



February 1, 2011

STEVEN R. PHELPS
MANAGER, SOX MANAGEMENT CONTROLS AND INTEGRATION

SUBJECT: Interim Management Advisory – Fiscal Year 2011 Financial Testing
Compliance Business Mail Entry Unit Oversight Reviews –Richmond, VA
(Report Number FF-MA-11-015)

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 Richmond Business Mail Entry Unit (BMEU), Richmond, VA (Project Number 11BR004FF003), performed November 30, 2010. The Richmond BMEU is in the Richmond District of the Capital Metro 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, which monitors and manages the Postal Service's compliance with SOX. The Postal Service established the FTC Group 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 November 2010 through February 2011 in accordance with the *Quality Standards for Inspections*.¹ We discussed

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 Inspections have not been amended to reflect adoption by the CIGIE and, as a result, still reference the PCIE and ECIE.

our observations and conclusions with management officials on January 18, 2011, and included their comments where appropriate.

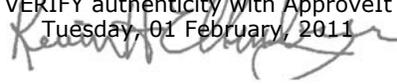
Conclusion

An FTC analyst did not properly conduct their examination of key SOX financial reporting controls. Specifically, [REDACTED]

[REDACTED] When FTC analysts do not properly conduct their reviews, the Postal Service's independent external auditor cannot rely on their test results. 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 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 Timothy Cole, acting audit manager, at 724-584-5642, or me at 724-584-5630.

E-Signed by Kevin Ellenberger 
VERIFY authenticity with ApproveIt
Tuesday, 01 February, 2011


Kevin Ellenberger
Director, Field Financial – East

Attachments

cc: Douglas G. Germer
Corporate Audit and Response Management

² SOX Key Controls for Business Mail Review, step 450004, November 24, 2010.

APPENDIX A: REVIEW RESULTS

Site Name	Richmond BMEU
Finance Number-Unit ID	517650-0169
Location Type	BMEU
Scope Period Under Review	October 1, 2010 – November 29, 2010
FTC Review Program Version and Date	November, 24, 2010
FTC Team	East

FTC Review Step/Control #	FTC Review Step/ 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)
450001/104CA63 & 104CA163	Check-In Process	No	No	Yes	Yes	Yes
450002/104CA2	Verification of Funds on Deposit	No No		Yes	Yes	Yes
450003/104CA65	Use of PS Form 3607-P, Clearance Document	No No		Yes	Yes	Yes
450004/104CA66 Re	conciliation Process	No	Yes	No	Yes	No
450005/104CA06 SOX	Certification	No	No	Yes	Yes	Yes
450006/104CA1 Postage	Statement Completion	No No		Yes	Yes	Yes