

Attached are the results of our external peer review for the year ended March 31, 2009, conducted by the Department of Defense Office of Inspector General. Our system of quality control was determined to be suitably designed and complied with to provide reasonable assurance of conformity with applicable professional standards in all material respects. However, the review team did find some matters warranting our attention, and we addressed these issues with an increased emphasis on specific controls. Because the report as issued exposes data specific to a matter that is covered by the Privacy Act, our FOIA staff have advised us against disclosure of the final report without redacting these details.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 31, 2010

The Honorable David C. Williams
Inspector General
United States Postal Service
1735 North Lynn Street
Arlington, VA 22209-2005

Dear Mr. Williams:

The enclosed report presents the results of our External Quality Control Review of the United States Postal Service Office of Inspector General audit organization. We considered management comments on a draft of this report and included them as Appendix B.

We generally agree with your proposed corrective actions in response to the recommendations. We thank you and your staff for the assistance and cooperation extended to us during the review.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Patricia A. Marsh, Assistant Inspector General, Defense Business Operations, at (703) 601-5868.

Gordon S. Heddell
Gordon S. Heddell

Enclosure:
As stated

Report on External Quality Control Review of the United States Postal Service Office of Inspector General Audit Organization

This report presents the results of our external quality control review of the United States Postal Service Office of Inspector General (USPS OIG) audit organization.

We have reviewed the system of quality control for the audit organization of the USPS OIG in effect for the year ended March 31, 2009. A system of quality control encompasses the USPS OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with "Government Auditing Standards." The elements of quality control are described in "Government Auditing Standards." The USPS OIG is responsible for designing a system of quality control and complying with it to provide USPS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and USPS OIG's compliance therewith based on our review.

Our review was conducted in accordance with "Government Auditing Standards" and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed USPS OIG personnel and obtained an understanding of the nature of the USPS OIG audit organization and the design of the USPS OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the USPS OIG's system of quality control. The engagements selected represented a reasonable cross-section of the USPS OIG's audit organization, with emphasis on higher risk engagements. Before concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with USPS OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. See Appendix A for our scope and methodology.

In performing our review, we obtained an understanding of the system of quality control for the USPS OIG's audit organization. In addition, we tested compliance with the USPS OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the USPS OIG's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the

system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the audit organization of USPS OIG in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide USPS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USPS OIG has received a peer review rating of *pass*.

As is customary, however, we noted matters that warrant your attention, although they were not considered to be of sufficient significance to affect our opinion expressed in this report. These matters are described in the “Findings and Recommendations” section below.

In addition to reviewing USPS OIG’s system of quality control to ensure adherence with “Government Auditing Standards,” we applied certain limited procedures in accordance with guidance established by the CIGIE related to USPS OIG’s monitoring of engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of “Government Auditing Standards.” The purpose of our limited procedures was to determine whether the USPS OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion, and accordingly, we do not express an opinion, on the USPS OIG’s monitoring of work performed by IPAs. We made certain comments related to the USPS OIG’s monitoring of engagements performed by IPAs that are included in “Findings and Recommendations” section.

Findings and Recommendations

There was no indication that our findings affected the reliability of any of the audit reports that we reviewed. However, we believe the conditions we identified warrant your attention to ensure that audits performed by your organization continue to meet generally accepted government auditing standards (GAGAS). Improvements in the quality assurance program are essential to assessing compliance with applicable professional standards and quality control policies and procedures.

Finding 1. USPS OIG Policies and Procedures

USPS OIG had established policies and procedures in its Inspector General Manual (IGM) and other documents to ensure that its system of quality control provided reasonable assurance that the organization and personnel comply with GAGAS. However, the IGM and other documents did not always contain specific policies and procedures for ensuring that audits and attestation engagements comply with GAGAS. Specifically:

- The IGM did not contain procedures to ensure the documentation of an impairment to independence identified after audit report issuance.

- The IGM did not require an annual analysis or summary of the USPS OIG monitoring procedures that identify systemic issues needing correction or that recommend corrective actions for the deficiencies.
- The IGM lacked some specific guidance for performing financial audits. Specifically:
 - The IGM did not require that those charged with governance and individuals contracting for or requesting the audit be included in the financial audit planning. The IGM also did not include the additional information required by Government Auditing Standard (GAS) 4.06, such as the nature of the planned work and level of assurance related to internal control over financial reporting and compliance with laws, regulations, and provisions of contracts and grant agreements or any potential restrictions on the auditor’s report.
 - The IGM did not contain guidance on how auditors were to address specific GAGAS considerations for financial audits, such as materiality related to financial audits.
 - In addition, the IGM did not define the USPS OIG roles and responsibilities related to the work performed by the Independent Public Accountant (IPA) regarding a written report opinion on whether the financial statements were presented fairly, in all material respects. The roles and responsibilities of the IPA are only elaborated in the “Statement of Work for Professional Accounting Services.”
- The IGM lacked some specific guidance for performing attestation engagements. Specifically:
 - The IGM did not require the auditors to determine whether the attestation subject matter was capable of evaluation against criteria suitable and available to users.
 - The IGM did not require audit teams to obtain written acknowledgment or other evidence of the entity’s responsibilities for the attestation subject matter or the written assertion.
 - The IGM did not require that those charged with governance and individuals contracting for or requesting the engagement be included in the attestation planning.
 - The IGM did not require the communication of additional information included by GAGAS, such as the nature, timing, and extent of planned testing and reporting, the level of assurance the auditor would provide, and any potential restrictions on the auditor’s report.

The IGM contained general guidance to address the limited number of financial audits and attestation engagements that USPS OIG performed annually. However, the USPS OIG did not update all its existing policies and procedures to comply with the July 2007 revision of the U.S. Government Accountability Office (GAO), “Government Auditing Standards.” The USPS OIG planned to update its policies and procedures by September 30, 2010. USPS OIG needs to improve its system of quality controls by ensuring that its policies and procedures cover all professional standards and legal and regulatory requirements.

Recommendation

1. We recommend that the Assistant Inspector General for Audit update its policies and procedures to ensure compliance with generally accepted government auditing standards and applicable legal and regulatory requirements.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that it was in the process of updating all audit policies. The USPS OIG stated that it would consider our observations and update applicable policies by September 30, 2010.

