



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Fiscal Year 2015 Financial Testing Compliance Oversight Review

Management Advisory Report

Report Number
FT-FC-16-002

January 29, 2016





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service to comply with Section 404 of the Sarbanes-Oxley Act and report on the effectiveness of the agency's internal controls over financial reporting. The Financial Testing Compliance (FTC) group tests these financial controls at postal units.

This report addresses financial reporting control testing related to:

- Business mail entry units and detached mail units, where postal employees verify the eligibility of mail and charge the mailer's account.
- Business reply mail services that provide customers with a convenient, prepaid way to reply to mailings.
- Plant verified drop shipments transported by mailers from their plants to postal facilities.

The overall objective of our review was to evaluate whether the FTC group properly tested, documented, and reported its examination of key financial reporting controls at selected postal facilities for fiscal year 2015. We conducted this review in support of the independent public accounting firm's overall opinions on the Postal Service's financial statements and internal controls over financial reporting.

What the OIG Found

We observed the FTC group conduct 244 internal control tests at 130 randomly selected units. During the review, the FTC group reported 11 exceptions, and we agreed with those results. However, we determined the FTC group did not properly test, document or report its examination of 13 additional key financial reporting controls at nine units. Specifically:

- During testing, FTC group analysts asked leading questions and prompted the control performer where to locate specific information.
- FTC group analysts documented different responses than those provided during testing and did not always post accurate results. Further, management did not always detect documentation errors.
- Regarding reporting, management discarded a control test because the FTC group analyst's questions interfered with the control process, but OIG concluded they were clarifying questions.

What the OIG Recommended

FTC management recognized the challenges in fiscal year 2015 and provided training to analysts prior to starting fiscal year 2016 testing. Therefore, we are not making recommendations.

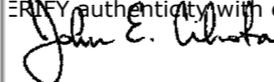
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 29, 2016

MEMORANDUM FOR: RICHARD B. ROSOFF
ACTING VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Management Advisory Report – Fiscal Year 2015 Financial
Testing Compliance Oversight Review
(Report Number FT-FC-16-002)

This report presents the results of our Fiscal Year 2015 Financial Testing Compliance Oversight Review for business mail entry units, staged and continuous detached mail units, business reply mail, and plant verified drop shipments (Project Number 15BR001FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Finance, or me at 703-248-2100.

Attachment

cc: Julie S. Moore
Corporate Audit and Response Management

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Findings

Our overall objective was to evaluate whether the FTC group properly tested, documented, and reported its examination of key financial reporting controls.

Introduction

This report presents the overall results of our fiscal year (FY) 2015 oversight review of the U.S. Postal Service Financial Testing Compliance (FTC) group's key financial reporting control testing (Project Number 15BR001FT000).¹ Our overall objective was to evaluate whether the FTC group properly tested, documented, and reported its examination of key financial reporting controls. See [Appendix A](#) for additional information about this review.

The Postal Service established the FTC group to test key financial reporting controls. The group conducts its tests at business mail entry units (BMEU), detached mail units (DMU) operating in a staged environment (staged DMUs), DMUs operating in a continuous environment (continuous DMUs),² Business Reply Mail (BRM) units, and plant verified drop shipment locations (PVDS).³

FTC analysts⁴ conducted inquiries to assess whether persons performing key financial reporting controls maintain the necessary authority and competence to perform the controls as designed. FTC analysts also perform operational effectiveness testing on key financial reporting controls in the field by observing control performers and inspecting relevant documentation.⁵ They then communicate the results to stakeholders. These field level controls are part of the Postal Service's system of internal controls over financial reporting. The U.S. Postal Service Board of Governors contracted with an independent public accounting (IPA) firm to express an opinion on these controls. We conduct this oversight review to support the IPA firm's annual audit opinions on the Postal Service's financial statements and internal controls over financial reporting. Our review supports the IPA firm's reliance on management's testing and provides increased focus on the remediation of control failures in the field.

The oversight review covers key financial reporting controls at:



- ¹ A key control is a control that, if it fails, there is at least a reasonable likelihood that a material error in the financial statements would not be prevented or detected on a timely basis.
- ² Includes continuous DMUs with seamless acceptance processes. Seamless acceptance is the automation of mail verification for mailers who apply unique barcodes on the mailpieces, trays, sacks, pallets, and other containers.
- ³ Includes surface visibility (SV) and non-SV sites. SV allows the tracing of barcoded mail in real time by the piece, container, and trailer.
- ⁴ As part of the transition of key control testing to an outside source, analysts under contract to the Postal Service performed a limited number of tests at the end of FY 2015.
- ⁵ Public Company Accounting Oversight Board Audit Standard Number 5, Nature of Tests of Controls, states, "Some types of tests, by their nature, produce greater evidence of the effectiveness of controls than other tests. The following tests that the auditor might perform are presented in order of the evidence that they ordinarily would produce, from least to most: inquiry, observation, inspection of relevant documentation, and re-performance of a control."

