



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

**District Practices Affecting
Financial Risk**

Management Advisory Report

July 11, 2011

Report Number FF-MA-11-116



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

HIGHLIGHTS

July 11, 2011

District Practices Affecting Financial Risk

FF-MA-11-116

IMPACT ON:

District practices affecting financial accountability and risk.

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether opportunities exist to share district best practices related to the management of financial operations, and thus, reduce financial risk U.S. Postal Service-wide.

WHAT THE OIG FOUND:

Postal Service districts that consistently ranked as low risk in the U. S. Postal Service Office of Inspector General Cost and Control Risk Model continuously monitored financial accountability performance. The district finance managers used a 'hands-on-approach' to manage financial activity in their districts. Some districts routinely monitored detailed financial data to identify compliance issues. Other districts used different approaches and indicators to measure financial risk. One district also required personnel with financial responsibilities to complete financial related training programs. We believe implementing similar practices throughout the Postal Service financial community will promote accountability and reduce financial risk.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service develop a standardized process requiring unit managers to certify completion of key financial reporting controls; continuously monitor unit financial performance by routinely reviewing financial data; require unit staff with financial responsibilities to complete financial training; and further develop a forum to continuously identify, share, and implement best practices .

WHAT MANAGEMENT SAID:

Management agreed with the recommendations to monitor financial performance and train those with financial responsibilities; however, it did not agree fully with recommendations to develop standardized processes to ensure financial responsibilities are completed and to develop a forum to share best practices. Management currently has an automated certification process and has a number of forums for identifying and sharing best practices. Management's continued emphasis of sharing best practices and plans to centralize performance indicators in a database should result in a standardized process for monitoring and tracking financial performance.

[Link to review the entire report](#)



July 11, 2011

MEMORANDUM FOR: TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

A rectangular box containing a handwritten signature in black ink that reads "John E. Cihota". There is a small yellow icon in the top right corner of the box.

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

SUBJECT: Management Advisory - District Practices Affecting Financial
Risk (Report Number FF-MA-11-116)

This report presents the results of our review of district practices affecting financial risk (Project Number 11BG004FF000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact William Rickett, acting director, Field Financial – Central, or me at 703-248-2100.

Attachments

cc: Joseph Corbett
Deborah Giannoni-Jackson
Corporate Audit and Response Management

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Introduction

This report presents the results of our review of district practices affecting financial risk (Project Number 11BG004FF000). The objective of our review was to determine whether opportunities exist to share district best practices related to management of financial operations between districts and, thus, reduce financial risk Postal Service-wide. This review was self-initiated and addresses financial risk. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service Office of Inspector General (OIG) developed the Performance and Results Information System (PARIS) Cost and Control Risk Model (CCRM), which ranks the Postal Service's districts with respect to 12 financial risk indicators. We used the risk model to judgmentally select three high-risk and two low-risk districts to identify and compare financial practices. In the past, the OIG targeted high-risk districts and designed reviews that focused on the financial areas causing districts to be considered high risk. Conversely, we designed this review using the risk model to identify opportunities to employ best practices between districts.

Conclusion

Postal Service districts that consistently ranked as low-risk in the OIG's CCRM continuously monitored financial accountability performance. The district finance managers used a 'hands-on-approach' to managing financial activity in their districts. Some districts routinely obtained and monitored detailed financial data related to local and non-local purchases,¹ refunds, unit accountability, clerk and office cash, employee items, master trust, SmartPay[®],² eBuy,³ Voyager Fleet,⁴ and eTravel⁵ to identify compliance issues and communicate performance results with staff. Other districts monitored these areas as well but used different approaches and indicators, such as a checklist to manage financial activity or a scorecard to monitor financial performance related to Sarbanes-Oxley Act of 2002 (SOX) requirements within the district. One district also required personnel with financial responsibilities to complete finance-related training programs. We believe implementing similar practices throughout the Postal Service financial community will promote accountability and reduce financial risk.

¹ Purchases made for supplies and services using cash or no-fee money orders. Non-local purchases include all expenses for local units (such as cleaning and utilities) paid centrally through the San Mateo Accounting Service Center.