Our Response

We accept the USPS OIG actions as responsive to the intent of the recommendation.

Finding 2. Quality Assurance Program

The USPS OIG quality assurance program was not implemented in a manner to have maximum effectiveness. GAGAS requires an audit organization to perform monitoring procedures that enable it to assess compliance with applicable professional standards and quality control policies and procedures. The IGM states that quality control teams are to conduct reviews that generally cover the most recent 1-year period and to verify that OIG teams comply with professional standards, USPS and USPS OIG policies and procedures, and applicable laws and regulations. The July 2007 revision to “Government Auditing Standards” also requires audit organizations to analyze and summarize the results of monitoring procedures at least annually and identify any systemic issues and make recommendations for corrective action.

USPS OIG did not meet the IGM requirement to review annually the audits conducted in the most recent 1-year period. It did not perform quality assurance reviews of any audits beginning on or after January 1, 2008, the effective date of the July 2007 revision of “Government Auditing Standards.” In addition, USPS OIG did not analyze or summarize annually the results of its monitoring procedures. Although USPS OIG issued three quality assurance review reports from April 1, 2008, through March 31, 2009, the reviews took an average of about 14 months to complete and covered audits that had been issued from October 1, 2005, through September 30, 2007. For example, the last quality assurance review report was dated February 25, 2009, and covered audits completed from October 1, 2006, through September 30, 2007. Furthermore, USPS OIG did not perform quality assurance reviews of the Defense Contract Audit Agency (DCAA) audit reports that it transmitted to audit clients (see Finding 6).

To determine the adequacy of the quality assurance reviews, we analyzed the review USPS OIG performed on two audits that were the subject of two of the last four quality assurance reviews. We concluded that the quality assurance teams, which consisted of staff on detail, did not adequately execute quality assurance reviews of the two audits. Specifically, they did not always fully support their determination that USPS OIG audit teams complied with specific procedures required by GAGAS and the IGM. For example, one quality assurance review (QA-QA-08-004) did not adequately document the work performed to test compliance with USPS regulations or the relevance and reliability of computer-processed data. Further, the review did not document that the audit report did not address management’s disagreement with how certain expenses were

reported. The quality assurance reviews performed by the USPS OIG did not identify major problems and addressed identified weaknesses in recommendations to audit component directors.

We attributed problems with the quality assurance program to the heavy workload of the program manager and the lack of a dedicated staff to perform quality assurance reviews. As a result, USPS OIG audit management may not have had adequate information to determine whether applicable professional standards and USPS OIG policies and procedures were being met. In early FY 2009, functions within the Audit Operations directorate were realigned to better balance organizational needs and priorities. This reorganization facilitated a sharper focus on the organization's quality assurance program. In January 2010, the USPS OIG initiated a quality assurance review of four of its audit directorates and established a 90-day time frame for completing quality assurance reviews.

Recommendation

2. We recommend that the Assistant Inspector General for Audit assign sufficient, trained staff to ensure that teams complete quality assurance reviews in a timely manner, provide adequate support for their conclusions, and annually analyze and summarize the audit results.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that it had taken actions to enhance the organization's focus on its quality assurance program and implemented a revised quality assurance review process to facilitate the completion of more timely reviews. The USPS OIG also stated that it would continue to ensure that sufficient and trained staff are assigned to review teams. In addition, beginning in FY 2010, the program manager will annually analyze and summarize the audit results, identify systemic issues, and make recommendations for corrective actions.

Our Response

We accept the actions initiated by USPS OIG as satisfying the intent of the recommendation.

Finding 3. Audit Supervision

Supervisory reviews of working papers and supporting audit documentation were not always documented in TeamMate project files and were sometimes not completed in a timely manner. GAGAS requires auditors, before the audit report is issued, to document evidence of supervisory review of the work performed, acknowledging that the work supports the findings, conclusions, and recommendations in the audit report. The IGM states that all audit and audit-related documentation must be reviewed, approved, and dated by the supervisor (auditor-in-charge, audit manager, or director) as soon as possible after it is completed to ensure the timely resolution of any discrepancies. The IGM indicates that working papers are to be reviewed at key times during the audit process. Specifically, the auditor-in-charge is to review all working papers before the go/no-go briefing, and the referencing process is not to begin until the responsible audit manager has ensured that working papers are in order and have been reviewed and that the draft report is accurate, complete, and properly cross-referenced.

For 6 of the 23 audits that we reviewed, we identified a small number of working papers in the TeamMate project files that did not include evidence of any supervisory review. The 46 working papers varied in significance, and some of them supported audit reports. In addition, 2 of the 6 audits contained 7 working papers that did not have a final supervisory review after a change was made (see Table 1).

Table 1. Working Papers Without Evidence of Initial or Final Supervisory Review

Project Number	Number of Working Papers		
	Prepared	No Initial Review	No Final Review
09BD001FF041	122	7	0
09BD001FF048	183	4	0
07XG037NL000	879	8	5
08RG021MS000	250	2	0
08YG019DA000	152	22	2
08YG017DA000	120	3	0
Total	1,706	46	7

We also found that 135 working papers supporting the findings, conclusions, and recommendations in 15 audits and 1 attestation engagement did not include evidence of timely supervisory review and approval before final report issuance.¹ There was no evidence that 93 of the 135 working papers received a supervisory review before report issuance. The remaining 42 working papers were initially reviewed by supervisors; however, the working papers were subsequently changed and did not receive a final supervisory review until after report issuance.

Although the number of working papers that received supervisory review after report issuance was small when compared with the total number of working papers associated with the projects, supervisors should have documented final reviews of all working papers that supported the findings, conclusions, and recommendations before report issuance. Table 2 lists, by project number, the number and type of problems we identified with the 16 projects.

Further, for each of the 24 projects we reviewed, we analyzed the time frames between the preparation of audit documentation and supervisory review and identified instances where supervisory reviews were completed more than 60 calendar days after the preparer signed the document. Specifically, we found that 13 of the 24 projects contained working papers for which final supervisory reviews were completed more than 60 days after the preparer's signature, and 11 projects contained working papers for which final supervisory reviews were completed more than 91 days after the preparer's signature.

¹ Four of the six audits in Table 1 also had working papers reviewed after report issuance (see Table 2).

