OFFICE OF
INSPECTOR
GENERAL
UNITED STATES POSTAL SERVICE

Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center

Audit Report

January 18, 2012

Report Number FT-AR-12-010

January 18, 2012

OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center

Report Number FT-AR-12-010

IMPACT ON:
Financial reporting at the St. Louis, MO Information Technology and Accounting Service Center (IT/ASC) for fiscal year 2011.

WHY THE OIG DID THE AUDIT:
Our objectives were to determine whether:

- Financial accounting policies and procedures provide for an adequate internal control structure and comply with accounting principles generally accepted in the U.S.
- Accounting transactions at the St. Louis IT/ASC are fairly stated in accordance with accounting principles generally accepted in the U.S.
- General ledger account balances conform to the general classification of accounts on a basis consistent with that of the previous year.
- The Postal Service complies with laws and regulations that have a direct and material effect on the financial statements taken as a whole.

WHAT THE OIG FOUND:
Financial accounting policies and procedures provide for an adequate internal control structure and comply with accounting principles generally accepted in the U.S.; accounting transactions at the St. Louis IT/ASC are fairly stated in accordance with accounting principles generally accepted in the U.S.; general ledger account balances conform with the general classification of accounts on a basis consistent with that of the previous year; and the Postal Service is in compliance with laws and regulations that relate to the St. Louis IT/ASC and have a direct and material effect on the financial statements taken as a whole. We did not propose any adjustments; however, we identified issues regarding inbound international mail, money order adjustments, lease appraisals, lease checklists, and highway transportation.

WHAT THE OIG RECOMMENDED:
We recommended management develop and implement an automated control to ensure lease appraisals and capitalization checklists are completed.

WHAT MANAGEMENT SAID:
Management agreed in part with the recommendation and, by March 2012, plans to develop electronic Facilities Management System enhancements to ensure compliance with policy and provide training on these enhancements.

AUDITORS' COMMENTS:
We consider management's comments responsive to our recommendation.

Link to review the entire report

January 18, 2012

MEMORANDUM FOR: TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

JANE E. BJORK
MANAGER, FACILITIES REAL ESTATE
AND ASSETS

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

SUBJECT: Audit Report – Fiscal Year 2011 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center (Report Number FT-AR-12-010)

This report presents the results of our audit of selected financial activities and accounting records at the U.S. Postal Service's St. Louis, MO Information Technology and Accounting Service Center (IT/ASC) for the fiscal year ended September 30, 2011 (Project Number 11BM002FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Financial Reporting, or me at 703-248-2100.

Attachments

cc: Joseph Corbett
Julie S. Moore
Tom A. Samra
Scott G. Davis
Jack L. Meyer
Jean D. Parris
Steven R. Phelps
Robin M. Stewart
Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction

This report presents the results of our audit of the selected financial activities and accounting records at the U.S. Postal Service St. Louis, MO Information Technology and Accounting Service Center (IT/ASC) for the fiscal year (FY) ended September 30, 2011 (Project Number 11BM002FT000). We conducted this audit in support of the independent public accounting firm's (IPA) overall audit opinions on the Postal Service's financial statements and internal controls over financial reporting.[1] This audit addresses financial risk. See Appendix A for additional information about this audit.

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. Also, the U.S. Congress enacted Sarbanes-Oxley (SOX) legislation in calendar year 2002 to strengthen public confidence in the accuracy and reliability of financial reporting. Section 404 of SOX requires management to state its responsibility for establishing and maintaining an adequate internal control structure and make an assertion on the effectiveness of the internal control structure over financial reporting. The Postal Accountability and Enhancement Act of 2006 requires the Postal Service to comply with Section 404 of SOX. The Board of Governors (Board) contracted with the IPA to express opinions on the Postal Service's financial statements and internal controls over financial reporting.

Conclusion

During our audit of the St. Louis IT/ASC we noted:

- Financial accounting policies and procedures of the Postal Service provide for an adequate internal control structure[2] and comply with accounting principles generally accepted in the U.S.

