August 25, 2008

PAUL E. VOGEL
MANAGING DIRECTOR, GLOBAL BUSINESS AND SENIOR VICE PRESIDENT

JOSEPH E. NASH
EXECUTIVE DIRECTOR, GLOBAL FINANCE AND BUSINESS ANALYSIS

SUBJECT: Audit Report – Controls Over the International Reconciliation System
            (Report Number CRR-AR-08-006)

This report presents the results of our audit of controls over the Postal Service's
International Reconciliation System (IRS) (Project Number 08RG007CRR000). The
Postal Accountability and Enhancement Act of 2006 (the Postal Act of 2006) requires
the U.S. Postal Service Office of Inspector General (OIG) to audit the data collection
systems and procedures the Postal Service uses in their pricing process. This is a self-
initiated audit that addresses both financial and operational risks. Click here to go to
Appendix A for additional information about this audit.

Conclusion

In implementing the IRS, the Postal Service streamlined the international mail
reconciliation process and made progress in improving system controls. Through
weekly teleconferences, management is gathering requirements to develop standard
operating procedures and IRS reports. The system automates manual input of letter bill
data and eliminates the use of multiple systems to conduct research for reconciliation.

However, the system is still evolving and management did not identify all requirements
prior to its deployment. This allows incompletely validated records to be placed into the
production database. We also noted inconsistent reconciliation procedures within
International Reconciliation Units (IRUs) for verifying volume data, and for processing
NIL,[1] missing, and duplicate dispatch records. Manually correcting and processing the
existing incomplete records and improperly flagged duplicate dispatches could cost the
Postal Service about $666,765 and $192,703, respectively, in additional personnel
resources. Inconsistent procedures employed in handling duplicate and NIL dispatches

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[1] NIL dispatches have zero weight and zero piece count within the record. NIL dispatches should be verified via a
verification note to the Foreign Postal Administration, as these dispatches do not get weight estimates and are
considered never sent.

represent about \$11,726,074[2] in assets at risk. Timely and consistent reconciliation procedures assist in protecting the integrity of management data used in making pricing decisions.

Incomplete System Requirements

Edit and Processing Requirements

The IRS transmitted processed data containing errors in critical data elements such as dispatch date, mail subclass, and item count and weights to the end-user system. This occurred because edits that identify errors in these data elements were not included in the initial system requirements. From deployment on February 2, 2008, until April 18, 2008, end users within the International Accounting Branch (IAB) identified over 356,000 records with errors. These records remained in pending status and required manual updates before the Postal Service could further process them for billing. Manually correcting the records with errors could cost as much as \$666,765. Developing a corrective action plan for these records would assist in meeting established billing cycles. Click here to go to Appendix B for our detailed analysis of this topic.

We recommend the Executive Director, Global Finance and Business Analysis, direct the Director, Global Systems Management, to:

1. Work with all stakeholders, including International Accounting Branch managers, to update the requirements analysis to ensure all appropriate business rules and edits are incorporated.

2. Ensure all significant issues identified during customer acceptance testing are corrected before placing the software release into production.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

3. Build and run comprehensive test files for customer acceptance testing that incorporate all system requirements when the updated requirements analysis is complete.

4. Promptly incorporate edit requirements the end users provide into International Reconciliation System functionality.

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[2] Assets at risk were calculated by applying an average Special Drawing Rights factor (i.e., foreign exchange factor) for the period February 2 through April 18, 2008, to parcel and letter class volume data. Using 15 months of actual dispatch data, we calculated an average dispatch value based on mail type and transportation class. We applied the average dispatch value by mail type and transportation class to the 8,136 duplicate and 184 NIL (8,320 total) dispatches identified in IRS from February 2 through April 18, 2008, to obtain the value of the records.

We recommend the Managing Director, Global Business and Senior Vice President, direct the Executive Director, Global Finance and Business Analysis, to:

5. Develop an action plan to update unprocessed records.

Duplicate Dispatch Requirements

The IRS classifies dispatches with unequal weight and receptacle count values as duplicate dispatches when the dispatch number, origin country, origin city, destination country, destination city, mail category, and subclass are the same. Because the system requirements did not include dispatch weight and receptacle counts as criteria to identify duplicate dispatches, IRU personnel must manually research and verify records improperly flagged as duplicates. This extra manual research could cost approximately $192,703 in additional personnel resources. Click here to go to Appendix B for our detailed analysis of this topic.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

6. Revise the system logic to include comparison of weight values and receptacle counts in identifying duplicate dispatches.