Table 2. Supervisory Review of Working Papers After Audit Report Issuance

Project Number	Working Papers Reviewed After Report Issuance		
	Number	Changes Made, but No Final Review Before Issuance	No Changes Made, but No Initial Review
08BD001FF029	3	3	0
08BD014FF000	3	0	3
09BD002FF029	2	0	2
09BD002FF005	1	0	1
09BD002FF050	2	2	0
08BD001FF076	1	1	0
08BD017FF000	6	6	0
08BG005FF000	13	13	0
08BM005FT000	53	1	52
07XG040DR000	1	0	1
07XG037NL000	2	2	0
07BD001IS003	7	3	4
08RG021MS000	15	2	13
08YG019DA000	12	6	6
08YG017DA000	2	0	2
08BD012FT000	12	3	9
Total	135	42	93

Although GAGAS does not identify a time frame within which supervisory reviews should be completed, we believe that reviewing working papers in an untimely manner increases the risk that any problems with the work performed may not be appropriately addressed. Problems with documenting supervisory review of working papers occurred because USPS OIG policies and procedures did not specify that all supervisory reviews were to be completed before report issuance. Further, USPS OIG quality assurance reviews were not designed to determine whether supervisors reviewed working papers before report issuance. Timely and accurate supervisory reviews are necessary to ensure that working papers are prepared in accordance with GAGAS and audit reports are supported with sufficient evidence.

Recommendation

3. We recommend that the Assistant Inspector General for Audit:
 - a. Establish specific policies and procedures to ensure that supervisory reviews are completed before audit report issuance.
 - b. Reemphasize the need for supervisory reviews of working papers and supporting audit documentation in a timely manner.
 - c. Conduct comprehensive quality assurance reviews that check to ensure that supervisory reviews are performed in a timely manner and before audit report issuance.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that, by September 30, 2010, it would update applicable policy to specify that supervisory reviews are to be completed before report issuance. By April 30, 2010, it would also reemphasize to audit staff the need for supervisory reviews of working papers and supporting audit documentation to occur in a timely manner. The USPS OIG also stated that its quality assurance review program was revised to specifically ensure that supervisory reviews are conducted before report issuance.

Our Response

We accept the actions initiated and planned by USPS OIG as satisfying the intent of the recommendation.

Finding 4. Training Certificates

Automated employee training logs did not contain certificates of completion or other documented evidence supporting all the continuing professional education (CPE) hours recorded in the USPS OIG automated employee training logs. The IGM states that the USPS OIG is responsible for ensuring that auditors and evaluators meet CPE requirements; however, individuals are also responsible for monitoring their own progress toward meeting the requirements. The IGM also requires evidence of attendance at or completion of the training to qualify for CPE credits. "Government Auditing Standards" requires that auditors complete a total of 80 hours of CPE in every 2-year period; at least 24 hours of CPE that directly relates to Government auditing, the Government environment, or the specific or unique environment in which the audited entity operates; and at least 20 hours of CPE in each year of the 2-year period.

To determine whether USPS OIG was meeting these requirements, we reviewed the employee training logs and documentation supporting the completed training for 30 auditors and 4 specialists. We found that employee training logs often did not contain certificates of completion or other documented evidence supporting CPE hours recorded in the employee training logs. For example, 344 of the 512 classes shown as completed in the 34 employee training logs were not supported with documentation. From September 18 through November 20, 2009, a USPS OIG official provided us with additional documentation for 316 of the 344 classes. We did not receive supporting documentation for 28 classes, and we determined that the documentation provided to support 14 other classes did not adequately support employee attendance at the training reported in the employee training logs. For example:

- Support provided for an auditor's attendance at a 15-week computer programming class showed that incorrect information was entered in the employee training log. The class title, date, and vendor were misstated.
- A course description was the only support provided for an auditor's attendance at a Sarbanes-Oxley Whistleblower Protection class held September 22-26, 2008. The employee was unable to locate the certificate for the class.
- Support provided for three in-house courses (No Fear Act, Sexual Harassment Prevention, and Information Security Awareness) taken by an employee in FY 2008

showed that the training was completed in FY 2009. Documentation showed that the No Fear Act class was taken on October 16, 2008, the Sexual Harassment Prevention class was taken on October 23, 2008; and the Information Security Awareness training was taken on October 16, 2008.

We also determined that the two training classes taken by one auditor in FY 2007 and one specialist in FY 2008 were not included in the employee training logs.

Although USPS OIG did not provide adequate supporting documentation for 42 training classes, we determined that all 34 employees met the GAGAS CPE requirements for the 2-year period ending September 30, 2008. However, USPS OIG should improve its internal controls to ensure that training completion certificates and other supporting documents are properly maintained in the employee training logs. We determined that employee training logs did not contain certificates and other appropriate supporting documents because the USPS OIG employees did not always follow internal policies and procedures for managing training. According to USPS OIG policies, auditors, supervisors, and training staff all had a role in ensuring that certificates and other supporting documents were recorded in automated employee training logs.

The report on the previous external peer review conducted by the U.S. Department of Education, issued in May 2007, reported similar problems. For example, the report stated that:

- the employee training files, in many cases, did not contain evidence of completion for in-house training;
- the training system did not accurately capture courses completed by the correct fiscal year; and
- the system captured training that did not qualify for CPE hours, creating possible confusion.

The USPS OIG quality assurance reviews also identified similar problems with support for the information in employee training logs. USPS OIG needs to take a more proactive approach to maintaining and monitoring the information in the automated employee training logs.

Recommendation

4. We recommend that the Assistant Inspector General for Audit:

- a. Require a one-time review of the completed training recorded in employee training logs.
- b. Follow up on missing certificates of completion and ensure that evidence of completed training is included in employee training logs.
- c. Reemphasize the need for employees to enter evidence of completed training in employee training logs and for supervisors to periodically verify that support for completed training is placed in employee training logs.
- d. Consider assigning the responsibility for entering evidence of completed training in employee training logs to administrative personnel.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that a one-time review of completed training recorded in employee training logs is to begin by September 30, 2010. As part of the review, the USPS OIG is to follow up on missing certificates of completion and ensure that evidence of completed training is included in employee training logs. The USPS OIG also stated that it is working with the OIG Professional Development staff to enhance the training process to better assist audit employees in including complete and adequate evidence of completed training in their training logs. In the meantime, by April 30, 2010, USPS OIG is to reemphasize to employees and supervisors the need to ensure that adequate support for completed training is included in training logs. Additionally, training logs and supporting documentation will continue to be reviewed as part of the quality assurance review process. The USPS OIG stated that it did not have sufficient administrative resources to enter evidence of completed training in employee training logs on an ongoing basis. Consequently, audit employees will continue to be responsible for entering their own evidence and support for training they have taken. Once USPS OIG enhances the current training process, it will relay any new procedures to audit staff to better assist them with this responsibility.