- Accounting transactions at the St. Louis IT/ASC impacting the general ledger account balances for assets, liabilities, equity, income, and expenses of the Postal Service are fairly stated in accordance with accounting principles generally accepted in the U.S.

- General ledger account balances conform with the general classification of accounts of the Postal Service on a basis consistent with that of the previous year.

- The Postal Service is in compliance with laws and regulations that relate to the St. Louis IT/ASC and that have a direct and material effect on the financial statements taken as a whole.

[1] The IPA maintains overall responsibility for testing and reviewing significant St. Louis IT/ASC accounts and processes. The U.S. Postal Service Office of Inspector General (OIG) coordinated audit work with the IPA to ensure adequate coverage.
[2] To ensure key controls are properly designed and operationally effective.

We did not propose any adjustments; however, throughout the year, we reviewed internal controls over financial reporting and identified control deficiencies[3] regarding inbound international mail,[4] money order adjustments, lease appraisals, and lease checklists. In addition, we found that Financial Control and Support (FCS)[5] personnel did not provide sufficient working paper evidence for the OIG to determine whether our results were consistent for establishing accountability for highway contract modifications and adjustments. Because these controls are considered key,[6] any error could impact the IPA's opinion on internal controls over financial reporting. Therefore, we brought them to management's attention at the time of discovery to assist them with their responsibility for establishing and maintaining an adequate internal control structure over financial reporting. The IPA relied on mitigating controls to obtain reasonable assurance that internal controls over highway contract modifications and adjustments were maintained.

The IPA identified additional information system control deficiencies affecting the St. Louis IT/ASC that were not in the scope of our audit and are not contained in this report.[7] The IPA informed management of these issues on November 1, 2011.

Money Order Adjustment Control

We reviewed 25 money order adjustments from the Money Order Database (MODB) and found the key control over these adjustments[8] was in place and functioning to ensure they were valid and accurate.[9] However, the control was not designed to ensure the adjustment process was complete.

Specifically, we traced the adjustments to supporting documents and verified they were valid and accurate. However, in three customer inquiry adjustments, General Accounting Branch (GAB) personnel did not complete the adjustment process[10] which,

[3] A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[4] We communicated issues related to inbound international mail to management through an interim report, *J.T. Weeker (Chicago) International Service Center – International Airmail Records Unit* (Report Number FT-AR-12-002, dated October 31, 2011). Accordingly, we did not propose any further recommendations in this report.

[5] FCS management review specialist.

[6] A key control is a control that, if it fails, there is at least a reasonable likelihood that a material error in the financial statements would not be prevented or detected on a timely basis.

[7] These deficiencies included controls over independent user access, user access administration, logon credentials and passwords, and segregation of duties over upload and approval functions.

[8] These items were sampled from October 1, 2010, through June 30, 2011. The sample included seven customer inquiry adjustments, three adjustments for spoiled (voided) money orders, and 15 expense reversal adjustments (adjustments to reverse incorrect charges to post offices, initiated by the *Money Order Expense Request* (Postal Service (PS) Form 800-B process).

[9] Postal Service Control Number 128.20 states that, as needed, a designated employee reviews the validity and accuracy of adjustments (expense reversals, customer inquiries, and spoiled/voided money orders) entered in the MODB by comparing it to supporting documentation. The designated employee performing the review cannot be the same person who keyed the adjustment into the MODB. The control is evidenced by signoff on the supporting documentation (customer inquiries and spoiled/voided money orders) or approval noted within the approval letter list spreadsheet (expense reversals).

[10] As noted, completeness was not part of the key control at the time of our review.

in these cases, included billing the Federal Reserve Bank (FRB), establishing a receivable to a bank, or expensing the erroneous amount to a Post Office finance number.

As a result, the Postal Service overpaid for two money orders by $580 when GAB personnel did not (1) bill the FRB for a $480 money order it erroneously paid and (2) establish a receivable to a bank to recover a $100 money order it erroneously processed. In addition, the Postal Service understated the Money Order Liability Account by $179 when GAB personnel did not expense the Post Office for a $179 money order it issued in error.