Management Reports Requirements

The IRS does not provide user reports required to manage critical reconciliation processes. Reports needed for timely and accurate reconciliation include reports of delinquent verification notes (VN), verified dispatches, missing dispatches, NIL dispatches, and duplicate dispatches. According to Global Business Systems (GBS), it did not design the IRS to be a reporting system. GBS depends on the Enterprise Data Warehouse for all reporting needs; however, the Enterprise Data Warehouse data may not provide all necessary information for reconciliation. Additional user reports could assist records unit personnel in identifying and resolving reconciliation issues in a timely manner and in reducing the risk of incorrect billings and erroneous settlements. Click here to go to Appendix B for our detailed analysis of this topic.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

7. Develop management reports within the International Reconciliation System to provide all necessary information for timely reconciliation, such as delinquent verification notes, verified dispatches, and duplicate dispatches.

Inconsistent Operating Procedures

During our IRU visits, we observed disparities in reconciliation processes. Global Finance and Business Analysis has not defined and documented standard operating procedures (such as initiating VNs and selecting volume data) for these processes. Management decided that developing an operations guide or standard operating procedures was not feasible during the implementation of IRS. Non-uniform operating procedures for reconciliation processes can lead to incorrect selection of volume data and inadequate verification of dispatches, resulting in erroneous settlement charges that could negatively affect international pricing.

For the period February 2 to April 18, 2008, there were 8,136 duplicate dispatches and 184 NIL dispatches, respectively, in the new system. Without standardized operating procedures, these dispatches risk being incorrectly processed. The duplicates and NIL records represent about $11,726,074 in assets at risk. Click here to go to Appendix B for our detailed analysis of this topic.

We recommend the Managing Director, Global Business and Senior Vice President, direct the Executive Director, Global Finance and Business Analysis, and the Executive Director, International Operations, to:

8. Create a standard operating procedures guide for the key reconciliation processes that includes (a) establishing a selection hierarchy for volume data during the verification of dispatches; (b) creating and responding to verification notes; and (c) identifying and processing NIL, missing, and duplicate dispatches.

Management's Comments

Management concurred with the findings, monetary and non-monetary impact, and recommendations 1 through 6 and 8. Management will implement corrective actions for recommendations 1, 2, 4, and 6 by September 30, 2009. Management implemented corrective action for recommendation 3 on August 18, 2008, and will implement corrective actions for recommendation 8 on December 31, 2008. After we received the written comments, management notified us that corrective action for recommendation 5 will also be completed by December 31, 2008.

Management did not concur with recommendation 7, stating that retaining data in IRS would affect response time for the end user. However, management has developed requirements for delinquent verification notes, verified dispatches, and duplicate dispatches. The associated change management processes are scheduled to be completed by September 30, 2009. Management agreed to the monetary and non-monetary impacts identified in this audit. Management's comments, in their entirety, are included in Appendix D.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 through 6 and 8. The OIG considers recommendations 1 through 5, 7, and 8 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation the recommendations can be closed. For significant recommendation 7, the Postal Service plans to provide additional system functionality for processing delinquent verification notes, verified dispatches, and duplicate dispatches. Therefore, we do not plan to pursue this recommendation through the formal audit resolution process.

We will report $859,468 in monetary impact and $11,726,074 in non-monetary impact in our *Semiannual Report to Congress*.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Paul Kuennen, Director, Cost, Revenue and Rates, or me at (703) 248-2100.

E-Signed by Tammy Whitcomb
VERIFY authenticity with ApproveIt
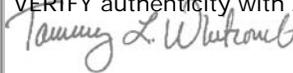
Tammy L. Whitcomb

Tammy L. Whitcomb
Deputy Assistant Inspector General
  for Revenue and Systems

Attachments

cc: Lynn Malcolm
      George W. Wright
      Michael J. Nappi
      Harold E. Stark
      Ronald L. Middlebrooks
      Daniel S. Stirewalt
      Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Network Operations Management is developing the IRS, along with the International Receipt System and the International Dispatch System, to assist in streamlining the processing of inbound and outbound international mail and integrating these systems with domestic mail systems.