² The Postal Service SmartPay Purchase Card Program uses purchase cards under the General Services Administration's SmartPay Program to expedite purchases and provide visibility of local buying activity.

³ eBuy is an electronic commerce portal that provides the Postal Service's employees with electronic requisitioning, approval, and invoice certification capability.

⁴ The Voyager Fleet program manages all commercially purchased fuel and routine maintenance expenses for Postal Service vehicles.

⁵ eTravel is the Postal Service's online travel reimbursement system.

Monitoring of Financial Performance

District finance managers who actively monitored financial performance reduced financial risk within their districts. Of the five districts we reviewed, we found that managers in the three low-risk districts used various tools to monitor financial performance, while managers in the two high-risk districts did not.

Specifically, in one of the three low-risk districts, the finance manager used a checklist and a certification process to help manage financial activity. The checklist⁶ addressed unit financial controls such as bank deposits, stamp accountability, employee items, cash accountability, and master trust reconciliations; and required units to complete financial responsibilities monthly. The checklist also included links to applicable policies and procedures related to these controls. In addition, the district finance manager required postal retail unit managers to certify that they completed all financial activities for the monthly reporting period via online surveys. By using a compliance report, this finance manager tracked units' activity for completing the certification. Management monitored those units that did not complete the certification and used trend data to assess year-end performance. The results were available online to all unit managers as a means of promoting transparency and accountability. Although the checklist is available on each area's website, units are not required to use it. See [Appendix B](#) for an example of the checklist and [Appendix C](#) for the certification survey.

In a second low-risk district, the finance manager used the national SOX scorecard⁷ to identify risk and monitor financial performance by focusing on key financial controls such as cash and stamp management,⁸ Voyager reconciliations, and closeout procedures at postal retail units. Specifically, the manager used the monthly SOX scorecard as a tool to better identify risks and monitor financial performance within the district. This manager provided guidance and training to unit personnel when risk and compliance issues were identified.

Finally, in a third low-risk district, the finance manager, in conjunction with area field financial specialists, actively monitored field unit compliance and financial performance. Specifically, these specialists used data obtained from the Accounting Data Mart (ADM)⁹ system to review monthly transaction details, such as unit accountability, clerk and office cash, employee items, and master trust. The specialists communicated directly with units not in compliance and provided guidance and instructions for required corrective action. If the unit was not responsive, the issue was elevated to the district finance manager who ensured the unit took appropriate corrective action by the end of the month. This continuous interaction and communication kept unit managers

⁶ This checklist was more comprehensive than the checklist used as part of the Postal Service's SOX compliance program to ensure key financial controls were established and effective.

⁷ The national SOX scorecard is used to monitor the organization's performance on SOX key controls.

⁸ For the unit and any related automated postal center.

⁹ ADM is the repository for all accounting and finance related data for the Postal Service and is a part of the Enterprise Data Warehouse (EDW). EDW is a collection of data from many sources that is stored in a single place for reporting and analysis.

accountable and apprised of their monthly financial performance. These three districts routinely ranked as low risk on the CCRM.

In contrast, managers in the two high-risk districts did not routinely track and monitor financial performance. One district finance manager provided limited oversight related to unit accountabilities and relied on a field financial specialist who only monitored employee items. The other district finance manager also did not personally monitor financial performance activities but relied on area field specialists, the district budgeting manager, and unit personnel to monitor financial performance. The district finance manager did not interact directly with the units. These two districts routinely ranked as high risk on the CCRM.

Over the past 2 years, the OIG has issued 10 reports focusing on districts that routinely ranked as high-risk on the CCRM. For each of these audits, we determined the district did not effectively monitor unit financial activities. For example, in one district, managers did not conduct, witness, and properly document accountability examinations at the proper frequencies, causing excessive retail floor stock in some units. In another, district, one unit maintained a master trust account that had been inactive for 3 years. This occurred because of insufficient managerial oversight of financial operations at the units. Based on the results of these reviews, we believe districts that use tools such as checklists, certification systems, and scorecards to monitor financial activity improve accountability, reduce financial risk, and enhance financial performance. In addition, as indicated in prior reports, we believe management could expand and enhance the effectiveness of the monitoring program to include documenting corrective actions taken when high-risk offices are identified. The district management's involvement is a key compensating control that is critical in the overall environment to reinforcing the importance of compliance with financial controls.