Our Response

We accept the actions initiated and planned by USPS OIG as satisfying the intent of the recommendation.

Finding 5. Performance of Audits

During our review of 23 audits (22 performance audits, including 15 field financial audits, and 1 financial audit), we identified the following issues related to independence, reporting, and independent reference reviews (IRRs).

Independence

The working paper files for 7 of the 23 audits we reviewed did not include a Certificate of Independence for all personnel assigned to the audit, and 5 of the 23 audits did not include an independence certificate for specialists who supported the audits. The IGM states that OIG policy requires that all staff members, including contracted audit personnel, be free from personal and external impairments to independence, be organizationally independent, and maintain an independent attitude and appearance in all matters relating to audits or audit-related engagements. The IGM requires that a statement certifying freedom from impairments be signed by the appropriate Director, audit team, and independent reference reviewer for each project and that the statements be included in the permanent working paper files.

We also determined that audit teams did not document whether there were external impairments to independence. In October 2009, USPS OIG established a new form that auditors were to sign while assigned to an audit indicating whether or not they were aware of any external impairment to independence. We reviewed this document and determined that it was adequate. USPS OIG needs to ensure that all personnel assigned to the audit, including specialists, complete a Certificate of Independence.

Recommendation

5.1. We recommend that the Assistant Inspector General for Audit reemphasize the need for working paper files to include completed and signed Certificates of Independence for audit team members and the independent reference reviewers.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that it would remind audit staff not later than April 30, 2010, that they are responsible for including a completed and signed Certificate of Independence in the audit working paper files.

Our Response

We accept the actions planned by USPS OIG as satisfying the intent of the recommendation.

Reporting

We identified several areas where the USPS OIG audit organization needed improvements to ensure compliance with reporting standards for performance audits. Specifically, we identified issues in how USPS OIG addressed assessments of computer-processed data, report recommendations, compliance with GAGAS, and management comments in field financial reports. In addition, we identified one performance audit report that was not re-referenced after a significant change was made to the draft report and a USPS OIG policy that should be changed to ensure that all important information in reports is subject to an IRR.

Reliability of Computer-Processed Data

USPS OIG performance reports did not adequately address assessments of computer-processed data. Often, the reports did not include an assessment of the data reliability. The GAO guidance, “Assessing the Reliability of Computer-Processed Data,” GAO-03-273G, October 2002, states that you are conforming with GAGAS as long as in reporting, you discuss what you did to assess the data; disclose any concerns; and reach a judgment about the reliability of the data for use in the report. Furthermore, it states that the methodology section should include a discussion of your assessment of data reliability and the basis for this assessment.² If the data are sufficiently reliable, the auditors are to present their basis for determining that the data are sufficiently reliable.

The IGM states that for all reports that relied on computer-processed data, the methodology section is to include a discussion of the assessment of data reliability and the basis for the assessment. We identified problems in 19 of the 22 performance reports that we reviewed, including all 15 field financial reports. Two examples follow.

- Report Numbers FF-AR-09-019 and FF-AR-09-072 both state that “we traced recorded financial transactions to and from supporting documentation and assessed the reliability of computer data by verifying the computer records to source documents.” The reports did not contain a statement on whether or not the data were sufficiently reliable.

² GAO updated its guidance in July 2009. GAO-09-680G, “Assessing the Reliability of Computer-Processed Data,” clarified that the methodology section should discuss your assessment of data reliability and the basis for your determination.

In addition, Report Number FF-AR-09-019 did not include the language required in an unmodified GAGAS compliance statement, referencing that the evidence provided a reasonable basis for the findings and conclusions. Consequently, no reference was made to whether the evidence obtained provided a reasonable basis for the findings and conclusions.

- Report Number IS-AR-08-013 states that “Even though some data in our sample records were incomplete or inaccurate, [the Asset Inventory Management System] is the only comprehensive database available for the [information technology] facilities that we visited; therefore, we found this system sufficiently reliable for selecting our samples.” The report did not discuss what auditors did to assess the data and reach a judgment about the reliability of the computer-processed data for use in the report.

On October 16, 2009, USPS OIG revised its working paper template document to require audit teams to state in the Conclusion tab of the TeamMate file whether or not the data tested were reliable. However, USPS OIG needs to ensure that performance reports adequately address the reliability of computer-processed data.

Report Recommendations

The USPS OIG performance reports sometimes did not contain detailed recommendations. The audit reports identified causes but did not always contain recommendations that would appropriately address them. “Government Auditing Standards” states that auditors should make recommendations that follow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended. The IGM states that reports must include the cause and effect of the condition and recommendations for corrective action that address the root causes of findings.

We identified issues in 4 of the 22 performance reports that we reviewed. For example,

- Report Number FF-AR-09-072 primarily attributed the numerous internal control deficiencies found during the audit to insufficient managerial oversight of financial operations at five post offices, stations, and branches. The report stated that supervisors faced significant time constraints for accomplishing duties and did not provide adequate oversight.

However, the report made only one recommendation: that USPS management develop and implement an action plan with milestones to address the internal control issues identified. The report did not establish the rationale for establishing the action plan, and neither the recommendation nor the management comments addressed the significant time constraints.

USPS OIG needs to reemphasize its policy for report recommendations to adequately address the root causes of findings.

GAGAS Compliance Statement

The USPS OIG performance reports did not always include the unmodified GAGAS compliance statement, asserting that auditors complied with all applicable GAGAS. GAS 8.30 provides required language for an unmodified GAGAS compliance statement. The language states that auditors are required to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. The unmodified GAGAS compliance statement also requires auditors to state they believe the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Of the 22 performance reports we reviewed, 12 field financial audits did not include the complete GAGAS compliance statement. Although each of the reports stated the audits were conducted in accordance with GAGAS, the GAGAS compliance statements in the 12 reports did not state that auditors obtained sufficient, appropriate evidence on which to base their conclusions or an overall assessment that the evidence provided a reasonable basis for the findings and conclusions of the audit.