Prior to implementing the IRS, IRU personnel at International Service Centers (ISCs) manually collected, reconciled, and modified international mail information and documents. IRU personnel adjusted volume data (pieces and weights) as needed and provided VNs to Foreign Postal Administrations (FPA) to reconcile irregularities in the preparation, dispatch, and receipt of international mail. Personnel manually entered all inbound letter class and parcel post volume data into the IAB web application for further processing and billing. The IRS automates many of these processes and expects to accelerate the reconciliation process, which could result in collecting terminal dues and Parcel Post® and Express Mail® service payments previously neglected due to the time spent manually processing large inbound VN volumes. During calendar year (CY) 2007, international reconciliation included approximately 13.5 million inbound and outbound international records.

IAB personnel use inbound volume data to compute settlement charges (international revenue) from FPAs. IRU personnel may adjust terminal dues and Parcel Post and Express Mail service payments[3] for the discrepancies resolved through the VN notification process. In FY 2007, the Postal Service collected about $2 billion in international revenue.

The Postal Service also uses the inbound volume data from IAB as an input in developing the International Cost and Revenue Analysis (ICRA), which reports on the revenue, pieces, weight, costs, and contributions of international mail. Management uses the ICRA in the pricing process and the PRC issues an annual report to Congress based on its evaluation of the ICRA.

The Executive Director, Global Finance and Business Analysis, is the project sponsor for the IRS. The Manager, Network Operations and Business Systems Portfolio, provides software development support. IRS data resides on an Oracle database Network Operations and Business Systems manages.

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[3] Foreign Postal Administrations make these payments to the Postal Service for sorting, transporting, and delivering international mail to its final United States destination and vice versa.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to evaluate the adequacy of controls in the IRS. To accomplish our objective, we reviewed available policies and procedures, system documentation, and architectural layouts and designs. We interviewed key officials in Information Technology Portfolio Management for Network Operations Business Systems and Global Business; conducted site visits to selected ISCs and observed operations; and interviewed personnel at the IAB and the St. Louis Integrated Business Service Solutions Center. We participated in a system demonstration the contractor hosted and compared data records from input files to output produced by the IRS for the same records.

We conducted this audit from November 2007 to August 2008, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on July 10, 2008, and included their comments where appropriate. We used manual and automated processes to assess the reliability of computer-generated data used for our analysis and concluded the data were sufficiently reliable to support the audit objective.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
New York International Service Center – Inbound International Mail	FT-AR-08-005	January 25, 2008	$13.7 million	Volume data used to bill foreign postal administrations for inbound Express Mail and Letter Class service was not always accurate.

APPENDIX B: DETAILED ANALYSIS

Overall Application Controls

With implementation of the IRS, the Postal Service has made advances in improving the reconciliation process. Management has eliminated many of the manual processes for inputting data. However, the IAB has suspended the processing of over 356,000 records it received from the IRS because key information is missing or inaccurate. This occurred because management did not identify all system requirements prior to deployment. Developing additional management reports and implementing standard reconciliation procedures could assist in reconciling international mail records more efficiently.

Incomplete System Requirements

Edit and Processing Requirements

We determined the Postal Service did not further process 356,559[4] of over 3.7 million (nearly 10 percent) records the IRS provided to IAB users from February 2 to April 18, 2008, due to missing or incorrect information. The records required manual intervention to properly prepare the records for billing. This includes 44,067 records that had missing or invalid dispatch dates and 312,492 records with other edit errors, as described below.

Table 1. Records with Incomplete or Inaccurate Dispatch Date

Type/Error Code	Description	No. of Records
Letter bill		
2	Invalid dispatch date	16,375
9	Future dispatch date not allowed	14
	Subtotal	**16,389**
Parcel bill		
1	Future dispatch date not allowed	86
	Subtotal	**86**
Express Mail service		
11	Dispatch date less than current date	19
12	Missing dispatch date	27,573
	Subtotal	**27,592**
Total		**44,067**

The January 24, 2008, customer acceptance test reported the dispatch date errors were the reason selected test records were not processed; however, management deployed the application system on February 1, 2008, without correcting the production software

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[4] We did not have the sufficient weight and piece data to calculate the collective value of the 356,559 records.

for this error type. On March 28, 2008, management approved a system change request to correct the dispatch date error. According to the change request project plan, this change is to be implemented in August 2008. In the meantime, IRU personnel must manually correct the erroneous records by consulting mailing manifests for the correct dispatch date. These records need timely correction to meet established billing cycles.