Finance-Related Training

All five district finance managers indicated that succession planning tools¹⁰ such as training and detail assignments were in place, but not all managers required employees to participate in the training programs offered. Specifically, three¹¹ of the five managers, though aware of available training used to educate and develop employees, did not take an active role to provide training to improve financial controls. However, one manager, in a low-risk district, consistently worked with a team of employees by providing training and conducting monthly meetings to discuss financial and SOX-related issues. This team, in turn, assisted other units to improve financial accountability. Another manager in a low-risk district required all unit managers and staff with financial responsibilities to complete the SOX training courses offered on the area's website as a means to improve financial performance. The courses included bank deposit preparation, closeout

¹⁰ Succession planning is a process for identifying and developing a pool of qualified employees for future leadership positions.

¹¹ Although one of these districts consistently ranked as low risk, the finance manager did not provide training related to financial controls.

procedures, SmartPay reconciliation, cash/stamp counts, refunds, and Voyager reconciliation. These courses are designed to reinforce awareness of financial accountability and to ensure sustainability for SOX compliance. The primary focus is on key financial controls that would help prepare a unit for official SOX testing. Because these courses are web-based, employees can complete them at their own pace.

In addition, the Postal Service developed the 'Field Finance Toolkit' training courses to help employees understand and perform their required financial duties and responsibilities. Completion of these courses is voluntary, and employees can take the courses as self-study or with a facilitator. The training courses take about 3-6 hours to complete and cover:

- Customer Trust.
- Daily Financial Reporting Basics.
- Employee Items.
- Field Unit Purchasing and Payment Processes.
- Financial Accountability Overview.
- Financial Differences.
- Financial Security.
- No-Fee Money Orders.
- Stamp Stock Management.
- Timekeeping.
- Unit 1412 Closeout.

We noted internal control and compliance issues in 9 of the 10 prior reports focusing on high-risk districts. For example, we found that employees did not record Business Reply Mail (BRM)/Postage Due withdrawals in the point-of-service system. In another example, employees did not record BRM revenue for more than 5 years. This occurred because employees were unaware of and did not receive sufficient training on financial reporting requirements. As a result, we recommended districts use finance-related training such as this toolkit to further enhance financial performance and compliance throughout the Postal Service. In addition, we recommended districts provide continuous financial training to managers in units with internal control deficiencies. The districts agreed with these recommendations. We believe required participation in subject specific training would further enhance financial performance and compliance throughout the Postal Service.

Recommendations

We recommend the vice president, Controller, in conjunction with area vice presidents, direct district finance managers to:

1. Develop a standardized process that requires unit managers to certify completion of key financial reporting and other controls deemed applicable to a particular unit's

financial accountability and a tracking mechanism documenting the corrective action taken for units that are not in compliance.

2. Continuously monitor financial performance by routinely reviewing financial data, identifying compliance issues, and communicating results; and require units to take corrective action for deficiencies.
3. Require unit staff with financial responsibilities to successfully complete training that would further enhance financial performance and compliance. Also, districts should provide continuous financial training to managers in units with internal control deficiencies.

We recommend the vice president, Controller, in conjunction with area vice presidents:

4. Further develop a forum to continuously identify, share, and implement best practices among districts; and require districts and units to use tools similar to those listed in this report which result in exemplary financial performance.

Management's Comments

Management agreed with recommendations 2 and 3. For recommendation 2, management stated financial performance is routinely monitored at the district and area levels. In addition, headquarters, area, and district management deployed and reviewed two national monitoring tools that have historically been effective in improving field financial indicators. By quarter 1, fiscal year (FY) 2012, all indicators will be centralized in a database similar to one developed by the Western Area. For recommendation 3, management is developing an integrated program consisting of eight financial training modules for retail personnel. These modules will be developed by quarter 1, FY 2012, and monitoring for the completion of the training will begin thereafter.