USPS OIG officials attributed the problem to some audit teams following the format of older audit reports that were issued before the July 2007 revision to the “Government Auditing Standards” as a guide instead of using the updated report template. The 2003 version of the “Government Auditing Standards” did not require the specific language as in the July 2007 version. USPS OIG needs to reemphasize the requirement to use the unmodified GAGAS compliance statement when auditors report that they complied with all applicable standards.

Management Comments

Field financial reports did not include the perspectives of the responsible officials of the audited entity and the corrective actions they planned to take. Nine of the 15 field financial audit reports we reviewed contained one or more findings and recommendations. GAS 8.33 states that auditors should include in their report a copy of the responsible officials’ written comments, or a summary of the comments received. The IGM states that field financial audit teams are to hold exit conferences with local management and issue a final report to management. However, the IGM does not require these audit teams to prepare draft reports for comment.

USPS management provides written comments in response to the final report for field financial audits. Our review showed that the auditors on nine field financial audits placed the management comments on the final reports and their evaluation of the comments in the working papers. However, because USPS OIG policy did not require audit teams to prepare draft reports for comment, the views of responsible officials and auditor evaluations of management comments were not in the final reports. USPS OIG capping reports on the results of nine field financial audits referenced management’s responsiveness to findings, recommendations, and monetary and nonmonetary benefits. However, the specific views of responsible officials on the findings and recommendations were not in the capping reports.

By not publishing the management comments, the final and capping reports may not provide a fair, complete, objective, and balanced view. GAS 8.32 states that providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of

responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and corrective actions they planned to take.

Recommendation

5.2. We recommend that the Assistant Inspector General for Audit improve reporting in performance reports by:

- a. Making better supported recommendations and improvements in reporting assessments of computer-processed data.
- b. Reemphasizing the need to adequately address the root causes of findings in recommendations.
- c. Using the unmodified generally accepted government auditing standards compliance statement when auditors report that they complied with all applicable standards.
- d. Publishing management comments in field financial reports or capping reports.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that it believes that audit reports contain supportable recommendations that address root causes of findings. The USPS OIG stated that each report is reviewed by several levels of OIG management, who ensure recommendations are adequate and actionable. Nevertheless, USPS OIG will reemphasize the importance of making supportable recommendations that address the root causes of findings through various in-house continuous improvement efforts during the remainder of FY 2010. By April 30, 2010, it will also reemphasize to audit staff the need to ensure that all applicable audit reports adequately address the reliability of computer-processed data and remind staff that audit reports should include the unmodified GAGAS compliance statement, asserting that auditors complied with all applicable standards. However, the USPS OIG disagreed with publishing management comments in field financial reports or capping reports, stating that the Postal Service and USPS OIG have agreed on a process that if the comments do not address, or if management disagrees with, the findings or recommendations, USPS OIG will reissue the report with management comments and the auditors' evaluation of those comments. However, to ensure compliance with GAGAS, the USPS OIG stated that it will update applicable policy and financial installation report templates no later than September 30, 2010, to reflect this process and ensure this departure from GAGAS is addressed in financial installation reports.

Our Response

We accept the actions initiated and planned by USPS OIG as satisfying the intent of the recommendation.

Independent Reference Reviews

Report Number DA-AR-09-002 was not re-referenced after a significant change was made to the draft report. The audit had an IRR completed and a reference reviewer form certified, but a significant change was then made after the IRR. The referenced amount in the draft report that was reviewed was \$131.54 million; however, the draft and final reports that were issued reported

an amount of \$127.4 million. The amount represented the estimated dollar value of lost pallets during FYs 2004 through 2007.

The IGM states that the referencer is responsible for:

- verifying that all facts and figures in the report are consistent with, and supported by, the working papers; and
- validating the accuracy of all figures, dates, proper nouns, direct quotations, and statements of fact.

It also states that if the team makes significant changes to the report after referencing, the changed or added material must be re-referenced. According to the IGM, significant changes include changes in scope (for example, the audit universe, sample size), changes in condition (for example, differences in the number, location, or amount of deficiencies), and any new or changed examples. According to USPS OIG personnel, management did not consider the change significant because it did not impact monetary benefits. We concluded, however, that it met what USPS OIG policy considers a significant change.

In addition, USPS OIG policy did not require that the GAGAS compliance statement, the auditors' summary of management comments on draft reports, and the auditors' response to the management comments that were in final performance audit reports be subject to an IRR. We believe that the GAGAS compliance statement, the summary of management comments, and the auditors' response to those comments should be subject to an IRR. An IRR of all facts and figures in audit reports, including management comments and the auditors' evaluation of those comments, is necessary to ensure that the information in the report is accurate.

Recommendation

5.3. We recommend that the Assistant Inspector General for Audit improve the performance and comprehensiveness of independent reference reviews. Specifically, the Assistant Inspector General for Audit should:

- a. Ensure that all significant facts and figures are referenced.
- b. Change United States Postal Service Office of Inspector General policy to require that the generally accepted government auditing standards compliance statement, the auditors' summary of management comments on draft reports, and the auditors' evaluation of those comments are subject to an independent reference review.

United States Postal Service Office of Inspector General Comments

The USPS OIG generally agreed and stated that it would reemphasize to audit staff by April 30, 2010, that all significant facts and figures need to be referenced. However, the USPS OIG disagreed with the need to change policy to require independent referencing of the GAGAS compliance statement, the auditors' summary of management comments on draft reports, and the auditors' response to the management comments. The USPS OIG stated that audits are conducted in compliance with GAGAS and that its quality assurance program is designed to ensure compliance. It also stated that several levels of USPS OIG management review the audit reports before report issuance and they review the management comments to ensure that they are

adequately reflected and addressed. The USPS OIG believes that these management reviews are sufficient.

