



January 15, 2009

MICHAEL J. DALEY  
VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Sierra Coastal District – Risk-Based Financial Audit  
(Report Number FF-AR-09-072)

This report presents the results of our audit of high-risk financial controls in the Sierra Coastal District (Project Number 08BD017FF000). We conducted this audit at five post offices, stations, and branches (units): [REDACTED]

[REDACTED] This audit is self-initiated and addresses financial risk. See [Appendix A](#) for additional information about this audit.

## Conclusion

Based on the items we reviewed, internal controls over money order and stamp accountability were not in place and effective at three units. In addition, we identified various internal control and compliance issues at all five units. Specifically:

- Five units had a total of 10,282 unrecorded or missing money orders.
- Four units maintained over \$450,000 in excess retail floor stock.
- Three units retained a total of more than \$260,000 in redeemed stamp stock rather than returning it to the stamp distribution office (SDO) for destruction.
- Three units could provide no evidence of unit reserve counts for the past 8 years.
- Three units had their floor stock and unit reserve accountabilities managed by [REDACTED]. [REDACTED] also transferred stamp stock between the units.
- One unit did not control the vending accountability, resulting in a shortage of \$2,258.
- Two units did not reconcile, research, or resolve outstanding employee items and salary advances totaling \$37,741.
- One unit did not have proper supporting documentation for \$4,113 of the disbursements reviewed.

See [Appendix B](#) for our detailed analysis of the findings, [Appendix C](#) for the results of our accountability examinations, and [Appendix D](#) for the internal control deficiencies for each unit.

We believe these conditions are attributable primarily to insufficient managerial oversight of financial operations at the units. [REDACTED]

[REDACTED] years of experience and knew the required procedures, but said they faced significant time constraints [REDACTED]

We judgmentally selected the five units based on risk factors using the U.S. Postal Service Office of Inspector General (OIG) Financial Risk Model (FRM)<sup>2</sup> and as such, we did not determine whether financial controls at other post offices in the Sierra Coastal District are in place and effective. However, we are concerned that the money order and stamp accountability issues identified could be indicative of similar issues at other units within the Sierra Coastal District. For example, the FRM shows approximately 99 units in the Sierra Coastal District with floor stock inventory exceeding authorized levels by over 50 percent, as determined by unit sales.<sup>3</sup> In addition, separate from this audit, we performed a number of randomly selected audits of post offices in the Sierra Coastal District over the last 3 years. In four of those audits, we reported money order and/or stamp accountability issues.

Until the managerial oversight of financial operations improves and the financial controls are functioning as prescribed, the Postal Service has a significantly increased risk of financial losses in the Sierra Coastal District. [Appendix E](#) shows a \$135,938 monetary impact for recoverable questioned costs of \$61,433 and unrecoverable questioned costs of \$74,505.<sup>4</sup> [Appendix F](#) shows a \$4,834,996 non-monetary impact for accountable items at risk.<sup>5</sup>

---

<sup>1</sup> [REDACTED]

<sup>2</sup> For additional information on the FRM, see [Appendix A](#).

<sup>3</sup> Based on data extracted from the Enterprise Data Warehouse as of June 30, 2008. The 99 units utilize the Point of Service (POS) system.

<sup>4</sup> Questioned costs are costs that are unreasonable, unnecessary, unsupported, or an alleged violation of laws or regulations.

<sup>5</sup> Assets or accountable items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

We recommend the Vice President, Pacific Area Operations, direct the District Manager, Sierra Coastal District, to:

1. Develop and implement an action plan with milestones to address the internal control issues at the units identified in this report, as well as the money order and stamp accountability issues district-wide.

### Management's Comments

Management agreed with the findings, recommendation, and monetary and non-monetary impacts. Management provided an action plan with milestones to address the issues identified in the report. They plan to implement corrective actions by March 30, 2009. See [Appendix G](#) for management's comments and the action plan, in their entirety.