Management disagreed with recommendation 1 and stated Point-of-Sale terminals currently provide an automated certification process as part of the nightly closeout procedures and does not want to introduce another manual process. Further, management disagreed with recommendation 4 and stated a number of forums for identifying and sharing best practices already exists. However, management agreed with the observation that more actively managed units tend to have better performance. Therefore, the Revenue and Field Accounting group will continue to emphasize the need for and the importance of sharing best practices and using existing tools effectively. Subsequent to receipt of management's comments, management informed us the discussion with area accounting managers will be completed by December 31, 2011. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. In response to recommendations 1 and 4, management's continued emphasis of sharing best practices and plans to centralize performance indicators in a database should result in a standardized process for monitoring and tracking financial performance, ultimately leading to improved financial control compliance.

Appendix A: Additional Information

Background

Postal retail units are the initial level where the Postal Service recognizes revenue from operations. The term includes main offices, stations, branches, and other retail entities. Postmasters or installation heads are responsible for collecting all receipts for which the offices are entitled, accounting for all funds entrusted to them, and ensuring the offices meet all accounting objectives.

The OIG developed the PARIS CCRM as a prototype model to assess financial performance of Postal Service districts. The model ranks Postal Service districts with respect to 12 financial risk indicators. The indicators include revenue (income), local purchases, refunds, miscellaneous expenses, non-local purchases, clerk cash management, office cash management, employee-related items, customer account management, retail stamp stock, overall unit stamp stock management, and contract postal unit management. We provide the model's results to the Board of Governors and Postal Service executives on a quarterly basis.

Objective, Scope, and Methodology

Our objective was to determine whether opportunities exist to identify and share best practices related to management of financial operations between districts and, thus, reduce financial risk Postal Service-wide. We used the CCRM to judgmentally select five districts based on their consistent CCRM rank during the June, July, and August FY 2010 reporting periods to identify and compare financial monitoring. We selected the Lakeland, Central Plains, Arkansas, Nevada-Sierra, and Philadelphia Metropolitan districts.

We met with district finance managers and discussed their oversight approaches for managing unit expenses, refunds, clerk and office cash, employee items, master trust reconciliation, retail and unit stamp stock, and contract station operations. In addition, we discussed leadership and financial training programs and incentives used to improve financial controls.

We conducted this review from October 2010 through July 2011 in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on May 11, 2011, and included their comments where appropriate.

We relied on data obtained from the Postal Service's ADM and used it to rank districts according to the risk indicators developed for the CCRM. We did not test the reliability of computerized data for this review, because we did not use transaction data; however, in previous audits conducted on high-risk districts (as indicated in the "Prior Audit

Coverage” section), we traced recorded financial transactions to and from supporting documentation and assessed the reliability of computerized data by verifying computer records to source documents. Thus, we determined existing data were sufficient for the purposes of this management advisory.

Prior Audit Coverage

The following reports listed internal control and compliance issues related to various financial risk indicators identified by the CCRM. Specifically, our audits found internal controls were not in place and effective for cash and stamp accountability, local disbursements, financial differences, SmartPay® transactions, unit closeout, and payroll. We determined these compliance issues occurred because the Postal Service did not effectively manage financial operations, provide sufficient managerial oversight, or promote training opportunities to units experiencing financial performance issues. Management generally agreed with our findings and recommendations and implemented corrective action.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Post Office</i>	FF-AR-11-008	3/3/2011	\$40,660
<i>San Francisco District Risk-Based Post Office Audit</i>	FF-AR-11-003	12/13/2010	\$8,870
<i>Capital District Financial Risk Audit</i>	FF-AR-10-075	1/19/2010	\$20,434
<i>Greater South Carolina District Financial Risk Audit</i>	FF-AR-10-049	12/16/2009	\$0
<i>Gateway District Financial Accountability Risk Audit</i>	FF-AR-10-047	12/15/2009	\$171,000
<i>Fiscal Year 2009 Los Angeles District Financial Risk</i>	FF-AR-10-028	12/3/2009	\$250,151
<i>New York Metro Area Financial Accountability Risk</i>	FF-AR-10-013	11/13/2009	\$114,515
<i>Philadelphia District Post Office Financial Risk Audit</i>	FF-AR-09-223	9/25/2009	\$945,487
<i>Fiscal Year 2009 Phoenix Financial Risk Audit</i>	FF-AR-09-200	7/24/2009	\$166,094
<i>Baltimore District Financial Risk Audit</i>	FF-AR-09-123	3/20/2009	\$179,124