Our Response

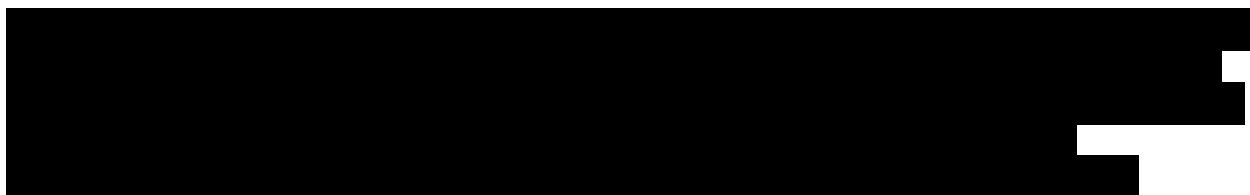
We accept the actions planned by USPS OIG to ensure that all significant facts and figures are referenced as satisfying the intent of the recommendation. However, we still believe that the GAGAS compliance statement, the summary of management comments, and the auditors' response to those comments should be referenced to supporting audit documentation and subject to an IRR. GAGAS requires that audit documentation contain the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. We consider the GAGAS compliance statement, the summary of management comments, and the auditors' response to those comments as significant auditor judgments and conclusions that should be referenced and subject to an IRR.

Finding 6. Monitoring DCAA Work and Supervising the Oversight Audit Staff

USPS OIG did not have adequate procedures for monitoring the work performed by DCAA. Assistant Inspector General for Audit Memorandum 09-002, "Monitoring and Using the Work of Others," states that monitoring the work of others is an effective means for providing oversight and securing a quality audit or review in accordance with applicable professional standards. It also states that DCAA audits are to be closely monitored by the Office of Audit's contracting officer's representative.

The USPS OIG's "Internal Procedures for Defense Contract Audit Agency (DCAA) Contract Audits" states that once USPS OIG has reviewed the DCAA report for quality, it is to issue the report under a USPS OIG transmittal letter. It also states that USPS OIG is to review DCAA audit reports for thoroughness, accuracy, and adequacy, as well as for responsiveness to the USPS OIG audit request. The guidance states that USPS OIG should request from DCAA, as required, any supplementary data, additional audit effort, or changes to the audit report.

Contrary to information in the USPS OIG transmittal letters to the responsible contracting officers and other audit clients, USPS OIG did not perform quality reviews of DCAA work. Approximately \$65.9 million of the \$321.4 million in questioned costs reported by the USPS OIG from April 2008 through March 2009 related to 6 of the 20 DCAA audit reports completed during that period. Based on our review of files supporting one of the six USPS OIG audit reports that referenced and incorporated DCAA work and discussions with responsible USPS OIG personnel, we concluded that procedures for monitoring DCAA work could be improved.



During our review of another USPS OIG audit report, we identified differences between the DCAA report and the copy of the DCAA report that the USPS OIG transmitted to USPS contracting officials. [REDACTED] unauthorized changes to each of the 20 DCAA audit reports transmitted to audit clients from April 1, 2008, through March 31, 2009. USPS OIG transmitted the altered reports to the contracting officer and other USPS audit clients as if they were the original DCAA reports. The changes made to the DCAA reports included:

- changes to report issuance date (all 20),
- elimination of scope limitations,
- general rewording of reports, including schedule formats,
- deletion of dates,
- deletion of contractor's comments on the findings,
- adding or changing an opinion statement, and
- elimination of a qualification statement.

[REDACTED]

[REDACTED]

The USPS OIG concluded that none of the report changes were programmatically significant to the Postal Service and, based on its review and suggestions from us, made changes to its DCAA audit report management and oversight procedures.

The USPS OIG published the DCAA audit report management and oversight procedures in Assistant Inspector General for Audit Memorandum 10-001, "Defense Contract Audit Agency Procurement and Oversight Procedures," February 4, 2010. The new procedures will help ensure that USPS OIG performs effective quality reviews of DCAA work and properly transmits DCAA reports to audit clients.³

³ On August 25, 2009, DOD OIG informed the Director, DCAA, that the May 2007 adequate opinion on the DCAA internal quality control system would no longer apply effective August 26, 2009. The DOD OIG Office of Audit Policy and Oversight recommended that after August 26, 2009, DCAA qualify all audit reports identified as being performed in compliance with GAGAS, with a modified statement noting an exception to compliance with the quality control and assurance standard. As a result, USPS OIG may need to further strengthen its policies and procedures for performing quality reviews of audits performed by DCAA to ensure audit quality and compliance with applicable professional standards.

Appendix A. Scope and Methodology

We tested compliance with the USPS OIG system of quality control to the extent we considered appropriate. These tests included a review of 24 of 391 audits, which included 1 attestation report issued during the period April 1, 2008, through March 31, 2009. We also reviewed two internal quality control reviews performed by USPS OIG and two audit reports performed in 2007 that UPS OIG reviewed as part of its quality control program.

In addition, we reviewed the USPS OIG's monitoring of an audit performed by an Independent Public Accountant (IPA), where the IPA served as the principal auditor during the period April 1, 2008, through March 31, 2009. During the period, the USPS Board of Governors contracted with the IPA for the audit of the USPS Fiscal Year 2008 Financial Statements. USPS OIG also contracted for certain other engagements that were performed in accordance with generally accepted government auditing standards. Specifically, we reviewed the project files that supported 1 of the 20 audits and attestation engagements that DCAA performed for USPS OIG.

We visited the Assistant Inspector General for Audit in Arlington, Virginia, and held discussions with senior audit managers. The scope of our review included audit and attestation engagement reports prepared by USPS OIG personnel in each of the directorates in the Office of Audit. Specifically, we reviewed the work performed to support the following 24 reports.