We expanded our review of all customer inquiry adjustments processed from October 1, 2010, through June 30, 2011[11] to determine whether additional completeness errors occurred. We found that 60 of 215 (28 percent) customer inquiry adjustments were not fully completed at the time they were originally processed. The total amount related to these adjustments was $10,064, which included the three errors already discussed.[12] See Appendix B for our monetary impact.

Until the OIG brought this to the Postal Service's attention, management was not aware of this design gap. As a result, management revised the key control to incorporate the completeness element into the adjustment process. They also independently reviewed and corrected any errors identified. The amended control should ensure customer inquiry adjustments are valid, accurate, and complete. The IPA did not believe this issue had a significant overall effect on the financial statements; therefore, we did not perform any further control work in this area.

Since management took corrective action on this issue, we are not making a recommendation at this time. We will continue to test this key control and follow-up on management actions as part of our annual financial statements audit work.

Lease Appraisals and Capitalization Checklists Controls

We determined the key controls over lease appraisals and checklists were not effective. Specifically, Facilities Service Office (FSO) personnel did not always obtain lease appraisals and prepare lease capitalization checklists to evaluate facilities. Postal

[11] For audit purposes, we cut off our review at June 30, 2011, to allow for normal processing time of the adjustments.
[12] For comparison purposes, the total number and amount of customer inquiry adjustments are insignificant in relation to the entire population of the money orders issued. For instance, in FY 2011, there were over 115 million domestic money orders issued, valued at over $22 billion.

Service procedures[13] and key SOX controls[14] require appraisal values when the annual rent of a facility exceeds $150,000 and the Postal Service occupies 100 percent of the facility, or if the facility contains multiple tenants and the Postal Service occupies at least 65 percent of it. The appraisal cannot be more than 2 years old prior to inception of the lease for lease capitalization and not more than 1 year old[15] for facility disposals, new leases, or lease renewals. A lease capitalization checklist is prepared and signed once appraisal values are reviewed in a LOLA. Lease capitalization checklists are part of the documentation required for lease acceptance by the contracting officer (CO).

We tested five leases and found one[16] valued at over $150,000 annually, where Western FSO personnel did not have a lease appraisal completed; thus, appraisal values were not entered into LOLA. In addition, the manager signed the lease capitalization checklist 7 months after the lease went into effect. Western FSO personnel could provide no explanation for the deficiency other than it was an oversight. During our FY 2010 audit, we reported similar issues.[17]

If lease data is incomplete in the eFMS and the documentation needed to make decisions regarding the adequacy of leases is incorrect or not provided timely, rental payments could exceed prevailing market rates. There is also a possibility that better options are not being evaluated and the current lease is not the most optimal choice for the Postal Service.

We brought this issue to management's and the IPA's attention, both of whom agreed with the control deficiency. According to SOX personnel, they plan to remediate the deficiency; however, no remediation has been scheduled to date. Due to the continued deficiency, we did not perform further testing. See Appendix B for our monetary impact.

[13] Handbook RE-1, *U.S. Postal Service Facilities Guide to Real Property Acquisitions and Related Services*, originally published in October 2006, has been updated through July 2010.
[14] Postal Service Control Number 302.021 - A review is performed for all appraisals. Appraisals greater than or equal to $500,000 are sent to the contract appraiser to review to ensure appraisal requirements are met. The appraisal must be accepted by reviewers prior to entry into the web-based electronic Facilities Management System (eFMS). Reviewers complete the appraisal checklist, review documents, and sign-off manually as approved. Postal Service Control Number 302.022 - FSO personnel prepare the lease information entries in the List of Lease Action (LOLA) module in the eFMS, and compare to the appraisal source documentation. If no corrections are needed, the facilities contract technician saves the entry in LOLA and completes the Lease Cap Checklist, which is signed by the FSO manager or appropriate personnel as evidence of review.
[15] Handbook RE-1 states that appraisals used to support property values must be no older than 1 year prior to execution of the lease or contract of sale. Should a lease execution or execution of a sale contract extend beyond the 12 months, an update to the appraisal will be obtained. Should the update change the appraised value relative to that stated in the contract appraisal by more than 10 percent, a revised contract value will be negotiated, and new approvals will be obtained.
[16] The lease is valued at $851,011 over the lease term. Specifically, annual graduated lease payments include $163,529 for 2011, $166,800 for 2012, $170,135 for 2013, $173,538 for 2014, and $177,009 for 2015.
[17] *Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-11-009, dated March 31, 2011).

