



February 4, 2011

STEVEN R. PHELPS  
MANAGER, SOX MANAGEMENT CONTROLS AND INTEGRATION

SUBJECT: Interim Management Advisory – Fiscal Year 2011 Financial Testing  
Compliance Plant Verified Drop Shipment Oversight Reviews – Mid-Island  
Processing and Distribution Center, Melville, NY  
(Report Number FF-MA-11-020)

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 of Plant Verified Drop Shipment (PVDS) testing at the Mid-Island Processing and Distribution Center, Melville, NY (Project Number 11BR002FF002), performed December 12, 2010. The Mid-Island Processing and Distribution Center (P&DC) is in the Long Island District of the Northeast Area. At the conclusion of FY 2011, we will summarize the results for all interim 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.

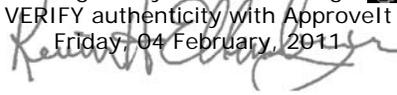
The overall objective of our review was to evaluate whether FTC analysts properly conducted and documented their examination of SOX financial reporting controls. To perform this work, we observed FTC analysts conduct tests and reviewed their supporting documentation. We performed this review from December 2010 through February 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*.

## Conclusion

Based on our review of FTC's work, FTC 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 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 Guy Sergi, manager, at 781-904-8414, or me at 724-584-5630.

E-Signed by Kevin Ellenberger   
VERIFY authenticity with ApprovedIt  
Friday, 04 February, 2011  


Kevin H. Ellenberger  
Director, Field Financial – East

Attachment

cc: Douglas G. Germer  
Corporate Audit and Response Management

**APPENDIX A: REVIEW RESULTS**

Site Name	Mid-Island P&DC
Finance Number-Unit ID	355311
Location Type	PVDS
Scope Period Under Review	12/2/2010
FTC Review Program Version and Date	FTC PVDS Final 11/24/10
FTC Team	East

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 site results*? (Yes/No)
Workstep 29001/104CA70	Confirm that receiving personnel are verifying the accuracy and completeness of PS Forms 8125 and 8017	No	No	Yes	Yes	yes

\*Based on our review of FTC's documentation posted to the Blue Share on January 26, 2011.