FTC analysts did not properly test three key financial reporting controls at two units we visited.

Summary

During FY 2015, we observed the FTC group conduct 244 key financial reporting control tests at 130⁶ randomly selected units. See [Appendix B](#) for a summary of controls tested by quarter. Specifically, for FY 2015, we observed the FTC group conduct tests for:

- Seventy-eight controls at 25 BMEUs/staged DMUs.
- Sixty controls at 30 continuous DMUs.
- Thirty-six controls at 18 continuous DMUs with seamless acceptance processes.
- Twenty-two controls at 22 BRM units.
- Forty-eight controls at 35 PVDS locations.

During the review, the FTC group reported 11 exceptions, and we agreed with the results; however, we determined the group did not properly test, document, or report its examination of 13 additional key financial reporting controls at nine units and observed one safety issue. See [Appendix C](#) for information regarding oversight review issues identified by the U.S. Postal Service Office of Inspector General (OIG). If FTC analysts do not properly test, document, or report the examination of key financial reporting controls, there is an increased risk that control failures are not detected and reported.

We discussed our oversight results with management throughout the fiscal year and issued quarterly⁷ interim reports. See [Appendix D](#) for a summary of these interim results. We also discussed the results with the IPA firm during weekly meetings and provided quarterly capping spreadsheets. We reported the results of our review of the FTC group to the IPA firm for consideration in its final evaluation.

FTC management recognized the challenges with the transition of key control testing to an outside source in FY 2015 and trained analysts under contract to the Postal Service prior to starting FY 2016 testing. Therefore, we are not making recommendations.

Testing

FTC analysts did not properly test three key financial reporting controls at two units we visited. Specifically:

- For two PVDS control tests at the Omaha Processing and Distribution Center (P&DC),⁸ the FTC analyst asked leading questions regarding the control performer's and supervisor's overall understanding of the control activity instead of allowing them to discuss and describe the activities they performed.

⁶ The FTC group conducted testing at 1,582 units in FY 2015.

⁷ The fiscal year consists of 4 accounting periods that are based on calendar months: Q1 – October 1 through December 31, 2014; Q2 – January 1 through March 31, 2015; Q3 – April 1 through June 30, 2015; and Q4 – July 1 through September 30, 2015.

⁸ PVDS Review in Omaha, NE, August 7, 2015, Key Controls 104CA070, Mail Load Arrival at Facility – Verify Clearance Document is Complete and Unaltered, and 104CA193, eInduction – SV.

FTC analysts did not properly document the results for nine key financial reporting control tests at seven units we visited.

- At an American Express unit, during the inquiry portion of the control test,⁹ the FTC analyst prompted the control performer where to locate specific information. Specifically, regarding postage statement check in, when the control performer maintained that he always receives hard copy postage statements, the FTC analyst continually asked the control performer what he would do if there were no hard copy statement. The control performer could not adequately respond so the FTC analyst suggested using available guidance.¹⁰ When the control performer still could not locate the specific reference to the procedure within the guidance, the FTC analyst prompted the control performer where to locate it.

FTC management did not agree with the issues identified. For the first unit, management did not consider the questions leading and believed the FTC analysts only asked the required questions. We believe the FTC tester's questions only required the control performer to affirm what the FTC tester was asking rather than allowing the control performer to answer independently. FTC management was present at the second unit and stated the FTC analyst merely instructed the control performer to turn the page to locate a specific control reference. While we acknowledge the instruction to turn the page, the control performer was not aware that the guidance contained applicable procedures until the FTC analyst advised him.

Documentation

FTC analysts did not properly document the results for nine key financial reporting control tests at seven units we visited. Specifically:

- At the Omaha P&DC:

- The FTC analyst documented different responses than those provided by the control performer and supervisor regarding the identification and confirmation of mail, identification and resolution of discrepancies, and control performance.¹¹ In addition, the FTC analyst documented the test site as San Bernardino, CA, instead of Omaha, NE. FTC management did not agree with the issue regarding different responses and stated that it is possible the OIG did not hear all of the discussion. Management further stated the incorrect location was an oversight.
- The FTC analyst posted documentation that did not include information that the control performer's supervisor could not adequately respond to questions during inquiry regarding the supervisor's knowledge of control activities. The supervisor could not respond without the help of the senior manager, Distribution; yet, management did not include this in their documentation. FTC management disagreed with the issue identified. They stated the test was of the control performer's knowledge only, and that the control performer demonstrated an adequate working knowledge of the required control activities. We believe the inquiry portion of the test includes both control performer and supervisor responses.

