



January 31, 2011

STEVEN R. PHELPS
MANAGER, SOX MANAGEMENT CONTROLS AND INTEGRATION

SUBJECT: Interim Management Advisory – Fiscal Year 2011 Financial Testing
Compliance Oversight Reviews – Santa Ana Processing and Distribution
Center Business Mail Entry Unit – Santa Ana, CA
(Report Number FF-MA-11-014)

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 testing at the Santa Ana Processing and Distribution Center (P&DC) business mail entry unit (BMEU), Santa Ana, CA (Project Number 11BR004FF010), performed December 13 and 14, 2010. The Santa Ana P&DC is in the Santa Ana District of the Pacific Area. At the conclusion of FY 2011, we will summarize the results for all reviews in a report 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 which monitors and manages the Postal Service's compliance with SOX. The Postal Service established the FTC to conduct tests of key financial reporting controls.

We conducted this oversight review in support of the independent public accountant's (IPA) reliance on Postal Service management's testing and overall audit opinions on the financial statements and internal controls over financial reporting. The IPA relies on the Postal Service's internal control testing to support the overall audit opinions.

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 December 2010 through January 2011 in accordance with the *Quality Standards for Investigations*.¹

¹ These standards were last issued 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.

Conclusion

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

The interim FTC oversight review advisories will be issued to the SOX manager in final format. At the conclusion of the fiscal year, the OIG will summarize the results of all its FTC oversight reviews and include recommendations, if applicable, in a report to Postal Service Headquarters management. Management agreed not to respond to the interim reports but will have the opportunity to formally respond to the draft summary report.

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

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

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

Attachments

cc: Douglas G. Germer
Corporate Audit and Response Management

APPENDIX A: REVIEW RESULTS

Site Name	Santa Ana Processing and Distribution Center
Unit Cost Center Code	0569360100
Location Type	BMEU
Scope Period Under Review	October 1 – December 11, 2010
FTC Review Program Version and Date	November 24, 2010
FTC Team	West

FTC Review Step#/Control#	FTC Review Step Description	Did the FTC have exceptions/ findings in this step? (Yes/No)	Did the OIG have exceptions/ findings that FTC did not? (Yes/No)	Did the FTC perform the step in accordance to its program? (Yes/No)	Did the FTC adequately document its work performed and the results? (Yes/No)	Did the OIG agree with the FTC's exceptions/ findings (or no exceptions/ findings)? (Yes/No)
450001/104CA63	Mail Check-In/Receipt	No	No	Yes	Yes	Yes
450002/104CA2	Mail Verification	Yes	No	Yes	Yes	Yes
450003/104CA65	Placarding/Induction	No	No	Yes	Yes	Yes
450004/104CA66	End-of-Day Reconciliation	No	No	Yes	Yes	Yes
450005/104CA06	SOX Certification	No	No	Yes	Yes	Yes
450006/104CA1	Finalizing Postage Statements	No	No	Yes	Yes	Yes