Highway Contract Route Service Order Modification and Adjustment Testing

FCS personnel[18] did not provide sufficient working paper evidence for the OIG to determine whether our results were consistent for establishing accountability for highway contract modifications and adjustments. Specifically, FCS personnel did not provide adequate evidence that the individuals signing the highway contract modifications or adjustments were authorized COs or designated representatives. Further, they did not provide evidence to support verification of contract information prior to approval in the Transportation Contract Support System (TCSS).

The Postal Service SOX key control[19] requires a CO[20] to sign and date PS Form 7440, Contract Route Service Order, to modify existing contracts or make payment adjustments. In addition, the form is reviewed for accuracy of contract information prior to the CO's approval in TCSS.[21]

According to FCS personnel, their testing relied on the effectiveness of automated controls related to user access — which was not included in working paper evidence we reviewed — to ensure an authorized individual signed PS Forms 7440; however, this is not applicable since COs manually sign and date them. Because FCS personnel did not provide adequate support, we could not confirm the forms were signed by an authorized CO. Further, based on FCS personnel's' audit summary, we determined their control test was not designed to ensure the forms were reviewed for accuracy or properly approved in TCSS. Therefore, we could not determine whether our and FCS's results were consistent.

Based on discussions with the IPA, they relied on mitigating budgetary and cost monitoring controls to obtain reasonable assurance that internal controls over highway contract modifications and adjustments were maintained in all material respects. As a result, we are not making any further recommendations and will re-evaluate this test as part of our FY 2012 financial statements audit work.

Progress on Prior Years' Recommendations

We followed up on recommendations concerning money order issues[22] where controls over replacement checks, account reconciliations, and escheatment[23] needed improvements. Management had taken corrective actions on four of seven

[18] FCS management review specialist.
[19] Postal Service Control Number 209.CA06.
[20] For audit purposes, we consider this to be either the CO or their designated representative.
[21] The SOX key control also requires the CO to review the PS Form 7440 for modifications to existing contracts or payment adjustments for accuracy of contract rates, payment method, contract number, beginning/ending contract term dates, city/state of mail service, order number, route order number, budget account number, finance number, and name/address of vendor/supplier based on the contract specialist's verification of modification or payment adjustments. Once verified, the CO completes order-in-process for approval (electronic approval) in TCSS.
[22] *Controls Over Money Orders* (Report Number FT-AR-10-009, dated February 22, 2010).
[23] This is the monthly process of recording money orders outstanding for more than 2 years as miscellaneous revenue and removing them from the Outstanding Money Order Liability Account in the subsidiary ledger.

recommendations during FY 2010.[24] In FY 2011, we confirmed that management took corrective actions on the remaining recommendations. Specifically, management continues to use the analytics tool monthly to identify additional money orders eligible for escheatment. In addition, management reviews the unidentified difference in the Outstanding Money Order Liability Account monthly as part of the account reconciliation process.

Furthermore, the Postal Service implemented the new electronic money order inquiry process in January 2011, which automated the process in the field and eliminated the need for system edits. As a result, we closed all recommendations for money orders.

Recommendation

We recommend the manager, Facilities Real Estate and Assets:

1. Develop and implement an automated control within the electronic Facilities Management System to ensure lease appraisal and lease capitalizations checklists are completed as required.

Management's Comments

Management agreed in part with the recommendation. They stated they would develop enhancements preventing incomplete lease records from being saved in the eFMS to ensure compliance with internal lease capitalization policy requirements. Further, Postal Service Headquarters personnel will provide training to field personnel to ensure their understanding of the enhancements created. The target date for implementing these corrective actions is March 2, 2012.