- Based on a key financial reporting control test at the Millennium Group unit,¹² the FTC analyst documented that the analyst confirmed through inquiry and observation there was no computer generated information (CGI) used in the performance of this control. CGI is not applicable to this control. However, the FTC analyst asked a CGI question, and the OIG did not observe the control performer or the supervisor provide responses specific to CGI. FTC management did not agree with the issue and stated CGI is not relevant for the control tested. Therefore, the FTC analyst was not required to obtain an answer or review CGI during this control test. The OIG ensures responses provided to all questions asked during controls tests are accurately documented. For FY 2016, management removed CGI questions from the test workbooks.

⁹ CDMU Review in Weston, FL, August 25, 2015, Key Control 104CA169, Postage Statement Check-in.

¹⁰ *American Express Mail Acceptance Reference Guide - Number 003*, Continuous Mail Check-in Without Document, dated August 24, 2014.

¹¹ PVDS Review in Omaha, NE, August 7, 2015, Key Control 104CA070.

¹² CDMU Review in Edgewood, NY, August 19, 2015, Key Control 104CA001, Acceptance – Postage Statement Completion.

FTC management discarded the Holt Annex key financial reporting control test review because they concluded the FTC analyst's questions interfered with the control performer's mail induction process. However, the OIG concluded the FTC analyst asked necessary questions to clarify and follow up on responses.

- Regarding documented results for five additional units, OIG found:
 - One instance¹³ where the documentation did not include a control test conclusion.¹⁴
 - Three instances where the documentation included incorrect dates.¹⁵
 - One instance where the documentation included references to incorrect supporting documents.¹⁶
 - One instance where the documentation contained an incorrect site name.¹⁷

FTC management agreed with the issues and stated the documentation errors occurred during the transition period¹⁸ when resources were low. As a result of our review, management implemented an additional level of review to help prevent these issues from occurring in the future.

Reporting

FTC management discarded the Holt Annex key financial reporting control test review because they concluded the FTC analyst's questions interfered with the control performer's mail induction process.¹⁹ However, the OIG concluded the FTC analyst asked necessary questions to clarify and follow up on responses. FTC management did not agree with this assessment. They believe the FTC analyst's questions may have prompted the control performer to correct actions while performing the mail induction control process. The OIG believes the questions to show information displayed on the scanner and confirm the mode used were to verify information already provided.

13 Santa Clarita Main Post Office BRM Review, Santa Clarita, CA, July 29, 2015, Key Control 108CA010, PostalOne! Revenue Recognition.

14 Management took corrective action by adding the control test conclusion and reposting the correct documentation.

15 IWCO Direct SEAMLESS Review, Little Falls, MN, August 3, 2015, Key Control 104CA169; IWCO Chanhassen Seamless Review, Chanhassen, MN, August 20, 2015, Key Control 104CA108, Finalize/Clear (DMU) – Observe Loading and Secure Vehicles; and Billings P&DC PVDS Review, Billings, MT, September 1, 2015, Key Control 104CA255, eInduction – Non-SV.

16 FRE-Falmouth Branch BRM Review, Fredericksburg, VA, August 13, 2015, Key Control 108CA010.

17 Billings P&DC PVDS Review, Billings, MT; September 1, 2015, Key Control 104CA255.

18 The Postal Service began transitioning key financial reporting control testing to an outside source in June 2015.

19 PVDS Review in Macon, GA, July 7, 2015, Key Control 104CA255

FTC management recognized the challenges with the transition and provided training to contracted analysts.

Management's Actions Taken

Effective June 8, 2015, Postal Service management began transitioning most Sarbanes-Oxley Act (SOX) Section 404 functions to a third-party contractor managed by the Postal Service. This contractor has been the Postal Service's third-party partner for SOX program management and will now also take the lead in internal controls testing for FY 2016. During that transition, analysts who are contractors first accompanied FTC analysts and then performed a limited number of key control tests at the end of FY 2015. FTC management recognized the challenges with the transition and provided training to contracted analysts. Specifically, FTC management provided high-level business mail acceptance process training for BMEU, BRM, CDMU, and PVDS facilities. They also provided contracted analysts with an in-depth review of the key financial reporting controls at these facilities. Further, FTC management conducted a lessons-learned discussion with former FTC analysts and stated these discussions will be ongoing. OIG agrees management's actions served to broaden contracted analysts' knowledge and better prepared them to lead key financial reporting control tests going forward.