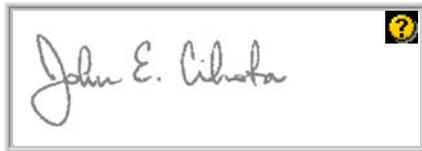
### Evaluation of Management's Comments

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

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. The recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We will report a monetary impact of \$135,938 for recoverable questioned costs of \$61,433 and unrecoverable questioned costs of \$74,505, and non-monetary impact of \$4,834,996 for accountable items at risk, in our *Semiannual Report to Congress*.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Linda Libician-Welch, Director, Field Financial – West, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small yellow circular icon with a question mark.

John E. Cihota  
Deputy Assistant Inspector General  
for Financial Accountability

Attachments

cc: H. Glen Walker  
Lynn Malcolm  
Vincent H. DeVito, Jr.  
Stephen J. Nickerson  
Steven R. Phelps  
Kerry L. Wolny  
Katherine S. Banks

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

Post offices are the initial level where the U.S. Postal Service recognizes revenue from operations. The term “post offices” includes main offices, stations, and branches. The postmasters or installation heads are responsible for collecting all receipts to which the offices are entitled, accounting for all funds entrusted to them, and ensuring the offices meet all revenue and accounting objectives.

The Sierra Coastal District is in the Pacific Area and includes approximately 188 post offices with the POS system; these post offices reported more than \$263 million of revenue in fiscal year (FY) 2008. The five units addressed in this report reported approximately \$15.2 million of revenue during this period.<sup>6</sup>

The OIG performs periodic financial risk assessments. Based on financial data in the Enterprise Data Warehouse, the OIG developed a Financial Risk Model which ranks the Postal Service’s 80 districts with respect to specific financial risk indicators. We selected the Sierra Coastal District because risk indicators in our model suggested the district was a high financial risk compared to others around the country. Second and third quarter FY 2008 data ranked this district as the fourth and second highest risk district, respectively. The risk factors in our financial risk model are the following.

1. Revenue – all revenue (income) associated at a unit.
2. Local Purchases – purchases made for supplies and services using cash or no-fee money orders.
3. Refunds – refunds can be made for postage, fees, and other services at a customer’s request.
4. Miscellaneous Expenses – include bank deposit differences and other discrepancies.
5. Non-Local Purchases – all expenses for local units (such as cleaning and utilities) paid centrally through the San Mateo Accounting Service Center.
6. Clerk Cash Management – measures whether units are complying with requirements over clerks’ cash, including whether cash is counted at the prescribed frequency and whether the amount of cash clerks maintain is within limits Postal Service policy prescribes.

---

<sup>6</sup> Data obtained from the Standard Accounting for Retail (SAFR) system.

7. Office Cash Management – measures whether units are maintaining the amount of cash Postal Service policy requires.
8. Employee Related Items – include amounts owed to the Postal Service for salary and travel advances and shortages and overages resulting from clerks' stamp and cash counts.
9. Customer Account Management – measures districts with the highest percentage of customer account balance differences comparing source data to accounting records.
10. Retail Stamp Stock Management – amount of stamp stock a post office can maintain for sale to the public and the frequency with which the post office should count the stock.
11. Overall Unit Stamp Stock Management – total amount of stamp stock in excess of authorized levels, which is calculated based on prior year sales according to Postal Service policy. This includes the amount directly sold to the public and the amount held in the inventory.
12. Contract Postal Units Management – measures the number of units with the most contract postal unit stock at risk. A contract postal unit is a privately operated entity providing most postal retail services.

In developing risk scores for each of these factors, we assign a weight to each based on our previous audits and investigative results.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of our audit were to determine whether:

- Internal controls over money order and stamp accountability were in place and effective.
- Internal controls over judgmentally selected employee items and local disbursements were in place and effective.

To accomplish our objectives, we audited five judgmentally selected Sierra Coastal District units. We initially selected the following three sites for audit based

[REDACTED]

[REDACTED]

In performing our work at the [REDACTED], we identified issues related to transfers of stock that prompted us to select two additional units for audit: [REDACTED]  
[REDACTED]

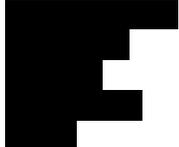
At each unit, we conducted counts of the unit reserve and retail floor stock, reviewed related accountability examination records, and analyzed unit actions to address previous stamp stock shortages. For employee items and local disbursements, we reviewed transactions generated by the [REDACTED] and [REDACTED] for the July reporting period, FY 2008, and transactions generated by the [REDACTED] [REDACTED] for the August reporting period, FY 2008.

