



January 24, 2011

STEVEN R. PHELPS
MANAGER, SOX MANAGEMENT CONTROLS AND INTEGRATION

SUBJECT: Interim Management Advisory – Fiscal Year 2011 Financial Testing
Compliance Oversight Reviews – Stockton Processing and Distribution
Center Plant Verified Drop Shipment Site – Stockton, CA
(Report Number FF-MA-11-006)

This report presents interim results for the U.S. Postal Service Office of Inspector General's (OIG) fiscal year (FY) 2011 review of the U.S. Postal Service Financial Testing Compliance (FTC) Group's performance and conclusions at the Plant Verified Drop Shipment (PVDS) Site, Stockton, CA (Project Number 11BR002FF001), performed December 1, 2010. The Stockton Processing and Distribution Center (P&DC) is in the Sacramento District of the Pacific Area. At the conclusion of FY 2011, we will summarize the results for all reviews in reports to Postal Service Headquarters.

To comply with Section 404 Sarbanes-Oxley (SOX) Act of 2002 requirements, the Postal Service must report on the effectiveness of the agency's internal controls to ensure accurate financial reporting. It must submit an annual assessment to the Postal Regulatory Commission (PRC), which monitors and manages the Postal Service's compliance with SOX. The Postal Service established the Financial Control and Support group to oversee the work of the FTC, which conducts tests of key financial reporting controls. Senior Postal Service leaders use the results to identify and correct internal control deficiencies and report the overall results to the PRC. We conducted this oversight review in support of the independent accounting firm's reliance on Postal Service management's testing, and overall audit opinions on the Postal Service's financial statements and internal controls over financial reporting.

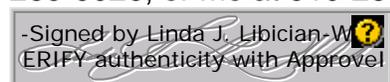
The overall objective of our review was to evaluate whether FTC analysts properly conducted and documented their examination of SOX financial reporting controls.

To perform this work, we observed FTC analysts conduct tests and reviewed their supporting documentation. We performed this review from November 2010 through January 2011 in accordance with the *Quality Standards for Investigations*.¹

Conclusion

Based on our review of FTC work, we determined the FTC properly conducted and documented their examination of key SOX financial reporting controls. See [Appendix A](#) for the results of our review.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Carla Tate, manager, at 510-285-9026, or me at 510-285-9024.

-Signed by Linda J. Libician-Welch
VERIFY authenticity with Approvel

Linda J. Libician-Welch
Director, Field Financial – West

Attachments

cc: Douglas G. Germer
Corporate Audit and Response Management

¹ These standards were last promulgated by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) in January 2005. Since then, [The Inspector General Act of 1978 as amended by the IG Reform Act of 2008](#) created the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which combined the PCIE and ECIE. To date, the Quality Standards for Investigations have not been amended to reflect adoption by the CIGIE and, as a result, still reference the PCIE and ECIE.

APPENDIX A: REVIEW RESULTS

Site Name	Stockton P&DC
Finance Number-Unit ID	575260000
Location Type	PVDS Site
Scope Period Under Review	October 1 - November 30, 2010
FTC Review Program Version and Date	SOX Key Controls for PVDS Destinating, November 24, 2010
FTC Team	West

FTC Review Step/Control #	FTC Review Step Description	Did FTC have exceptions/ findings in this step? (Yes/No)	Did the OIG have exceptions/ findings that FTC did not? (Yes/No)	Did FTC perform the step in accordance to its program? (Yes/No)	Did FTC adequately document its work performed and the results? (Yes/No)	Did the OIG agree with FTC's exceptions/ findings (or no exceptions/ findings)? (Yes/No)
FTC Review Step #29001/Control #104CA70	Confirm that receiving personnel are verifying the accuracy and completeness of PS Forms 8125 and 8017.	No	No	Yes	Yes	Yes