Safety Issue

At the Southern Maryland P&DC,²⁰ the OIG observed a safety issue. Specifically, two OIG employees accompanied two FTC analysts inside the truck trailer during the observation phase. The control performer was also in the trailer to scan mail containers. At the same time, another employee drove a forklift to move mail around and out of the truck. Occupational Safety and Health Administration policy does not allow pedestrians in the trailer while the truck is being loaded or unloaded. It also states the likelihood of being crushed by a forklift is greater in tight spaces.

²⁰ Southern Maryland P&DC PVDS Review, Capitol Heights, MD, August 10, 2015, Key Control 104CA193.

Recommendations

FTC management recognized the challenges with the transition of key control testing to an outside source in FY 2015 and trained analysts under contract to the Postal Service prior to starting FY 2016 testing. Therefore, we are not making recommendations.

Management's Comments

Management disagreed with some of the findings but noted that their responses were accurately documented within the report. Though there were no recommendations, management stated they have taken steps to improve testing of field controls for FY 2016, including providing extensive training to all analysts on each field control prior to the beginning of the fiscal year. In addition, management conducts weekly touch point meetings and is involved with the workbook review process. Management believes these steps have strengthened the field control testing process. See Appendix D for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the findings and corrective actions should resolve the issues identified in the report.

Appendices

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Appendix A: Additional Information

Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. In addition, the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006)²¹ requires the Postal Service to comply with SOX²² and report on the effectiveness of Postal Service internal controls over financial reporting. SOX requires management to publish information in their annual reports concerning the scope and adequacy of the internal control structure and procedures for financial reporting; and to assess the effectiveness of such internal controls and procedures. It also requires the external auditor to attest to the effectiveness of the internal control structure and procedure for financial reporting.

Postal Service SOX Management Controls and Integration manages SOX efforts. Within that organization, the Postal Service established the FTC group to test key financial reporting controls at the field level. These tests help management assess the effectiveness of the internal control structure and procedures for financial reporting. FTC analysts test the effectiveness of key financial reporting controls in the field for BMEU/Staged DMU, Continuous DMU,²³ BRM, and PVDS units. In addition, FTC may retest controls that previously failed and were remediated. Effective June 8, 2015, Postal Service management began transitioning most SOX functions to a third-party contractor that has been the Postal Service's third-party partner for SOX program management and expanded its role to lead internal controls testing as of FY 2016.

FTC testing methodology consists of three phases: inquiry, observation, and documentation review. Specifically, FTC personnel conduct inquiries to assess whether persons performing key financial reporting controls maintain the necessary authority and competence to perform the controls as designed. They also test key financial reporting controls by observing the control performers and inspecting relevant documentation, and document the results in their work papers. When testing is completed analysts finish their work papers and submit them for management review. Within 30 days after the test is conducted, FTC management posts documentation to the BlueShare²⁴ for OIG review.

This report addresses key financial reporting control testing of BMEUs and DMUs operating in a staged environment, BRM at Postal Service units, mail verification and acceptance at DMUs operating in a continuous environment, and PVDS procedures at Postal Service mail processing facilities.

- BMEUs process bulk business mail. DMUs are Postal Service work areas or offices located at business mailers' facilities. DMU key financial reporting controls are characterized as either staged or continuous. In a staged environment, postage statements are presented at the time of mail acceptance and verification, but, in a continuous environment, final postage statements are presented after mail acceptance and verification.
- BRM is a domestic service that allows mailers to receive First-Class® mailpieces back from customers and pay postage only for the returned pieces. These pieces must have a specific address and format, and postage and fees are collected when the mail is delivered to the original mailer.
- PVDS is a procedure that enables origin verification and postage payment for shipments transported by the mailer from its plant to destination postal facilities for acceptance as mail. PVDS is typically used for mailings claiming a destination entry discount or price.

²¹ Public Law 109-435, enacted December 20, 2006.

²² Public Law 107-204, enacted July 30, 2002.

²³ Includes continuous DMUs with seamless acceptance processes.

²⁴ Documentation is posted to the Postal Service's suite of folders (BlueShare) that store working papers and other documentation related to field testing activities.

Objective, Scope, and Methodology

The overall objective of our review was to evaluate whether the FTC group properly tested, documented, and reported its examination of key financial reporting controls. We conducted these oversight reviews in support of the IPA firm's reliance on management's testing and overall audit opinion on the Postal Service's financial statements and internal controls over financial reporting.

