



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

HIGHLIGHTS

January 29, 2013

Fiscal Year 2012 Financial Testing Compliance Oversight Business Reply Mail Reviews

Report Number FT-MA-13-004

BACKGROUND:

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

Business Reply Mail is a domestic service that allows a mailer to receive First-Class mailpieces back from customers and pay postage only for the pieces returned to the mailer from the original distribution. These pieces must have a specific address and format, and the Postal Service collects postage and fees when the mail is delivered back to the original mailer.

Our objective was to evaluate whether the Postal Service properly tested, documented, and reported its examination of key financial reporting controls related to confirming that revenue was accurately recorded and invoices were printed before mail was provided to Business Reply Mail customers.

We conducted this review in support of the independent public accounting firm's reliance on management's testing, and overall audit opinions on the Postal

Service's financial statements and internal controls over financial reporting.

WHAT THE OIG FOUND:

We observed Business Reply Mail testing at 17 of 145 sampled sites and determined that examinations of key Business Reply Mail financial controls at two of the 17 sites were not always properly tested, documented, and reported. Specifically, testing procedures had changed, but management had not updated the test program. When procedures change and are not properly updated to the test program, there is an increased risk that testers may follow outdated procedures resulting in inaccurate test outcomes.

WHAT THE OIG RECOMMENDED:

We did not make recommendations in this report but provided our observations to the independent public accounting firm and Postal Service management throughout the year. Postal Service took corrective action by updating the test program on April 19, 2012. The firm used the information to support its opinions on the fiscal year 2012 Postal Service financial statements and controls over financial reporting. Because we made no recommendations, management chose not to respond formally to this report.