We traced recorded financial transactions to and from supporting documentation and assessed the reliability of computerized data by verifying the computer records to source documents. We used Postal Service instructions, manuals, policies, and procedures as criteria to evaluate internal controls and data reliability. We interviewed supervisors and employees and observed operations at these judgmentally selected Postal Service sites. We interviewed the district finance manager to determine what procedures the district had in place to monitor inventory accountability, employee items, and disbursements.

We conducted this audit from August 2008 through January 2009 in accordance with generally accepted government auditing standards and included tests of internal controls that were necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with district management officials on November 13, 2008, and included their comments where appropriate.

**PRIOR AUDIT COVERAGE**

The OIG issued the following financial audit reports for the Sierra Coastal District within the past 3 years.

Report Title	Report Number	Final Report Date	Monetary Impact	Non-Monetary Impact	Report Results
FY 2005 Financial Installation Audit –  California	FF-AR-05-156	6/24/2005	\$123,040	-	This report identified and made recommendations to address internal control and compliance issues, such as cash and stamp accountabilities,  and  and vending.
FY 2008 Financial Installation Audit –  California	FF-AR-08-145	3/27/2008	\$1,227	\$629,901	This report identified and made recommendations to address internal control and compliance issues related to stamp, cash, and money order accountabilities.
FY 2008 Financial Installation Audit –  California	FF-AR-08-177	5/20/2008	\$8,322	\$145,234	This report identified and made recommendations to address internal control and compliance issues related to stamp, cash, and money order accountabilities, and Voyager card personal identification numbers.

<p><i>FY 2008 Financial Installation Audit – [REDACTED] California</i></p>	<p>FF-AR-08-203</p>	<p>6/13/2008</p>	<p>-</p>	<p>\$11,235</p>	<p>This report identified and made recommendations to address internal control and compliance issues related to stamp accountabilities, inactive customer accounts, passport acceptance, and Voyager cards.</p>
<p><i>FY 2008 Financial Installation Audit – [REDACTED] California</i></p>	<p>FF-AR-08-219</p>	<p>6/26/2008</p>	<p>\$48,214</p>	<p>\$1,767,566</p>	<p>This report identified and made recommendations to address internal control and compliance issues related to money order accountabilities, inactive customer accounts, unresolved employee items, disbursements, vending, safeguarding assets, and payroll.</p>

## APPENDIX B: DETAILED ANALYSIS

### Money Order Procedures Not Followed

Management at all five units did not properly account for a total of 7,336 unrecorded money orders valued at \$2,934,400.<sup>7</sup> For example, the supervisor for [REDACTED] kept over 6,000 unrecorded money orders because he was unaware of the procedures for disposal. These money orders included 1,900 POS- and 5,436 Integrated Retail Terminal (IRT)-type money orders. [REDACTED]

In addition, management at the [REDACTED] was unaware of missing money orders from their units. We identified 2,946 missing POS money orders, which we value at \$1,178,400.

Overall, management stated they did not know how to handle the unrecorded money orders and cited time constraints and other priority work as the reason for not monitoring for missing money orders. See [Appendix F](#) for the non-monetary impact associated with unrecorded and missing money orders at each applicable unit.

### Stamp Stock Limits Exceeded

Retail floor stock levels at four of the five units exceeded limits — ranging from 165 to 518 percent — for a total of \$455,594.<sup>8</sup> In addition, three units exceeded total stock limits ranging from 12 to 48 percent, for a total of \$254,315.<sup>9</sup>

Overall, management cited time constraints as the reason for exceeding the stamp stock limits. For example, the [REDACTED] maintained quantities of bulk rate coils in the floor stock for mailers who came in regularly because he was not always available and customers did not want to wait.<sup>10</sup> Other supervisors stated they kept high floor stock levels because they managed more than one unit and were not always available when stock was low.

See [Appendix F](#) for the non-monetary impact associated with excess floor stock at the four units.

---

<sup>7</sup> The OIG standard values blank money orders at \$400 each.

<sup>8</sup> The four units' allowable threshold for retail floor stock was \$168,644 during their respective audit scope periods of August and September 2008.