To accomplish our objective, we observed the FTC group conduct key financial reporting control tests at 130 randomly selected units for BMEU/staged DMU and continuous DMU, BRM, and PVDS.²⁵ Our oversight reviews consisted of observing FTC analysts conduct the unit reviews of key financial reporting controls and reviewing completed documentation posted to the BlueShare.

We issued interim quarterly reports directly to Postal Service management to communicate the results of our reviews. See [Appendix D](#) for units and reporting information regarding 25 BMEUs/staged DMUs, 30 continuous DMUs, 18 continuous DMUs with Seamless Acceptance processes, 22 BRM units, and 35 PVDS locations.

We conducted this review from October 2014 through January 2016, 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 January 5, 2016, and included their comments where appropriate.

We did not use computer-generated data to conduct the oversight reviews; therefore, we did not assess the reliability of computer-generated data.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Fiscal Year 2014 Financial Testing Compliance Oversight Reviews</i>	FT-MA-15-004	2/26/2015	None
<p>Report Results: Analysts did not properly test or document the inquiry portion of the examination of 12 key financial reporting controls at seven units. Specifically:</p> <ul style="list-style-type: none"> • During the inquiry portion of the examination, we did not observe analysts at five units obtain all responses related to key financial reporting control procedures performed at the units. • An analyst at one unit did not accurately document results from the inquiry portion of the examination for the end-of-day reconciliation process. • FTC management discarded and retested the same unit because a control performer did not provide correct responses during the inquiry. <p>FTC management took corrective action to address the issues; therefore, we did not make any recommendations.</p>			
<i>Fiscal Year 2013 Financial Testing Compliance Oversight Reviews</i>	FT-MA-14-005	1/8/2014	None
<p>Report Results: Analysts properly tested, documented, and reported their examination of 237 key financial reporting controls. We did not identify any exceptions; therefore, we did not make any recommendations.</p>			

²⁵ The FTC group conducted testing at 1,582 units in FY 2015.

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Fiscal Year 2012 Financial Testing Compliance Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews</i>	FT-MA-13-006	2/6/2013	None
<i>Fiscal Year 2012 Financial Testing Compliance Oversight Continuous Detached Mail Unit Reviews</i>	FT-MA-13-007	2/4/2013	None
<i>Fiscal Year 2012 Financial Testing Compliance Oversight Plant Verified Drop Shipment Reviews</i>	FT-MA-13-005	1/30/2013	None
<i>Fiscal Year 2012 Financial Testing Compliance Oversight Business Reply Mail Reviews</i>	FT-MA-13-004	1/29/2013	None

Report Results: Our reports determined that FTC analysts properly tested, documented, and reported their examination of key financial reporting controls related to mail verification and acceptance at continuous DMUs. In addition, analysts properly tested, documented, and reported testing results of drop shipment acceptance and verification procedures. FTC analysts did not properly test, document, and report their examination of key SOX financial reporting controls for mail verification and acceptance at BMEU/ staged DMUs or BRM. We provided our observations to the IPA firm and management throughout the year. We did not make any recommendations.

Appendix B: Summary of Controls Tested

Control Number/Title	Number of Controls Tested				
	Postal Quarter 1	Postal Quarter 2	Postal Quarter 3	Postal Quarter 4	Total
104CA001 - Acceptance – Postage Statement Completion	2	1	6	4	13
104CA065 - Finalize/Clear	4	4	6	2	16
104CA066 - Reconciliation – Perform End-of-Day Reconciliation	6	7	7	4	24
104CA070 - Mail Load Arrival at Facility – Verify Clearance	4	7	5	5	21
104CA108 - Finalize/Clear (DMU) – Observe Loading and Secure Vehicles	2	2	2	3	9
104CA163 - Postage Statement Check-in	6	6	8	3	23
104CA169 - Mail Check-in – Continuous	2	5	4	4	15
104CA170 - Reconciling Finalized Postage Statement – Continuous	3	5	5	5	18
104CA174 - Reconciling mail.xml and Hard Copy Postage Statements to Supporting Documents – Continuous	2	1	1	1	5
104CA176 - Verification – Continuous (Under Remediation)	0	0	0	0	0
104CA178 - Mail Check-in (Manifest and Combined) – Continuous	1	5	3	1	10
104CA184 - Verification – Mailing Verification Procedures	0	0	0	0	0
104CA187 - Mail Induction – Continuous	2	10	4	5	21
104CA193 - eInduction – Surface Visibility	2	8	3	2	15
104CA210 - Continuous Mailing Log	2	0	1	2	5
104CA211 - Continuous Postage Statement	2	0	1	2	5
104CA212 - Continuous Origin Plant Load	1	2	2	3	8
104CA215 - Continuous Adjustment/Reconciliation ²⁶	0	0	0	0	0
104CA220 - Continuous Postage Statement to PS Form 8125, <i>Plant Verified Drop Shipment Verification and Clearance</i>	1	0	1	0	2
104CA255 - eInduction – Non-Surface Visibility	0	0	3	9	12
108CA010 - PostalOne! Revenue Recognition	6	5	7	4	22
108CA023 - BRM Management Oversight (Under Remediation)	0	0	0	0	0
Total	48	68	69	59	244