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
FF-AR-08-152	4/9/2008	Fiscal Year 2008 Financial Installation Audit – Franklin Post Office, Franklin, Virginia, Project No. 08BD001FF029
FF-AR-08-242	7/25/2008	Fiscal Year 2008 Financial Installation Audit – Dawson Business Mail Entry Unit – Dawson, Georgia, Project No. 08BD002FF088
FF-AR-08-258	8/12/2008	Fiscal Year 2008 Financial Installation Audit – Chicago District Business Mail and Business Reply Mail Procedures – Chicago, Illinois, Project No. 08BD014FF000
FF-AR-09-117	3/17/2009	Fiscal Year 2009 Financial Installation Audit – Lawtey Post Office, Lawtey, Florida, Project No. 09BD001FF041
FF-AR-09-084	2/3/2009	Fiscal Year 2009 Financial Installation Audit – Palatine Business Mail Entry Unit – Palatine, Illinois, Project No. 09BD002FF029

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
FF-AR-09-124	3/19/2009	Fiscal Year 2009 Financial Installation Audit – Monroe Business Mail Entry Unit – Monroe, Wisconsin, Project No. 09BD002FF065
FF-AR-08-148	4/1/2008	Fiscal Year 2008 Financial Installation Audit – Kenilworth Main Post Office – Kenilworth, New Jersey, Project No. 08BD001FF041
FF-AR-08-283	9/16/2008	Fiscal Year 2008 Financial Installation Audit – New Lots Station – Brooklyn, New York, Project No. 08BD001FF094
FF-AR-09-031	12/2/2008	Fiscal Year 2009 Financial Installation Audit – Cameron Post Office – Cameron, West Virginia, Project No. 09BD001FF020
FF-AR-09-019	11/20/2008	Fiscal Year 2009 Financial Installation Audit – Corbin Business Mail Entry Unit – Corbin, Kentucky, Project No. 09BD002FF005
FF-AR-09-101	2/24/2009	Fiscal Year 2009 Financial Installation Audit – Middletown Business Mail Entry Unit – Middletown, Connecticut, Project No. 09BD002FF050
FF-AR-08-188	5/27/2008	Fiscal Year 2008 Financial Installation Audit – Hawthorne Main Post Office – Hawthorne, California, Project No. 08BD001FF076
FF-AR-09-072	1/13/2009	Sierra Coastal District – Risk-Based Financial Audit, Project No. 08BD017FF000
FF-AR-09-087	2/9/2009	Bay-Valley District Financial Accountability Audit, Project No. 08BG005FF000
FF-AR-09-112	3/10/2009	Fiscal Year 2009 Financial Installation Audit – Sterling Post Office, Sterling, Kansas, Project No. 09BD001FF048
FT-AR-08-013	9/12/2008	Independent Report on Withholdings and Contributions for Health Benefits, Life Insurance, Retirement and Employee Headcount Data, Project No. 08BD012FT000

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
FT-AR-09-001	11/17/2008	Opinion on the Postal Service's Fiscal Year 2008 Special-Purpose Financial Statements, Project No. 08BM005FT000
DR-AR-08-005	7/30/2008	Management of Delivery Point Sequencing Percentage Increases for City Delivery – Southeast Area, Atlanta District, Project No. 07XG040DR000
NL-AR-08-008	9/29/2008	Air Networks – Federal Express Transportation Agreement – Western Area, Project No. 07XG037NL000
DR-AR-09-003	1/27/2009	Vehicle Maintenance Facilities – Scheduled Maintenance Service in the Capital Metro Area, Project No. 08XG004DR000
IS-AR-08-013	7/9/2008	Protection of Sensitive Equipment at Selected Postal Service Information Technology Facilities, Project No. 07BD001IS003
MS-AR-09-001	10/10/2008	Shortpaid Postage – Information-Based Indicia Priority Mail, Project No. 08RG021MS000
DA-AR-08-008	7/28/2008	Mail Processing Equipment Spare Parts: Plant Stockrooms, Project No. 08YG019DA000
DA-AR-09-002	12/24/2008	Radio Frequency Identification Technology: Asset Management, Project No. 08YG017DA000

DCAA Audits

We reviewed USPS OIG monitoring files for the following audit that DCAA performed on behalf of USPS OIG.

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
CA-CAR-08-022	5/20/2008	Rough Order Magnitude Proposal Submitted by Hewlett Packard Company

We also performed limited work related to the other 19 reports that USPS OIG issued based on work that DCAA performed on behalf of USPS OIG. We obtained assistance from the DOD OIG Office of Audit Policy and Oversight.

Quality Assurance Reviews

In addition, we reviewed the USPS OIG quality assurance review of the following two audit reports.

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
FF-AR-07-251	9/27/2007	FY 2007 Financial Installation Audit – SmartPay Purchase Card Program for Local Buying (Purchase Card) – Capital District – Washington, D.C.
FF-AR-07-061	1/17/2007	Interim Audit Report – Fiscal Year 2007 Financial Installation Audit – Northern New Jersey Stamp Distribution Office – Newark, New Jersey

Appendix B. United States Postal Service Office of Inspector General Comments



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 25, 2010

The Honorable Gordon S. Heddell
Inspector General
Department of Defense
400 Army Navy Drive
Arlington, VA 22202-4704

Dear Mr. Heddell,

Thank you for the opportunity to comment on the draft letter on the *External Quality Control Review of the United States Postal Service's Inspector General Audit Organization*, dated March 18, 2010. The report recognized that our system of internal quality control was designed to meet the quality control standards established by the Comptroller General of the United States for a federal government audit organization and that we have complied with those standards for the year under review.

Attached is our response to the specific audit findings and recommendations in the report. We generally concur with the recommendations and have started implementing corrective actions.

Please express my appreciation to your staff for their time, dedication and professionalism. Your recommendations will improve the overall quality of our audits and reviews. Should you or your staff have any questions, please contact Tammy L. Whitcomb, Assistant Inspector General for Audit, at (703) 248-2100.

Sincerely,

A handwritten signature in cursive script that reads "David C. Williams".

David C. Williams

Enclosure

Enclosure

Response to Report on External Quality Control Review of the United States Postal Service Inspector General's Office of Audit

**Department of Defense Office of Inspector General (DOD OIG)
Recommendation # 1**

We recommend that the Assistant Inspector General for Audit update its policies and procedures to ensure compliance with GAGAS and applicable legal and regulatory requirements.

**U.S. Postal Service Office of Inspector General (Postal Service OIG)
Response**

We are currently in the process of updating all of our audit policies. We will consider the observations noted by the peer review team and update applicable policies as deemed appropriate by September 30, 2010.

DOD OIG Recommendation #2

We recommend that the Assistant Inspector General for Audit assign sufficient, trained staff to ensure that teams complete quality assurance reviews in a timely manner, provide adequate support for their conclusions, and annually analyze and summarize the audit results.