Management disagreed with the monetary impact related to the lease capitalization program as it does not represent an overpayment. They stated that facilities personnel considered other factors during the lease negotiation process including the lack of available competing space alternatives and operational needs. See Appendix C for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. The intent of the recommendation was to ensure lease actions are processed in accordance with Postal Service policy. We believe corrective actions to enhance eFMS to ensure lease information is complete will accomplish this.

[24] *Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center* (Report Number FT-AR-11-009, dated March 31, 2011).

Regarding monetary impact, we continue to believe the monetary impact is appropriate as it is based on the failure to follow policy or required procedures, even though it does not necessarily connote any real damage to the Postal Service.

Appendix A: Additional Information

Background

The St. Louis IT/ASC is one of three Postal Service ASCs.[25] Its employees are responsible for accounting functions related to money orders, real property, transportation, international mail, and accounts payable.[26] Employees at this facility are also responsible for processing financial and accountability data from field units.

We have issued separate financial statements audit reports for headquarters[27] and the Eagan, MN IT/ASC[28] and will issue a separate report for the San Mateo, CA IT/ASC. In addition to the overall opinions on the Postal Service's financial statements and internal controls over financial reporting, the Board's IPA issued a separate report[29] on its consideration of the Postal Service's internal controls and its test of compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report was to describe the scope of testing, not to provide an opinion on internal controls over financial reporting or compliance.[30] The OIG issued a separate report for the audit of the FY 2011 information system controls at the Eagan, San Mateo, and St. Louis IT/ASCs; and the Raleigh Information Technology Service Center.[31]

Objectives, Scope, and Methodology

The objectives of the audit were to determine whether:[32]

- Financial accounting policies and procedures of the Postal Service provide for an adequate internal control structure[33] and comply with accounting principles generally accepted in the U.S.

- Accounting transactions at the St. Louis IT/ASC that impact the general ledger account balances for assets, liabilities, equity, income, and expenses of the Postal Service are fairly stated in accordance with accounting principles generally accepted in the U.S.

[25] Other ASCs are located in Eagan, MN and San Mateo, CA.
[26] Includes accounting for rents and leases, contract stations, vehicle hire, uniform allowance, indemnity claims, tort claims, and electronic Travel (eTravel).
[27] *Fiscal Year 2011 Postal Service Financial Statements Audit – Washington, D.C., Headquarters* (Report Number FT-AR-12-005, dated December 12, 2011).
[28] *Fiscal Year 2011 Postal Service Financial Statements Audit – Eagan Information Technology and Accounting Service Center* (Report Number FT-AR-12-007, dated December 19, 2011).
[29] *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*, dated November 15, 2011.
[30] In addition to the IPA's work, these reports encompass work the OIG performed at headquarters, the three IT/ASCs, field sites, and the Raleigh, NC Information Technology Service Center.
[31] *Fiscal Year 2011 Information Technology Internal Controls* (Report Number IT-AR-12-003, dated January 9, 2012).
[32] The IPA maintains overall responsibility for testing and review of significant St. Louis IT/ASC accounts and processes. The OIG coordinated audit work with the IPA to ensure adequate coverage.
[33] To ensure key controls are properly designed and operationally effective.

- General ledger account balances conform to the general classification of accounts of the Postal Service on a basis consistent with that of the previous year.

- The Postal Service complies with laws and regulations that have a direct and material effect on the financial statements taken as a whole.

As part of our audit, we assessed internal controls, tested transactions, and verified account balances. We conducted this audit from November 2010 through January 2012 in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the U.S. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to limit audit risk to a low level that is, in our professional judgment, appropriate for supporting the overall audit opinion on the financial statements. Those standards also require considering the results of previous engagements and following up on known significant findings and recommendations that directly relate to the objectives of the audit. An audit also includes obtaining a sufficient understanding of internal controls to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We believe the evidence obtained provides a reasonable basis for our conclusion based on our audit objectives.