²⁶ FTC group did not select a site where this control could be tested.

**Appendix C:
OIG Oversight Review Issues
Identified**

Review Site/Control Information	Testing	Documentation	Reporting
Holt Annex PVDS Review, Macon, GA, July 7, 2015, Key Control 104CA255			Management discarded the control test although OIG concluded it was a valid test.
Omaha P&DC, PVDS Review, Omaha, NE, August 7, 2015, Key Controls 104CA070 and 104CA193	For both controls tested, the FTC analyst asked leading questions while conducting the tests.	During one control test, the FTC analyst documented different responses than those provided by the control performer and supervisor and documented the incorrect test site. For another control test, posted documentation did not reflect that the supervisor could not adequately respond to questions regarding his knowledge of control activities without help from a senior manager. However, management reported no exception.	
The Millennium Group CDMU Review, Edgewood, NY, August 18, 2015, Key Control 104CA001		The FTC analysts documented they confirmed there was no CGI used in the performance of this control. Although the FTC analyst asked a CGI question, the OIG did not observe the control performer or the supervisor provide proper responses.	
American Express CDMU Review, Weston, FL, August 25, 2015, Key Control 104CA169	When the control performer could not locate specific procedural answers in Postal Service reference material, the FTC analyst guided the control performer to the information.		
Various Sites/Control Information ²⁷		FTC managers did not always detect documentation errors during their review process for five units.	

²⁷ Santa Clarita Main Post Office BRM Review, Santa Clarita, CA, July 29, 2015, Key Control 108CA010; IWCO Direct Seamless Review, Little Falls, MN, August 3, 2015, Key Control 104CA169; IWCO Chanhassen Seamless Review, Chanhassen, MN, August 20, 2015, Key Control 104CA108; Billings P&DC PVDS Review, Billings, MT, September 1, 2015, Key Control 104CA255; FRE-Falmouth Branch BRM Review, Fredericksburg, VA, August 13, 2015, Key Control 108CA010; and Billings P&DC PVDS Review, Billings, MT; September 1, 2015, Key Control 104CA255.

**Appendix D:
Units and Reporting
Information**

BMEU/Staged DMU Oversight Reviews				
Units Visited	Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
1. Eugene BMEU, Springfield, OR 2. Specialty Print Communications, Niles, IL 3. One2One Communications, Buffalo Grove, IL ²⁸ 4. National Computer Print, Birmingham, AL 5. Hebron BMEU, Hebron, OH 6. South Hackensack Post Office, South Hackensack, NJ	FT-MA-15-003, February 26, 2015	20	1	1
7. Prompt Mailers Incorporated, Staten Island, NY 8. Baton Rouge BMEU, Baton Rouge, LA 9. Freedom Graphics Systems, Grand Prairie, TX 10. Direct Technologies Incorporated, Suwanee, GA 11. Nashville BMEU, Nashville, TN 12. Tampa BMEU, Tampa, FL 13. Segerdahl Graphics, Wheeling, IL	FT-MA-15-006, May 29, 2015	19	0	2
14. Precision Dialogue Direct, Chicago, IL 15. Tampa BMEU, Tampa, FL 16. Premier International Mailing System, Houston, TX ²⁹ 17. Los Angeles BMEU, Los Angeles, CA 18. Freedom Graphics System, Aurora, IL 19. Bend BMEU, Bend, OR 20. Lexis Nexis, Peoria, IL 21. Presort Solutions, Aurora, IL	FT-MA-15-008, August 24, 2015	27	1	3
22. Whittier BMEU, Whittier, CA 23. JB Kenehan, Beaver Dam, WI 24. Southeastern BMEU, Southeastern, PA 25. Pitney Bowes Presort Service, Arlington, TX	FT-FC-16-001, November 12, 2015	12	0	4

²⁸ FTC recorded an exception for Control 104CA066 – End of Day Reconciliation, and OIG agreed.

