning group encounters are elevated and tracked to resolution.

Target Implementation Date:

Immediately / ongoing.

Responsible Official:

All management within the Finance and Planning function will be responsible for raising these issues and seeing them through to resolution or elevating to a higher level. The vice president, Finance and Planning is ultimately responsible if issues need to be raised to the highest level.

Recommendation 2:

We recommend the vice president, Finance and Planning, in conjunction with the vice president, Controller: Establish clear and understandable policies and procedures for managing financial data when closing Postal Service area administrative offices. Policies should clearly identify roles, responsibilities, and timelines; and consider designating one functional group to oversee the administration of the process and arbitrate differences.

Management Response / Action Plan:

Management agrees with this recommendation. The vice president, Controller and vice president, Finance and Planning will work with Chief Operating Officer to provide detailed instructions regarding the closure of an Area office. This information will be shared with the OIG, but will not be published until immediately after the announcement of the next Area Office closing.

Target Implementation Date:

The information will be shared with the OIG by January 15, 2013. This will allow for the major workload period within Finance.

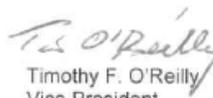
Responsible Official:

Jack Meyer, Manager, Corporate Accounting will be the responsible official and coordinate with the other parties.

This report and management's responses do not contain information that may be exempt from disclosure under the FOIA.



Cynthia Sanchez-Hernandez
Acting Vice President
Finance and Planning



Timothy F. O'Reilly
Vice President
Controller