Postal Service OIG Response

In early FY 2009, we realigned functions within the Audit Operations directorate to enhance the organization's focus on its quality assurance program. In January 2010, we implemented a revised quality assurance review (QAR) process to facilitate the completion of more timely reviews. Specifically, QARs are now conducted by deputy program area rather than by directorate¹ and each area will be reviewed at least once bi-annually.

We will continue to ensure QAR teams comprise sufficient and trained staff that will provide adequate support for their conclusions. Additionally, beginning with FY 2010, the program manager will annually analyze and summarize the audit results, identify systemic issues and make recommendations for corrective action.

¹ Deputy Assistant Inspectors General oversee four major programs within the Office of Audit. These major programs comprise 15 directorates.

Enclosure

DOD OIG Recommendation #3

We recommend that the Assistant Inspector General for Audit:

- a. Establish specific policies and procedures to ensure that supervisory reviews are completed before audit report issuance.
- b. Reemphasize the need for supervisory reviews of working papers and supporting audit documentation in a timely manner.
- c. Conduct comprehensive quality assurance reviews that check to ensure that supervisory reviews are performed in a timely manner and before audit report issuance.

Postal Service OIG Response

- a. *While our current policy requires staff to ensure supervisory reviews are completed as soon as possible, we will specify the need for these reviews to occur prior to report issuance. We will update applicable policy no later than September 30, 2010.*
- b. *By April 30, 2010, we will reemphasize to audit staff the need for supervisory reviews of working papers and supporting audit documentation to occur in a timely manner.*
- c. *While our QAR program already assesses whether supervisory reviews are performed timely, on March 17, 2010, we revised the program to specifically ensure supervisory reviews are conducted before report issuance.*

DOD OIG Recommendation #4

We recommend that the Assistant Inspector General for Audit:

- a. Require a one-time review of the completed training recorded in employees training logs.
- b. Follow up on missing certificates of completion and ensure that evidence of completed training is included in employee training logs.
- c. Reemphasize the need for employees to enter evidence of completed training in employee training logs and for supervisors to periodically verify that support for completed training is placed in employee training logs.
- d. Consider assigning the responsibility for entering evidence of completed training in employee training logs to administrative personnel.

Enclosure

Postal Service OIG Response

- a.-b. *We will conduct a one-time review of completed training recorded in employee training logs to begin no later than September 30, 2010. As part of this review, we will follow up on missing certificates of completion and ensure that evidence of completed training is included in employee training logs.*

- c. *We are currently working with OIG Professional Development staff to enhance the training process to better assist audit staff in including complete and adequate evidence of training completion in their training logs. We will inform staff of any new procedures that result from this effort. In the meantime, by April 30, 2010, we will reemphasize to employees and supervisors the need to ensure adequate support for completed training is included in the training logs. Additionally, training logs and supporting documentation will continue to be reviewed as part of our QAR process.*

- d. *We do not have administrative resources to perform this duty on an ongoing basis. Audit staff will continue to be responsible for entering their own evidence and support for training they have taken. Once we enhance the current process (discussed in c. above), we will relay any new procedures to audit staff to better assist them with this responsibility.*

DOD OIG Recommendation 5.1

We recommend that the Assistant Inspector General for Audit reemphasize the need for working paper files to include completed and signed Certificates of Independence for audit team members and the independent reference reviewers.

Postal Service OIG Response

We will remind audit staff no later than April 30, 2010, that they are responsible for including a completed and signed Certificate of Independence in the working paper files for all staff who works on an audit.

DOD OIG Recommendation 5.2

We recommend that the Assistant Inspector General for Audit improve reporting in performance reports by:

- a. Making better supported recommendations and improvements in reporting assessments of computer-processed data.
- b. Reemphasizing the need to adequately address root causes of findings in recommendations.
- c. Using the unmodified GAGAS compliance statement when auditors report that they complied with all applicable standards.

Enclosure

- d. Publishing management comments in field financial reports or capping reports.

Postal Service OIG Response

a.-b. We believe our reports contain supportable recommendations that address root causes of findings. Each report is reviewed by several levels of OIG management who ensure recommendations are adequate and actionable. Notwithstanding, we will reemphasize the importance of making supportable recommendations that address the root causes of findings through various in-house continuous improvement efforts, such as the Audit Report Writing training scheduled during the remainder of this fiscal year.

By April 30, 2010, we will also reemphasize to audit staff the need to ensure all applicable audit reports adequately address the reliability of computer-processed data.

- c. By April 30, 2010, we will remind staff that audit reports should include the unmodified GAGAS compliance statement, asserting that auditors complied with all applicable standards.*
- d. We disagree with publishing management comments in field financial reports or capping reports. The Postal Service and OIG have agreed on a process whereby (1) the OIG issues the local financial installation reports in final, (2) local Postal Service management provides comments to the final reports, and (3) the OIG evaluates the comments to ensure actions taken will address the finding(s) and recommendation(s). If the comments do not address, or if management disagrees with, the finding(s) or recommendation(s), the OIG will reissue the report with management comments and our evaluation of those comments attached.*

To ensure compliance with GAGAS, however, we will update applicable policy and financial installation report templates no later than September 30, 2010, to (1) reflect this process and (2) ensure this departure from GAGAS (i.e., not including management comments in our final financial installation audit reports) is addressed in our financial installation audit report scope.

Enclosure

DOD OIG Recommendation 5.3

We recommend that the Assistant Inspector General for Audit improve the performance and comprehensiveness of independent reference reviews. Specifically, the Assistant Inspector General for Audit should:

- a. Ensure that all significant facts and figures are referenced.
- b. Change USPS OIG policy to require that the GAGAS compliance statement, the auditors' summary of management comments on draft reports, and the auditors' response to the management comments are subject to an independent reference review.

Postal Service OIG Response

- a. *While our policy states such, we will reemphasize to audit staff by April 30, 2010, that all significant facts and figures need to be referenced.*
- b. *We disagree with changing our policy to require independent referencing of the GAGAS compliance statement, the auditors' summary of management comments on draft reports, and the auditors' response to the management comments. Our audits are conducted in compliance with GAGAS and our quality assurance program is designed to ensure such compliance. Additionally, as previously mentioned, our audit reports are reviewed by several levels of OIG management prior to issuance and management comments are included in each report. OIG management reviews these comments in conjunction with the audit report to ensure they are adequately reflected and addressed. We believe this management review is sufficient.*