²⁹ FTC recorded an exception for Control 104CA066, and OIG agreed.

Continuous DMU Oversight Reviews				
Units Visited	Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
1. Falcon Preprint Distribution Center, Tarentum, PA 2. Quad Graphics, Chalfont, PA 3. RR Donnelley, Lynchburg, VA 4. First Data Resources, Omaha, NE	FT-MA-15-003, February 26, 2015	10	0	1
5. North American Communications, Duncansville, PA 6. RR Donnelley, Lancaster, PA 7. Quad Graphics Incorporated, Mount Holly, NJ ³⁰ 8. Broadridge Financial Solutions Incorporated, Edgewood, NY 9. DST Output, Kansas City, MO 10. Quad Graphics, Martinsburg, WV 11. Quad Graphics/Brown Printing, Waseca, MN 12. Pacific Belle/AT&T, West Sacramento, CA	FT-MA-15-006, May 29, 2015	19	1	2
13. RR Donnelley, Logan, UT 14. RR Donnelley Press, Long Prairie, MN 15. Quad Graphics, Sussex, WI 16. Moores Business Thurmont, MD 17. Arandell Corporation, Menomonee Falls, WI 18. Falcon Preprint Distribution, Tarentum, PA 19. Advertising Distribution, Ronkonkoma, NY	FT-MA-15-008, August 24, 2015	15	0	3
20. Quad Graphics, Mount Holly, NJ 21. RR Donnelley, Warsaw, IN 22. RR Donnelley, Bolingbrook, IL 23. Broadridge Financial Solutions, Coppell, TX 24. Harte Hawks Marketing, Halthorpe, MD 25. First Data Resources, Omaha, NE 26. United Mailing Services, Wausau, WI 27. Quad Graphics, Chalfont, PA 28. RR Donnelley, Clinton, IL 29. The Millennium Group, Edgewood, NY 30. American Express, Weston, FL	FT-FC-16-001, November 12, 2015	16	0	4

30 FTC recorded an exception for Control 104CA070 – Mail Load Arrival at Facility – Verify Clearance Document is Complete and Unaltered, and OIG agreed.

CDMU With Seamless Acceptance Process Oversight Reviews

Units Visited		Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
1.	Marketing Card Technology, Darien, IL	FT-MA-15-003, February 26, 2015	6	0	1
2.	PSI Group, Phoenix, AZ				
3.	Advance Direct, Greensboro, NC				
4.	PSI Group, Stafford, TX	FT-MA-15-006, May 29, 2015	10	0	2
5.	DMU-PSI Des Moines, Urbandale, IA				
6.	Pitney Bowes PSI, Reading, PA				
7.	Pitney Bowes, Atlanta, GA				
8.	Pitney Bowes Presort Service, Kent, WA	FT-MA-15-008, August 24, 2015	9	0	3
9.	Pitney Bowes Presort Services, Grand Prairie, TX				
10.	Colorfx, Urbandale, IA				
11.	PSI Group Incorporated, Charlotte, NC				
12.	PSI Group, Compton, CA				
13.	Access Mail, Clearwater, FL	FT-FC-16-001, November 12, 2015	11	0	4
14.	IWCO - Direct, Little Falls, MN				
15.	CSG Systems International, Crawfordville, FL				
16.	United Health Group, Duncan, SC				
17.	Sky Mail International, Salt Lake City, UT				
18.	IWCO - Direct, Chanhassen, Chanhassen, MN				

BRM Oversight Reviews				
Units Visited	Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
1. Bakersfield Main Office, Bakersfield, CA 2. ALR-Webb Bridge Station, Alpharetta, GA 3. Washington BMEU Post-Due, Washington, DC 4. McKinney Post Office, McKinney, TX 5. Merrifield Window, Merrifield, VA 6. FWT General Mail Facility Window Jack D Watson, Ft. Worth, TX	FT-MA-15-003, February 26, 2015	6	0	1
7. FLG-Palm Coast Branch, Palm Coast, FL 8. Shawnee Mission Main, Mission, KS 9. STP-Daytons Bluff Station, St. Paul, MN 10. GRR-East Paris Retail, Grand Rapids, MI 11. ATL-Doraville Branch, Atlanta, GA	FT-MA-15-006, May 29, 2015	5	0	2
12. Big Sandy Post Office, Big Sandy, TX 13. SAL-Main Office Station, Salt Lake City, UT 14. PIT-General Mail Facility (GMF) Finance Station, Pittsburgh, PA 15. Washington BMEU Postage Due, Washington, DC 16. Langhorne Post Office, Langhorne, PA 17. Lincoln Main Office, Lincoln, NE 18. Richmond Postage Due Accounts, Richmond, VA	FT-MA-15-008, August 24, 2015	7	0	3
19. Hopkins Post Office, Hopkins, MN 20. Santa Clarita Main Office, Santa Clarita, CA 21. DET - North End Station, Detroit, MI 22. FRE - Falmouth Branch, Fredericksburg, VA	FT-FC-16-001, November 12, 2015	4	0	4