<sup>9</sup> The three units' maximum authorized limit was \$872,530 during their respective audit scope periods of August and September 2008.

<sup>10</sup> Bulk rate coils are rolls of precancelled stamps used by business mailers for mass mailings.

### Redeemed Stamp Stock Not Returned to the Stamp Distribution Office

Management at the [REDACTED] Stations did not return redeemed stamp stock totaling \$266,602 to the SDO. [REDACTED] cited time constraints and other priority work as the cause. See [Appendix F](#) for the non-monetary impact associated with unreturned redeemed stock at these three units.

### Stamp Examination Procedures Not Followed

Management at the [REDACTED] Stations did not count the unit reserve stock at the required frequencies. For example, officials at the [REDACTED] Stations could not provide documentation of ever performing a unit reserve count, while management at the [REDACTED] provided documentation of last performing a unit reserve count in June 2000. Overall, management stated they did not perform the counts due to inadequate oversight. The Financial Control and Support (FCS) Manager stated the district has a system in place that requires units to record unit reserve count results and submit documentation in an effort to track and monitor compliance. However, the units do not always send the documentation to the district as required.

### Stamp Security Controls Not Functioning

Internal controls over stamp stock at [REDACTED] of the locations were not in place and effective. [REDACTED] In addition, [REDACTED] regularly issued stock directly from the unit reserve to the retail floor stock and physically transferred stamp stock among [REDACTED]. In addition, [REDACTED] cited time constraints as the reason for controlling stock [REDACTED]. The combined value of retail floor stock and unit reserve stock at [REDACTED] totaled over \$900,000.

### Vending Controls Not Followed

Management at the [REDACTED] did not close the vending credit, transfer the stamp stock to the unit reserve, and return the stock to the SDO after deactivating and removing the machine from service in [REDACTED]. In addition, [REDACTED] removed stamp stock from the machine while the vending clerk was on leave. We counted the stock and identified a \$2,258 shortage in the \$11,703 vending accountability. [REDACTED], cited time constraints and other priority issues for not closing the accountability and returning the stamp stock. See [Appendix E](#) for the monetary impact associated with the vending shortage.

## Outstanding Employee Items Not Monitored

Management at the [REDACTED] Stations did not always reconcile, research, or resolve outstanding employee items and salary advances totaling \$37,741. At one unit, outstanding items were not reconciled for over 1 year. [REDACTED] were aware of the outstanding balances but cited time constraints and other priority work for not monitoring outstanding items. The FCS Manager advised us that FCS is currently working with units to resolve outstanding employee items prior to FY 2008. See [Appendix E](#) for the monetary impact associated with the unresolved employee items at these two units.

## Disbursements Not Supported

[REDACTED] did not have proper supporting documentation for all disbursements. Specifically, of 58 transactions totaling \$15,465 reviewed, 38 totaling \$4,113 had either incomplete or missing documentation.<sup>11</sup> [REDACTED] were unaware that the required documentation was not on file. See [Appendix E](#) for the monetary impact associated with the unsupported disbursements.

See [Appendix D](#) for a list of the specific internal control issues identified at the individual units and the applicable criteria.

---

<sup>11</sup> Disbursements were judgmentally selected between October 2005 and June 2008.

**APPENDIX C: ACCOUNTABILITY EXAMINATION SUMMARY**

This table presents the results of accountability examinations performed during the audit, rounded to the nearest dollar. Shortages and overages presented are the total value of all shortages and overages identified.

Unit Name	Segment							
	Unit Reserve		Retail Floor Stock		Vending		Total Value Of All	
	Overage	Shortage	Overage	Shortage	Overage	Shortage	Overage	Shortage
	\$1,905	-	-	\$359	-	\$2,258	\$1,905	\$2,617
		\$5,534	-	-	-	-	-	5,534
	52,340	-	-	65,385	-	-	52,340	65,385
	-	223	\$19,518	-	-	-	19,518	223
	-	17,935	-	2,390	-	-	-	20,325
<b>Total</b>	<b>\$54,245</b>	<b>\$23,692</b>	<b>\$19,518</b>	<b>\$68,134</b>	<b>-</b>	<b>\$2,258</b>	<b>\$73,763</b>	<b>\$94,084</b>