We also noted 312,492 records with edit errors that IAB did not process for billing. This occurred because edits that identify errors in these data elements were not included in the initial system requirements. We have summarized these records, which also require manual corrections to complete processing in IAB, below.

Table 2. Records with Other Errors

Type/Error Code	Description	No. of Records
Letter bill		
3	Dispatch Number Invalid	543
11	If Letter Class and Articles Other (LCAO) bags are greater than 0 then LCAO weight must be greater than 0	19
14	NIL indicator is not equal to 'Y' but all amounts are equal to 0	185
22	Mail subclass must be 'UA' 'UB' 'UC' 'UD' 'UE' 'UF' 'UG' 'UH' 'UI' 'UL' 'UM' 'UN' 'UP' 'UR' 'UT' 'UX' 'UZ' 'TZ' or 'TT'	1
	Subtotal	**748**
Parcel bill		
2	Record not on rate file	5
3	Origin country and city not on the City Table	16
5	Origin city not on City Table	16
7	Destination country and city not on City Table	10
9	Dispatch number not numeric	29
10	Parcel count must be greater than 0 for subclass CA, CD, CE, CF, CN, CV, and CZ	803
11	Gross weight must be greater than 0 for subclass CA, CD, CE, CF, CN, CV, and CZ	32
16	NIL indicator is not equal to 'Y' but all amounts equal 0	23
	Subtotal	**934**

Table 2. (continued)

Type/Error Code	Description	No. of Records
Express mail services		
14	Item count and kilo weight must be greater than 0	179,248
23	Origin city not on table	15
26	Destination city equals spaces or numeric	113
27	Destination city not on table	27
28	Mail category equals spaces or numeric	216
29	Subclass equals spaces or numeric	130,505
31	Dispatch number not numeric	306
56	Duplicate receptacle	205
99	Undefined	175
	Subtotal	**310,810**
Total		**312,492**

According to best practices, management should test all system requirements and subsequent system modifications in a dedicated environment with relevant test data. Development of a comprehensive test file that reflects all business rules would assist in ensuring the system does not transmit erroneous or incomplete data to IAB.

IAB management submitted two system change requests to incorporate additional edits into the IRS. These change requests were approved on May 22, 2008, and will be included in the August 2008 software release.

Management has taken steps to update dispatches for January 1 through March 31, 2008, that contain missing or incorrect information. Management expects completion of the updates by August 15, 2008. However, management has not provided specific instructions for all IRUs to update all the dispatches with errors.

Any delay in implementing the additional edits will add to the backlog of suspended records requiring manual review and correction. Correction of these error records can allow this information to be included in supplemental billings. Correcting the existing error records could cost as much as $666,765 in labor costs. See Appendix C for further details. We will report these costs as questioned costs in our next *Semiannual Report to Congress.*

Duplicate Dispatch Requirements

Management could improve the method the IRS uses to identify duplicate dispatches to reduce the investigative burden on IRU personnel. According to Handbook AS-805, *Information Security*, section 9-9.1.i., "The information resource must provide mechanisms to detect duplicate authentic financial transactions." The current method identifies duplicate dispatches by comparing origin country, origin city, destination country, destination city, mail category, mail subclass, and dispatch number. Because

the system requirements did not include dispatch weight and receptacle counts as additional criteria to identify duplicate dispatches, IRU personnel must manually research and verify dispatch records improperly flagged as duplicates.

Management submitted a change request to alert users when they are about to create a duplicate dispatch and allows them to view the details of the existing dispatch, update the existing dispatch, or create a duplicate. However, this change request does not include comparison of weight values to identify duplicate dispatches.

Using weight as an additional criteria to recalculate the number of duplicate dispatches for CYs 2006 and 2007 activity reduces the number of potential duplicates to be investigated by 55,102 (from 72,774 to 17,672, or 76 percent). Based on prior activity, we estimate that IRS personnel would improperly flag about 24,733 records as duplicates for CY 2008. The additional labor cost for resolving incorrectly identified duplicate dispatches could be as much as $192,703.[5] We will report $192,703 as questioned cost ($38,540) and funds put to better use ($154,163) in our next *Semiannual Report to Congress*. See Appendix C for further details.