Appendix B: Example of the Checklist

FINANCIAL CONTROL REQUIREMENTS

November 2010

The financial controls below **MUST** be completed and reported by **November 20th** using the following **NEW** link:
<http://western1.fws.usps.gov/sites/centralplains/finance/default.aspx>

<input type="checkbox"/>	<p>All Non PostalOne! Offices that have a Customer Trust Fund Balance are required to complete the Survey at the link below. Offices should enter the Customer trust balances as of October 30th, 2010. Again PostalOne! Offices or Offices that do not have a Customer Trust Balance on October 30th, 2010 should not complete the survey. The Survey will close on November 10th.</p> <p style="text-align: center;">(Western Area Customer Trust Survey)</p> <p>Please note data for many of the Financial Controls listed below can be found in the Office Snapshot under Reports on the:</p> <p style="text-align: center;">Western Area Accounting Webpage</p> <p style="text-align: center;"><i>If the preceding link does not take you to the page, you may type Westernama/Fin in the address line of Internet explorer and select Office Snapshot.</i></p>
All offices must...	
<input type="checkbox"/>	Confirm the Total Unit Accountability is not exceeding the unit's authorized limit (compared to SPLY) . (Data available on the Western Area Accounting Webpage Office Snapshot)
<input type="checkbox"/>	Research, document, and resolve when possible ALL outstanding Unit financial differences. (AIC 247 & AIC 647) shown on the Office Financial Snapshot and document all entries on a log (mandatory use of the Western Area Accounting Webpage 247/647 log under Reports).
<input type="checkbox"/>	Confirm banking procedures are in place to eliminate discrepancies, and that the unit is following the procedures for deposits of less than \$100.
<input type="checkbox"/>	Confirm Customer Trust Account balances (AIC 053 & AIC 070) equal the ADM reported balances at COB on the last day of the previous month. Accounting>Shared Reports>SAFR>Trust and Suspense>Master Trust Customer .
<input type="checkbox"/>	Resolve ALL outstanding employee items greater than 60 days. (cash shortages, stamp shortages, payroll advances, travel advances).
<input type="checkbox"/>	Reconcile Voyager receipts online, print, sign, and retain the account summary (<i>Invoice report</i>). Direct all Voyager questions to: Schumacher, Robert K - Omaha, NE
<input type="checkbox"/>	Reconcile Smartnav credit card statements by the 18th of the month.
<input type="checkbox"/>	Monitor and document ALL authorized higher level, and loaned hours using a PS Form 1723. (Link to F21 Higher Level Duty Hours) (Link to F21 Loaned hours)
<input type="checkbox"/>	Document and authorize ALL leave using a PS Form 3971. (Link to F21 Leave Hours)
<input type="checkbox"/>	Audit ALL unit cash reserves by the 20 th of the month.
<input type="checkbox"/>	Audit ALL stamp stock assignments if it is assigned to a Non-EAS or Non-PMR employee (Stamp drawers, Rural Carrier consignments, mobile units, Philatelic Centers). (March, July, November)
<input type="checkbox"/>	Audit the Unit Reserve Stamp Stock if it is assigned to a Non-EAS or Non-PMR employee. (March, July, November)
<input type="checkbox"/>	Cancel ALL inactive Cash assignments. 1. Audit the assignment and post the audit results. 2. Transfer all existing cash to another RA . 3. Return unsold money orders to the Unit Reserve. 4. Remove the RA's roles in POS.
In Addition POS offices must...	
<input type="checkbox"/>	Confirm the Retail Floor Stock level is at or below the unit's authorized limit (compared to SPLY). (Stock levels are available on the Western Area Accounting Webpage in the Office Snapshot under Reports)
<input type="checkbox"/>	Audit ALL cash retained assignments including both Retail Associate (RA) and Unit Cash Reserves by the 20 th of the month. (Link to Western Area cash count policy)
<input type="checkbox"/>	Confirm ALL cash retained assignments are not exceeding the overnight limit of \$100.99.
<input type="checkbox"/>	Confirm POS roles have no more than 3 Administrators and 4 Supervisors. Direct all POS ONE Roles questions to: Hallerman, Suzanne R - Omaha, NE (Data available on the Western Area Accounting Webpage Office Snapshot)
Offices responsible for a CPO or CPU must...	
<input type="checkbox"/>	Confirm the TOTAL stamp stock is not exceeding. (Data available on the Western Area Accounting Webpage)
<input type="checkbox"/>	1. The authorized bond amount. (If a postage meter is present; the meter's descending balance + the TOTAL stamp stock can not exceed the bond amount). The Placard on the Western Area Accounting Webpage now includes Bond amounts.
<input type="checkbox"/>	2. The 3-month stamp stock limit even if their bond amount is higher than the 3-month limit.
<input type="checkbox"/>	3. Research, document, and resolve when possible ALL outstanding Unit financial differences. (AIC 247 & AIC 647) shown on the Office Financial Snapshot and document all entries on a log (see the Western Area Accounting Webpage 247/647 log under Reports).
Resources:	
Handbook F-101 - Field Accounting Procedures POS Procedures guide SOX Website!	
The Web Based 247/647 Log is available on the Western Area Accounting Webpage under 247/647 reports.	
The Path to Postmaster reports in ADM is Accounting>Shared Reports>Postmaster	