**APPENDIX D: AUDIT FINDINGS**

Internal Control Deficiency <sup>12</sup> <i>The unit did not:</i>						Total	Criteria
<b>Money Order and Stamp Accountability</b>							
Properly account for money orders.	X	X	X	X	X	5	Handbook F-101, <i>Field Accounting Procedures</i> , Sections 10-5.3 and 14-3
Maintain retail floor stock levels within the 2-week postage sales limit.	X	X	X		X	4	Handbook F-101, Section 14-2.3
Maintain total stamp stock level within the prescribed limits.		X	X		X	3	Handbook F-101, Section 11-3.4 and <i>Postal Bulletin 22230 (4/10/08)</i>
Monitor redeemed stamp stock levels and return stock to the SDO.			X	X	X	3	Handbook F-101, Section 11-6.2
Perform unit reserve accountability examinations at the required frequency.		X	X	X	X	4	Handbook F-101, Section 13-3.1
Properly document retail floor stock counts and obtain the signature of all counters.		X				1	Handbook F-101, Sections 14-2.6 and 14-2.7
Properly close the vending credit and return stamp stock to the SDO.	X					1	Handbook PO-102, <i>Self-Service Vending Operational and Marketing Program</i> , Sections 533.12 and 582.11
Control unit reserve and retail floor stock and informally transferred stock with other units.			X	X	X	3	Handbook F-101, Sections 14-2.2 and 11.10.3
<b>Employee Items</b>							
Monitor and resolve outstanding employee items.	X	X				2	Handbook F-101, Section 15-1.3
<b>Disbursements</b>							
Follow proper disbursement procedures and maintain proper supporting documentation.	X					1	Handbook F-101, Section 21-2.2

<sup>12</sup> An “X” indicates the respective location where we identified the condition noted in the deficiency description.

**APPENDIX E: MONETARY IMPACT SUMMARY**

Questioned Costs							
Finding Description						Total	
						Unrecoverable	Recoverable
Unit reserve shortages <sup>13</sup>	-	\$5,534	-	\$223	\$17,935	-	\$23,692
Unresolved employee items	\$27,391	10,350	-	-	-	-	37,741
Retail floor stock shortages <sup>14</sup>	359	-	\$65,385	-	2,390	\$68,134	-
Vending shortage	2,258	-	-	-	-	2,258	-
Unsupported disbursements	4,113	-	-	-	-	4,113 <sup>15</sup>	-
<b>Totals</b>	<b>\$34,121</b>	<b>\$15,884</b>	<b>\$65,385</b>	<b>\$223</b>	<b>\$20,325</b>	<b>\$74,505</b>	<b>\$61,433</b>

<sup>13</sup> The shortage was a result of our examination of the unit reserve conducted with unit management. This amount is considered recoverable and will result in a charge to the stock custodian.

<sup>14</sup> The shortage was a result of our examination of retail floor stock conducted with unit management. This amount is considered unrecoverable and will result in an expense charged to the unit.

<sup>15</sup> We consider these questioned costs unsupported because the disbursements had either incomplete or missing documentation.

**APPENDIX F: NON-MONETARY IMPACT SUMMARY**

<b>Accountable Items at Risk<sup>16</sup></b>						
<b>Finding Description</b>						<b>Total</b>
Excess floor stock	\$140,178	\$153,898	\$108,271	-	\$53,247	<b>\$455,594</b>
Unreturned redeemed stock	-	-	117,471	\$34,347	114,784	<b>266,602</b>
Unrecorded money orders	273,600	79,200	988,000	1,186,400	407,200	<b>2,934,400</b>
Missing money orders	-	6,800	76,800	1,094,800	-	<b>1,178,400</b>
<b>Totals</b>	<b>\$413,778</b>	<b>\$239,898</b>	<b>\$1,290,542</b>	<b>\$2,315,547</b>	<b>\$575,231</b>	<b>\$4,834,996</b>

<sup>16</sup> Accountable items at risk are items, such as stamps and money orders, that are at risk of loss because of inadequate internal controls.