Management Reports Requirements

The IRS does not have capability to provide management reports for managing key reconciliation processes. During our site visits, we observed that IRU supervisors had created several ad-hoc reports to assist in making workload decisions. This includes reports describing: (1) missing dispatches; (2) unresolved dispatches by country; and (3) dispatches by assigned IRU staff. Management relied on contractors to generate ad-hoc reports on NIL, duplicate, and statistically sampled dispatches.

Handbook AS-805, *Information Security,* section 9-9.1, Information Resource Integrity, states that integrity provides assurance that under all conditions the operating hardware and software maintain logical correctness, reliability, and effective protection mechanisms. Information resources must comply with information resource integrity requirements by performing data integrity checks. Best practices provide that the system should include post-collection audit analysis tools that can produce exception reports, summary reports, and detailed reports on specific data items, users, or communications facilities.

Management determined the IRS is not a reporting system and would not have reporting functionality. They intended the Enterprise Data Warehouse to provide reporting capability. However, this database does not contain IRS records, which are suspended pending investigation or error correction. Development of user reports will assist managers in timely identifying and resolving problems for international mail and reduce the risk of erroneous settlement and incorrect pricing.

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[5] $192,703 represents $38,540 in questioned costs until implementation of system enhancements in August 2008, and $154,163 in funds put to better use projected for 2 years for correction of improperly flagged duplicate dispatches.

Inconsistent Operating Procedures

We observed disparities in reconciliation processes at each of the three IRU sites we visited. For example, one record unit clerk stated their unit did not initiate any VNs for inbound dispatch discrepancies because they were not aware it was their responsibility. At another location, IRU personnel were uncertain whether to select volume data from the Electronic Data Interchange manifest, the loading dock receipt scan, or the IRU manual entry from billing documents. We also noted different methods for processing NIL, duplicate, and missing dispatches.[6] Management developed an IRS user guide to help IRU personnel navigate through the system's menu choices to perform daily activities. The user guide, however, does not contain instructions on following procedures to ensure the correct processing of IRS transactions.

In July 2007, GBS management began weekly teleconferences with headquarters and IRU supervisors to discuss issues related to GBS implementation and IRU operations. Management decided that development of an operations manual describing standard operating procedures was not feasible during the implementation of IRS. During our review, management began developing an operations manual using the content of these weekly teleconferences and feedback from field personnel. A review of the June 4, 2008, draft of *Standard Records Unit Procedures*, however, indicates the document is a high-level process flow and narrative. It does not contain specific instructions or business rules on how to select weight values, nor does it define and instruct IRU clerks on how to identify and process duplicates, NIL, and missing dispatches.

Best practices require that management design policies, procedures, practices, and organizational structures to provide reasonable assurance that the Postal Service will achieve its business objectives and prevent or detect and correct undesired events.

Implementation of standard operating procedures for reconciliation processes can reduce the risk of mishandling duplicate dispatches and assist in ensuring VNs are processed completely. This could increase the accuracy, integrity, and completeness of the approximately 13.5 million records used yearly in the settlement of revenues and expenses for inbound and outbound international mail. Historical data for CYs 2006 and 2007 show that VNs were prepared for 2,952 of 7,779 (37 percent) of all NIL dispatches and for 760 of 3,755 (20 percent) of all missing dispatches. Estimated weights were used to process the remaining 2,995 missing dispatches in lieu of preparing VNs. Currently, the IRS has 8,136 duplicate inbound dispatches and 184 NIL dispatches. Without standard operating procedures, IRU personnel could improperly identify valid records as duplicates or NILs. For example, a valid inbound dispatch improperly treated as a duplicate may result in revenue loss. The total value of these 8,136 duplicate and 184 NIL dispatches represents $11,726,074 of revenue at risk.

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[6] A missing dispatch contains zeros for all weight values and the NIL indicator field equals 'N'. For missing dispatch records, the system calculates average weight estimates for settlement purposes.