Plant Verified Drop Shipment Oversight Reviews				
Units Visited	Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
1. St. Louis Network Distribution Center (NDC), Hazelwood, MO 2. Santa Ana P&DC, Santa Ana, CA 3. Seattle P&DC, Seattle, WA 4. Indianapolis P&DC, Indianapolis, IN 5. Northern New Jersey Metro Processing and Distribution Facility (PDF)/P&DC, Teterboro, NJ	FT-MA-15-003, February 26, 2015	6	0	1
6. Columbus P&DC, Columbus, OH 7. Detroit P&DC, Detroit, MI 8. Sacramento P&DC, West Sacramento, CA 9. Denver Mail Processing Annex, Aurora, CO 10. Springfield NDC, Springfield, MA 11. Central Massachusetts P&DC, Shrewsbury, MA 12. New Orleans P&DC, New Orleans, LA 13. Cincinnati P&DC, Cincinnati, OH	FT-MA-15-006, May 29, 2015	15	4 ³¹	2
14. Des Moines P&DC, Des Moines, IA 15. Industry GMF, City of Industry, CA 16. Chattanooga P&DC, Chattanooga, TN 17. Boise P&DC, Boise, ID 18. Brooklyn P&DC, Brooklyn, NY 19. Indianapolis Mail Processing and Network Operations Annex, Indianapolis, IN 20. Albuquerque P&DC, Albuquerque, NM	FT-MA-15-008, August 24, 2015	11	0	3
21. East Bay Mail Processing Facility, Provo, UT 22. Santa Barbara P&DC, Goleta, CA 23. Holt Annex, Macon, GA 24. South Bend P&DC, South Bend, IN 25. Jet Cove Annex, Memphis, TN 26. Richmond P&DC, Sandston, VA 27. Pensacola P&DC, Pensacola, FL	FT-FC-16-001, November 12, 2015	16	4	4

31 OIG agreed with exceptions FTC recorded at the Columbus P&DC and the Central Massachusetts P&DC for Key Control 104CA193 (eInduction – Surface Visibility) and the Sacramento P&DC and the Denver Mail Processing Annex for Key Control 104CA070.

Plant Verified Drop Shipment Oversight Reviews

Units Visited	Report Number/ Issuance Date	Number of Controls Observed	Number of FTC Exceptions	Postal Quarter
28. Omaha P&DC, Omaha, NE				
29. Southern Maryland P&DC, Capital Metro, MD				
30. Westchester P&DC, White Plains, NY				
31. Ft Myers P&DC, Fort Myers, FL	FT-FC-16-001, November 12, 2015	16	4	4
32. Billings P&DC, Billings, MT				
33. Rocky Mount P&DC, Rocky Mount, NC				
34. Fayetteville P&DC, Fayetteville, NC				
35. Eastern Shore P&DC, Easton, MD				

Appendix E: Management's Comments

RICHARD B. ROSOFF
VICE PRESIDENT, CONTROLLER (A)



January 19, 2016

MEMORANDUM FOR: Lori Lau Dillard
Director Audit Operations
Office of Inspector General USPS

FROM: Richard B. Rosoff
Vice President, Controller (A)

SUBJECT: Fiscal Year 2015 Financial Testing Compliance Oversight
Reviews (Report Number FT-FC-16-DRAFT)

Management appreciates the cooperation provided by your staff and the ability to provide feedback and comments on this report. Although we do not agree with some of the report's findings, our responses to those findings are accurately documented within the report.

Even though the report had no recommendations, USPS management has taken steps to improve the testing of field controls for Fiscal Year 2016. US Postal Service management provided extensive training to all testers on each field control prior to the beginning of Fiscal Year 2016 testing and has weekly touch points for continual training. Additionally, management is involved with the workbook review process. We believe these steps have strengthened the field control testing process.

We appreciate the opportunity to respond to this review and look forward to working with your team throughout Fiscal Year 2016.

A handwritten signature in blue ink that reads "Richard Rosoff".

Richard B. Rosoff

cc: Sally K. Haring, Manager, Corporate Audit Response Management



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