## APPENDIX G: MANAGEMENT'S COMMENTS

MICHAEL J. DALEY  
VICE PRESIDENT, PACIFIC AREA OPERATIONS



January 9, 2009

Lucine Willis  
Director, Audit Operations  
1735 North Lynn St.  
Arlington, VA 22209-2020

SUBJECT: Draft Audit Report – Sierra Coastal District – Risk-Based Financial  
Audit (Report Number FF-AR-09-DRAFT)

Management agrees with the findings, recommendation, and monetary and non-monetary impacts as stated in the above referenced audit. An action plan with completion dates to address the internal control issues at the units identified in the audit report and the money order and stamp accountability issues district-wide was requested from the District Manager, Sierra Coastal District and is due by January 16, 2009.

### Recommendation

Direct the District Manager, Sierra Coastal District to develop and implement an action plan with milestones to address the internal control issues at the units identified in this report, as well as the money order and stamp accountability issues district-wide.

### Response

Management agrees with this recommendation.

Sierra Coastal was directed to develop and implement an action plan to address the internal control issues at the units identified in this report, as well as the money order and stamp accountability issues district-wide. The action plan is due by January 16, 2009 and will be forwarded upon receipt.

We do not believe this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in black ink, appearing to read "Michael J. Daley".

Michael J. Daley

cc: Lucine Willis  
Kathy Banks  
Kerry Wolny

11255 RANCHO CARMEL DR  
SAN DIEGO CA 92197-0100  
858-674-3100  
FAX: 858-674-3101  
www.usps.com

DISTRICT MANAGER  
SIERRA COASTAL CUSTOMER SERVICE & SALES

*We Deliver For You, Every Place, Every Day!*



January 12, 2009

MEMORANDUM FOR MICHAEL J. DALEY  
VICE PRESIDENT  
PACIFIC AREA OPERATIONS

SUBJECT: SIERRA COASTAL DISTRICT ACTION PLAN

DISTRICT ACTION PLAN

Listed below is the Action Plan for abatement of the internal control deficiencies identified by the Office of the Inspector General for Money Order Procedures and Stamp Accountability. These actions have been implemented District wide.

1. Money Order Procedures Not Followed

Unrecorded and Missing Money Orders

Have MPOOs certify that:

- a. Obsolete money orders are either destroyed or returned to the SDO, whichever is appropriate.
- b. Each office physically has each money order listed on the inventory by category.
- c. There are no physical money orders that are not listed on the inventory by category.

The Managers, Post Office Operations have certified that the activities listed above have been completed in their offices. Through this process, sequentially omitted money orders have been identified and some remain outstanding. Training sessions will be held the last two weeks of January to discuss the proper handling of sequentially omitted money orders.  
Abatement: January 31, 2009.

28201 FRANKLIN PARKWAY  
SANTA CLARITA, CA 91383-0060  
(661) 775-4900 UM  
FAX: (661) 775-7184

SIERRA COASTAL DISTRICT ACTION PLAN

PAGE 2 OF 5

2. STAMP STOCK EXCEEDS LIMITS

1. Notify field managers that I expect all offices to monitor their inventory levels and maintain their levels within their authorized maximum.  
Abated December 1, 2008.
2. Determine the maximum retail floor stock levels for all POS ONE units and publish spreadsheet.  
Abatement: January 16, 2009.
3. FCS unit will continue to monitor retail floor stock levels and notify Managers, Post Office Operations of current status until offices are in compliance, then monitor quarterly thereafter.

The monitoring and notification process began December 18, 2008.  
We are requesting an extension to attain district wide compliance.  
Abatement: February 28, 2009.

3. STAMP EXAMINATION PROCEDURES NOT FOLLOWED

1. I have issued instructions to the field requiring them to ensure that all required audits are performed within required timeframes and results are documented.  
Abated December 1, 2008.
2. FCS unit will continue to notify offices on a monthly basis when their yearly unit reserve audit is due and follow-up through ADM on compliance for the POS ONE offices. For IRT offices, we will continue to use the locally developed reporting process to manage the unit reserve audits.  
Abatement: January 31, 2009.