APPENDIX C: MONETARY IMPACT CALCULATIONS

Incomplete System Requirements

Edit Errors (Dispatch Dates) – Monetary Impact

We will report the costs associated with manually updating unprocessed dispatches resulting from incomplete dispatch date requirements as "questioned costs" and we calculated these costs as follows.

Total dispatches: **Dispatches requiring manual review to correct invalid dispatch dates**	**44,067**
Total minutes: **Total dispatches multiplied by 3 minutes processing time per dispatch**	**132,201**
Total workhours (rounded): **Total minutes divided by 60**	**2,203**
Total questioned costs: **Workhours multiplied by Postal Service (PS) Level 6 overtime rate ($37.40 per hour)**	**$82,405**

Edit Errors (Other than Dispatch Dates) – Monetary Impact

We will report the costs associated with manual correction of unprocessed dispatches resulting from incomplete edit requirements as "questioned costs," and we calculated these costs as follows.

Total records: **Records requiring manual review to correct other than dispatch date errors**	**312,492**
Total minutes: **Total records multiplied by 3 minutes processing time per record**	**937,476**
Total workhours (rounded): **Total minutes divided by 60**	**15,624**
Total questioned costs: **Workhours multiplied by PS Level 6 overtime rate ($37.40 per hour)**	**$584,360**

The total estimated questioned costs of $666,765 are not recoverable, as the Postal Service must expend resources to investigate and correct these records prior to settlement.

Duplicate Dispatch Report – Monetary Impact

We will report costs associated with the manual research needed to process incorrectly identified duplicate dispatches as questioned costs ($38,540) for the period February to August 2008 (when the corrective software changed is expected to be deployed), and as funds put to better use ($154,163) for the 2-year period thereafter. We calculated these costs as follows.

Total dispatches: **Duplicates currently in IRS for the 3-month period ending April 18, 2008**	**8,136**
Percentage of dispatches improperly flagged as duplicates: **76 percent of total duplicates: 8,136 multiplied by .76**	**6,183**
Average increase in backlog per month: **6,183 divided by 3**	**2,061**
Questioned costs: **Estimated increase in improperly flagged dispatches – February to July 2008** **2,061 multiplied by 6**	**12,366**
Total minutes: **Projected number of improperly flagged duplicate dispatches multiplied by 5 minutes**	**61,830**
Total additional workhours: **Total minutes divided by 60**	**1,030**
Total questioned costs: **Workhours multiplied by PS Level 6 overtime rate ($37.40 per hour)**	**$38,540**
Funds put to better use: **Estimated increase in improperly flagged dispatches – 2 years** **2,061 multiplied by 24**	**49,464**
Total minutes: **Projected number of improperly flagged duplicate dispatches multiplied by 5 minutes**	**247,320**
Total additional workhours: **Total minutes divided by 60**	**4,122**
Total funds put to better use: **Workhours multiplied by PS Level 6 overtime rate ($37.40 per hour)**	**$154,163**
Total Questioned Costs and Funds Put to Better Use	**$192,703**

APPENDIX D: MANAGEMENT'S COMMENTS

PAUL VOGEL
MANAGING DIRECTOR, GLOBAL BUSINESS
AND SENIOR VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

August 18, 2008

LUCINE WILLIS
OFFICE OF INSPECTOR GENERAL
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Controls Over the International Reconciliation System (Report Number CRR-AR-08-DRAFT)

On August 1, 2008, the Office of the Inspector General (OIG) issued the attached draft report. We have reviewed the report and are submitting this response to the OIG recommendations:

We recommend the Executive Director, Global Finance and Business Analysis, direct the Director, Global Systems Management to:

Recommendation 1: Continue to work with all stakeholders, including International Accounting Branch managers, to update requirements to ensure all appropriate business rules and edits are incorporated.

Response: Concur

Global Finance and Business Analysis is currently working with International Accounting Branch (IAB) to identify new change requests (CR), update the existing change requests, and update the requirements. The first change request will be deployed on August 18, 2008, and subsequent CRs are being defined, and updated requirements will be implemented in FY 2009. Global Finance and Business Analysis holds telecoms with the Record Units and the IAB to review the existing change requests, update the business requirements, identify any new issues, and develop new change requests as necessary to ensure all the appropriate business rules and edits are incorporated. A change control board (CCB) was also established to address newly identified enhancements. At the time of the distribution of this audit report, there were 23 newly identified change requests on file for the IRS application received from stakeholders including IAB, INO, FABA, and GSM.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

Recommendation 2: Continue to build and run comprehensive test files for customer service tests that incorporate all system requirements, when the updated requirements analysis is complete.