Appendix C: Example of Completion Survey

March Financial Completion Survey - New Item Page 1 of 2

 **Finance**

Central Plains > Finance > March Financial Completion Survey > Respond to this Survey

March Financial Completion Survey: Respond to this Survey

* indicates a required field

Enter your MPOO Area from the following drop down box *

Select your Unit ID from the following drop down box (excludes CPOs / CPUs) *

I officially state that:
This office has completed ALL of the requirements listed on the March Financial Control Newsletter.
Enter the FIRST and LAST Name of the employee completing this survey. *

I have read the February FAQs and Findings document located on the CP Finance web page. *

COUNT PAPERWORK VALIDATION AT SITE
EVERY accountability in my office has a folder which contains a Form 3369, form 3368 and a Form 3294 with two signatures to document the last count. IRT and eMOVES sites would include the Main Stock, Stamp Credits, and Unit Cash Reserve if applicable, while POS sites include the Unit Reserve, Clerk Cash Credits and Unit Cash Reserve if applicable. *

I have completed all the required counts for March per the March Newsletter, which includes Main Stock and PMR and Postmaster stamp credits and ALL credits assigned to Non-EAS employees. These counts are documented on a Form 3294 with two signatures. *

All CPO/CPUs that report to my office have been counted in February, and all outstanding 247/647 items have been cleared at these sites. *

I know my maximum stock level and understand that I must ensure my Closing Accountability in AIC 853 does not exceed this amount. Limits are located on the Western Area Finance Webpage <http://westernarea/Fin/> on the office snapshot report as the Quarter 2 - 4, Total Unit Stock Placard. Enter the maximum stock level for your office. *

The online 247/647 log has been reviewed at WesternArea/Fin and log entries are completed with offsets or comments for all items through February, with a printed copy of the online log filed locally

<http://western1.fws.usps.gov/sites/centralplains/finance/Lists/March%20Financial%20Co...> 3/29/2011

Appendix D: Management's Comments

TIMOTHY F. O'REILLY
Vice President, Controller



June 30, 2011

LUCINE M. WILLIS

SUBJECT: Management Advisory – District Practices Affecting Financial Risk
(Report Number FF-MA-11-DRAFT)

Thank you for the opportunity to respond to your June 16 draft management advisory on District Practices Affecting Financial Risk. Our response to each recommendation in the report is attached.

The audit report and management's response do not contain information that may be exempt from disclosure under FOIA.

If you have any questions regarding our response, please contact Jack Meyer, Manager, Revenue and Field Accounting at 202-268-5227.

A handwritten signature in black ink that reads "Tim O'Reilly".

Tim O'Reilly

Attachment

cc: Joseph Corbett
Deborah Giannoni-Jackson
Stephen J. Nickerson
Corporate Audit and Response Management

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5200
202-268-2296
FAX: 202-268-8104
WWW.USPS.COM

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Recommendation 1:

Develop a standardized process that requires unit managers to certify completion of key financial reporting and other controls deemed applicable to a particular unit's financial accountability and a tracking mechanism documenting the corrective action taken for units that are not in compliance.