SIERRA COASTAL DISTRICT ACTION PLAN PAGE 3 OF 5  
TRANSMITTAL OF DRAFT AUDIT REPORT – SIERRA COASTAL DISTRICT-RISK BASED  
FINANCIAL AUDIT (REPORT NUMBER FF-AR-09-DRAFT)

The responses listed below pertain to the Risk Based Financial Audit listed above and pertain exclusively to [REDACTED]

1. **Money Order Procedures not Followed**

Management agrees with this finding.

**A. Unrecorded money orders**

The unrecorded money orders identified at the [REDACTED] stations have been shredded as instructed.

Abated: October 10, 2008.

**B. Missing money orders**

1. We have determined that the 2400 money orders identified as missing from the [REDACTED] unit were, in fact, sent to a unit in [REDACTED]. We have also determined, through random sampling, that these 2400 money orders were issued through the [REDACTED] unit.

Abated: January 8, 2009.

2. Continue to use various money order programs to identify status of remaining money orders that were identified as missing by the OIG.

Abatement: January 30, 2009.

3. If money order found to be cashed, instruct offices to issue letter of demand.

Abatement: February 28, 2009.

4. If money order reported as not cashed, report as lost or stolen.

Abatement: March 31, 2009.

5. Training will be held during the last two weeks of January to discuss the proper handling of money orders identified as missing.

Abatement: January 31, 2009.

We expect the entire process to take until March 31, 2009, and request this date as the abatement date.

2. **Stamp Stock Limits Exceeded**

Management agrees with this finding.

The stamp stock levels for the retail floor stock continue to report over the authorized limits in 4 out of 5 of the units. Finance will continue to work with offices to reduce the levels of stock on hand.

Abatement: January 16, 2009.

In addition, I have issued an instruction to postmasters to maintain their retail floor stock at a level that is consistent with current policy. District Finance has determined the correct retail floor stock level for all units and that document will be published to the field.

Abatement: January 30, 2009.

3. **Redeemed Stamp Stock not Returned to the Stamp Destruction Office**

Management agrees with this finding.

The redeemed stamp stock identified at the [REDACTED] [REDACTED] have been sent for destruction.

Abated: October 10, 2008.

4. **Stamp Examination Procedures not Followed**

Management agrees with this finding.

Management agrees that offices must maintain documentation of unit reserve audits, as well as, retail floor stock audits, cash reserve audits and cash retained audits. District Finance will continue to monitor compliance of audits through various automated programs.

Abated: December 31, 2008.

5. **Stamp Security Controls not Functioning**

Management agrees with this finding.

The POS ONE roles for the supervisor at the [REDACTED] [REDACTED] have been revised in accordance with current policies. The supervisor responsible for transferring stock between and among stations has been instructed to discontinue this practice.

Abated: September 27, 2008.

6. **Vending Controls not Followed**

Management agrees with this finding.

The vending stock at the [REDACTED] [REDACTED] has been redeemed.

Abated: December 31, 2008.

SIERRA COASTAL DISTRICT ACTION PLAN

PAGE 5 OF 5

7. **Outstanding Employee Items not Monitored**

Management agrees with this finding.

The [REDACTED] currently has one open employee item valued at \$5,534.24. The item does not exceed one year. The [REDACTED] currently has ten open employee items totaling \$2,923.49. (3 of the 10 items are credit items for a net value of \$1,006.58). None of the items exceed one year.

The FCS group will continue to work with these units to keep the open employee items at an acceptable level.

Abated: December 31, 2008.

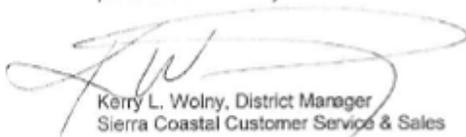
8. **Disbursements not Supported**

Management agrees with this finding.

Training was provided by the District Financial Control and Support Office in August 2008 on proper documentation for disbursements. In addition, I have issued a directive to postmasters to ensure that disbursements are properly supported.

Abated: December 1, 2008.

I believe that continuous monitoring and enforcement of current policies and procedures is the key to success for these issues.



Kerry L. Wolny, District Manager  
Sierra Coastal Customer Service & Sales

cc: Manager, Finance – Sierra Coastal District  
Manager, Post Office Operations (vn)  
Manager, Finance – Pacific Area  
Manager, Accounting – Pacific Area