Response: Concur

This is one of the steps in the standard application development process. Upon completion of the design of the 23 newly identified CRs, a CAT Test Requirement Traceability Matrix will be developed to ensure all requirements have complete end-to-end test coverage by September 30, 2009.

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We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio to:

Recommendation 3: Continue to ensure all significant issues identified during Customer Acceptance Test (CAT) are corrected before placing the software release into production.

Response: Concur

This is one of the steps in the standard application development process. CAT sign-off is required before production deployment occurs to ensure the product meets customer expectation with no defects.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

Recommendation 4: Continue to promptly incorporate edit requirements provided by the end-user into International Reconciliation System functionality.

Response: Concur

Requirements, design, build, and full system regression test for edit checks are currently in process and are on schedule according to the Integrated Project Plan (IPP), and expected to be implemented by September 30, 2009. CAT will be conducted following the system test. Upon completion of CAT, end-user will sign-off appropriately and deployment will occur in accordance with the IT change cycle.

We recommend the Managing Director, Global Business and Senior Vice President, direct the Executive Director, Global Finance and Business Analysis (GFBA) to:

Recommendation 5: Develop an action plan to update unprocessed records.

Response: Concur

GFBA has been communicating with Records Units and other stakeholders for action plans to update unprocessed records. GFBA coordinated the data process effort based on the combination of missing dispatch report prepared by Integrated Business Systems Solution Center (IBSSC) and data comparison in IAB, WEB, and IRS. In turn, Records Units input missing dispatch information into the IRS by the due date prescribed by International Accounting Branch (IAB).

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio, to:

Recommendation 6: Revise the system logic to include comparison of weight values and receptacle counts in identifying duplicate dispatches.

Response: Concur

Requirements, design, build, and full system regression test for weight and receptacle count comparison are currently in process and are on schedule according to the Integrated Project Plan (IPP), and expected to be implemented by September 30, 2009. CAT will be conducted following the system test. Upon completion of CAT, end-user will sign-off appropriately and deployment will occur in accordance with the IT change cycle.

We recommend the Director, Global Systems Management, direct the Manager, Network Operations, Business Systems Portfolio to:

Recommendation 7: Develop management reports within the International Reconciliation System to provide all necessary information for timely reconciliation; for example, delinquent verification notes, verified dispatches, and duplicate dispatches.

Response: Do not concur

By design, IRS was not intended to be a data warehouse. The EDW is the data mart that houses all historical information. Retaining data in IRS will greatly effect response time for the end user.

At the time of the distribution of this audit report, review of requirements, design, build, and full system regression test for delinquent verification notes and verified dispatches and duplicate dispatches are currently in process and are on schedule according to the Integrated Project Plan (IPP), and expected to be implemented by September 30, 2009. CAT will be conducted following the system test. Upon completion of CAT, end-user will sign-off appropriately and deployment will occur in accordance with the IT change cycle.

We recommend the Managing Director, Global Business and Senior Vice President direct the Executive Director, Global Finance and Business Analysis and the Executive Director, International Operations to:

Recommendation 8: Create a standard operating procedures guide for the key reconciliation processes that includes: (a) the selection hierarchy for volume data during the verification of dispatches; (b) creating and responding to Verification Notes (VNs); and (c) identifying and processing NIL, missing, and duplicate dispatches.
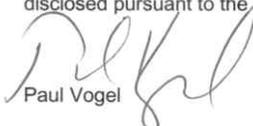
Response: Concur

Global Finance and Business Analysis is developing the international record unit standard operating procedure (SOP) to ensure all international record units process international inbound and outbound mail consistently. The high level SOP will be finished by September 30, 2008. Global Finance and Business Analysis group will monitor to ensure the compliance of the SOP. Since this document is based on new environment, on-going modification of the SOP is inevitable, and details will be added to guide specific situations and actions including but not limited to weight values, duplicates, NIL dispatches, and etc. by December 31, 2008.

Response on finding of monetary and non-monetary impact:

We agree with the findings.

Freedom of Information Act (FOIA):

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

Paul Vogel

Attachments