



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

HIGHLIGHTS

January 30, 2013

Fiscal Year 2012 Financial Testing Compliance Oversight Plant Verified Drop Shipment Reviews

Report Number FT-MA-13-005

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 key internal controls over financial reporting. The Postal Service established the Financial Testing Compliance group to test these key financial controls at postal units.

Drop shipment is mail that a mailer or authorized third party transports at the mailer's expense. In return, the mailer receives discounted prices for transporting the mail. Drop shipment mailers are required to present mail along with a completed drop shipment form. Postal Service mail acceptance employees use the form to verify the mail type, number of mailpieces, and total revenue and, once this is done and revenue is recorded, signs and dates the form. Mailers transport the verified mail to the destination mail processing facility where mail processing employees ensure the form is complete and reconciles it to the mail.

Our objective was to evaluate whether the Postal Service properly tested, documented, and reported their examination of the key financial reporting control related to the drop shipment acceptance and verification process. The key financial control for drop shipments ensures that mail is not

inducted into mail processing without an accurate and complete drop shipment form. 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 the testing of drop shipment acceptance and verification procedures at 25 of 198 sampled sites and determined that drop shipments were properly tested and documented and results were properly reported.

WHAT THE OIG RECOMMENDED:

We did not identify any exceptions; therefore, this report does not contain recommendations.

We communicated the results of our observations to the independent public accounting firm and Postal Service management throughout the year. The firm used the information to support its opinions on fiscal year 2012 Postal Service financial statements and controls over drop shipment financial reporting. Because we made no recommendations, management chose not to respond formally to this report.