Management Response/Action Plan:

Management does not agree with this recommendation. The Point of Sale terminals in offices that account for nearly 90% of the USPS' retail revenue currently provide an automated certification process as part of the nightly closeout process. Introducing another manual process into the retail closeout process would require district-level resources to monitor compliance. It is management's position that these resources should be deployed addressing higher-risk and higher-dollar areas and not be directed at Retail offices that are covered by higher level controls managed at the Accounting Service Centers (ASC) and already have an automated process to certify compliance. Management agrees with the observation that more actively managed units tend to have better performance. Revenue and Field Accounting will reemphasize with the Area Accounting Managers the need for better sharing of these best practices.

Target Implementation Date:

The closeout process and ASC controls identified above are already in place and an additional manual process is not necessary.

Responsible Official:

Jack Meyer, Manager, Revenue and Field Accounting

Recommendation 2:

Continuously monitor financial performance by routinely reviewing financial data, identifying compliance issues, and communicating results; and require units to take corrective action for deficiencies.

Management Response/Action Plan:

Management agrees with the recommendation. Financial performance is routinely monitored at the District and Area levels. In addition, there are currently two national monitoring tools deployed and reviewed by Headquarters, Area, and District management that have historically been very effective in improving field finance performance indicators. The SOX scorecard is tied to the National Performance Measurement system and Pay for Performance and, for fiscal year (FY) 2011, measures nine key business mail and retail indicators. As of June 3, 2011 the national compliance for Retail Units was 99.73%. Additionally, the Controller Counsel scorecard measures nine Retail Office indicators. As of the end of May, the weighted scorecard showed a national index of 93.76% achieving goal. Each year a team of HQ and Field management personnel review the current indicators and recommends which ones will be included in the following year and recommends national goals. Lastly, each of the seven Area offices has developed and now monitors their own financial performance indicators. By Quarter 1, FY 2012, all indicators will be centralized in a database modeled on the system developed by the Western Area.

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Target Implementation Date:

Beginning Quarter 1, FY 2012

Responsible Official:

Jack Meyer, Manager, Revenue and Field Accounting

Recommendation 3:

Require unit staff with financial responsibilities to successfully complete training that would further enhance financial performance and compliance. Also, districts should provide continuous financial training to managers in units with internal control deficiencies.

Management Response/Action Plan:

Management agrees with this recommendation. While some areas have delivered financial training using existing training programs, Accounting Services is currently developing an integrated program consisting of eight financial training modules for retail personnel. These modules will be included in the Learning Management System (LMS), thereby providing a reporting capability to monitor completion of the training modules. It is management's strategy to direct training efforts primarily toward offices that are not meeting the national goals. Completion of the training will be incorporated in the national monitoring efforts noted above. These LMS courses will be developed by Quarter 1, FY 2012 and measurement of completion will commence thereafter.

Target Implementation Date:

Beginning Quarter 1, FY 2012

Responsible Official:

Jack Meyer, Manager, Revenue and Field Accounting

Recommendation 4:

Further develop a forum to continuously identify, share, and implement best practices among districts; and require districts and units to use tools similar to those listed in this report which result in exemplary financial performance.

Management Response/Action Plan:

Management does not agree with this recommendation. A number of forums for identifying and sharing best practices already exist. In addition to monthly Controller Counsel meetings chaired by the Controller, the Area Accounting Managers meet bi-annually to review current financial processes and share ideas on best practices. Additionally, Revenue and Field Accounting hosts monthly telecons with the Area Accounting Managers to review financial performance and develop strategies to ensure all retail offices are performing their financial control activities effectively. As was noted in the audit report, tools such as the SOX Scorecard already exist and are used effectively by a number

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of districts to manage financial risk. Revenue and Field Accounting will continue to emphasize to the Areas the importance of sharing best practices at the district level and using existing tools effectively.

Target Implementation Date:

The communications identified above are already in place.

Responsible Official:

Jack Meyer, Manager, Revenue and Field Accounting