We supported the IPA in obtaining reasonable assurance about whether the financial statements were free of material misstatement (whether caused by error or fraud). Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, an audit conducted in accordance with PCAOB and *Government Auditing Standards* may not detect a material misstatement. However, the IPA and the OIG are responsible for ensuring that appropriate Postal Service officials are aware of any significant deficiencies that come to our attention. We discussed our conclusions with management on December 15, 2011 and included their comments where appropriate.

We relied on computer-generated data from several Postal Service financial systems, including:

- Accounting Data Mart.
- eFMS.
- eTravel System.
- Foreign Post Settlement System.
- Global Business System.
- Logistics Contract Management System.
- MODB.
- Money Order Inquiry System.
- Retek Merchandising System.
- TCSS.

We assessed the reliability of these systems' data by performing specific internal control and transaction tests, including tracing selected financial information to supporting source records. For example, we verified that payment authorizations supported payments recorded in the eFMS. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

We issued the following reports addressing selected financial activities and accounting records at the St. Louis IT/ASC. We discuss the control issues further in the "Progress on Prior Years' Recommendations" section of this report.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
Controls over Money Orders	FT-AR-10-009	2/22/2010	$367,550	Controls over money order replacement checks, account reconciliations, and escheatment needed improvement. Management agreed with all seven recommendations and took corrective action on four during FY 2010. We closed the remaining three during FY 2011. None of the recommendations were significant.
Fiscal Year 2010 Postal Service Financial Statements Audit – St. Louis Information Technology and Accounting Service Center	FT-AR-11-009	3/31/2011	$73,443,545	We did not propose any adjustments; however, throughout the year, we reviewed internal controls over financial reporting and identified control deficiencies regarding international mail, money orders, transportation, eTravel, leases, journal voucher entries, and account reconciliations. As a result of our audit, management took corrective action; therefore, we did not make any recommendations.

Appendix B: Monetary Impacts

Finding	Impact Category	Amount
Money Order Adjustment Process Not Completed	Questioned Cost[34]	$10,064
Lease Appraisal Not Completed	Unsupported Questioned Cost[35]	851,011
Total		**$861,075**

[34] Unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, contract, and so forth. May be recoverable or unrecoverable and is usually a result of historical events.
[35] A weaker claim and a subset of questioned costs; claimed because of failure to follow policy or required procedures, but does not necessarily connote any real damage to the Postal Service.

Appendix C: Management's Comments

Real Estate and Assets
FACILITIES HEADQUARTERS

UNITED STATES POSTAL SERVICE

January 10, 2012

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Fiscal Year 2011 Postal Service Financial Statements audit – St. Louis Information Technology and Accounting Service Center (Report Number FT-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report.

Management disagrees with any monetary / non –monetary impacts related to the Lease Capitalization Program. The monetary impact does not represent an overpayment. Other factors were forced to be considered during the lease negotiation process including the lack of available competing space alternatives and operational needs.

Recommendation 1: Develop and implement an automated control within the enterprise Facilities Management System to ensure lease appraisal and lease capitalizations checklists are completed as required.

Management Response/Action Plan:

Management agrees in part to develop enhancements preventing incomplete lease records from being saved into eFMS in order to ensure compliance with the requirements set forth by our internal policy for Lease Capitalization.

Management submitted a Business Needs Statement (BNS) to our IT Project Manager with the recommended controls and changes necessary to upgrade the eFMS system. The appropriate personnel at Facilities Headquarters will provide training to field personnel to ensure understanding of the enhancements created.

Target Implementation Date:

March 2, 2012

Responsible Official:

Jane E Bjork
Manager, Facilities Real Estate and Assets

"This report and management's response do not contain information that may be exempt from disclosure under the FOIA."

Jane E. Bjork
Manager, Facilities Real Estate and Assets

475 L'Enfant Plaza, SW, Room 6670
Washington, DC 20260-1862
TEL: 202-268-8463
FAX: 202-268-6305
www.usps.com

- 2 -

cc: Joseph Corbett
Scott G. Davis
Jack L. Meyer
Julie S. Moore
Tom A. Samra
Jean D. Parris
Steven R. Phelps
Robin M. Stewar
Timothy F. O'Reilly
Corperate Audit and Response Management