

April 24, 2002

JOHN M. NOLAN
DEPUTY POSTMASTER GENERAL

JOHN R. WARGO
VICE PRESIDENT, SERVICE AND MARKET DEVELOPMENT

SUBJECT: Audit Report- National Postal Forum
(Report Number EM-AR-02-011)

This report presents the results of our audit of the National Postal Forum (Project Number 00NA003MK000). The objective of this self-initiated review was to determine whether the Postal Service achieved its objectives to strengthen customer relations, train mailers, and generate sales revenue. We also wanted to identify financial payments and other support provided by the Postal Service to the National Postal Forum and the basis for providing the support; and determine whether the National Postal Forum generated sufficient revenues to cover its operational expenses.

The review disclosed information that indicated the Postal Service objectives for attending the Postal Forum were achieved. For instance, customer responses to surveys indicated that the Postal Service met its objective of improving customer relationships. In addition, the Postal Service was successful in training business mailers and generating average new sales revenue of \$1.5 million for the four Postal Forums held between the fall of 1999 and spring 2001. Postal Service officials believed these accomplishments offset the average \$2.5 million cost of attending the Postal Forum. This report has two recommendations. Management agreed with our recommendations and has initiatives in progress, completed, or planned addressing the recommendations. Management's comments and our evaluation of these comments are included in this report.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Larry Chisley, director, Accepting and Processing, at (703) 248-2100 or me at (703) 248-2300.

Ronald K. Stith
Assistant Inspector General
for Core Operations

Attachment

cc: John E. Potter
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EXECUTIVE SUMMARY

Introduction

The National Postal Forum is a not-for-profit corporation established for the sole purpose of supporting the Postal Service. Consistent with that mission, the National Postal Forum partners with the Postal Service to hold semiannual combined training conferences and trade shows for the Postal Service and its' customers, also named the National Postal Forum. For purposes of this report the term Postal Forum will be used to refer to the conferences and trade shows.

The purpose of our self-initiated audit was to determine whether the Postal Service achieved its objectives for attending the Postal Forum, which included, strengthening customer relations, training mailers, and generating sales revenue. We also sought to identify financial payments and other support provided by the Postal Service to the National Postal Forum; and to determine whether the Postal Forum generated sufficient revenues to cover its operational expenses.

Results in Brief

We identified information that indicated that the Postal Service achieved its objectives of attending the Postal Forums. For instance, customer satisfaction surveys indicated that customer relationships were strengthened. More specifically, the majority of survey respondents were satisfied with the Postal Forum and considered networking the most important aspect of the Postal Forum.

In addition, the Postal Service was effective in training business mailers. Approximately 11,000 mailers attended the Postal Service business sessions during the spring 2001 Postal Forum, including representatives from over 100 of the largest Postal Service accounts, which accounted for over \$7 billion in revenue in fiscal year (FY) 2000. Mailers indicated the educational content was also an important factor in determining whether they attended the Postal Forum.

Furthermore, the Postal Service averaged about \$1.5 million in new sales revenue for the four Postal Forums held between fall 1999 and spring 2001. During each Postal Forum, Postal Service officials met with current and prospective customers to discuss Postal Service products

and customer concerns. Customers indicated that the presence of key Postal Service officials facilitated their purchase of additional Postal Service products.

Costs associated with attending the Postal Forums averaged about \$2.5 million for the four Postal Forums from fall 1999 through spring 2001. These costs included registration fees for Postal Service employees attending the Postal Forum, exhibit space fees for the Postal Service exhibit and transportation costs.

The Postal Forum generated sufficient revenues -- an average of \$6.4 million per Postal Forum -- to cover average operational expenses of \$6.1 million during FYs 1998, 1999, and 2000. Postal Service fees represented about 19 percent of average Postal Forum revenues. We noted that the Postal Service had considerable influence over the format of the Postal Forums and the companies that exhibit products. In addition, several Postal Service employees performed operational support duties during the spring 2000, fall 2000, and spring 2001 Postal Forums. While this influence and support may give the impression that the National Postal Forum is not independent of the Postal Service, this relationship is consistent with the Internal Revenue Service guidelines. In the past several years, the Postal Service has focused on reducing its costs associated with attending the Postal Forums.

**Summary of
Recommendations**

We recommended management continue to emphasize prudent spending at Postal Forums and discontinue having Postal Service employees work on-site at Postal Forum operations.

**Summary of
Management's
Comments**

Management agreed with our recommendations and stated that an attendance policy for the San Diego Postal Forum was issued February 2002, emphasizing the need to finance all major elements of the Postal Forum through the National Postal Forum. This message will be reemphasized during August 2002 in the attendance policy for the Postal Forum scheduled in Boston, Massachusetts. In addition, management stated that nearly all on-site operational support has been shifted to the National Postal Forum and the remaining operational support will be transferred prior to the start of the Postal Forum in Boston, Massachusetts.

Management's comment's, in their entirety, are included in Appendix F of this report.

**Overall Evaluation of
Management's
Comments**

Management's planned actions are responsive and meet the intent of our recommendations.

INTRODUCTION

Background

The National Postal Forum is a not-for-profit educational corporation founded in 1968 by major Postal Service customers and the Postal Service. The National Postal Forum is a separate legal entity from the Postal Service and is governed by a seven-member Board of Directors. These board members were paid an average of about \$19,000 in 2000. The Postal Forum is headquartered in Fairfax, Virginia, and employs about 14 full-time staff members.

The Postal Forum's primary tax-exempt purpose is to assist the Postal Service in educating business mailers on the efficient use of products and services offered by the Postal Service.

To accomplish that purpose, the National Postal Forum holds combined educational conferences and trade shows, also named National Postal Forum. For purposes of this report the term Postal Forum will be used to refer to the conference and trade shows. Since 1968, the Postal Forum has undergone several changes, such as, being held annually, biannually, and as a regionally focused meeting up to five times per year. Starting in 1990, the Postal Forum has been held semiannually as a national meeting at various locations throughout the United States. Also in 1990, the Postal Service entered into a Memorandum of Understanding with the National Postal Forum that generally identifies the Postal Forum expenses to be paid by the Postal Service and the National Postal Forum. Annual negotiations regarding the actual expenses to be paid by the National Postal Forum and the Postal Service are included in an addendum to the memorandum each year.

Objectives, Scope, and Methodology

Our audit objectives were to:

1. Determine whether the Postal Service achieved its objectives of strengthening customer relations, training business mailers, and generating new sales revenue.
2. Determine Postal Service expenses, financial payments, and other support provided to the National Postal Forum and the basis for providing the support.

3. Determine whether the Postal Forum has generated sufficient revenues to cover its operational expenses.

To accomplish our audit objectives, we reviewed the spring 2000, fall 2000, and spring 2001 Postal Forums; and interviewed key Postal Service personnel including the National Postal Forum program manager, budget coordinator, and exhibit coordinator. Additional details regarding our audit methodology are included in Appendix E.

This audit was conducted from June 2000 through April 2002 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objectives of this audit.

AUDIT RESULTS

Benefits of Attending the National Postal Forum

The audit disclosed direct evidence or indications that the Postal Service achieved its objectives for attending the Postal Forum. Postal Service objectives included, strengthening customer relations, training mailers, and generating sales revenue. While we were unable to identify a measurement system used by the Postal Service to directly determine whether customer relationships improved at the Postal Forums, customer responses to surveys indicated that relationships improved.

We found that the Postal Service had been successful in achieving its objective of training business mailers. Also, the Postal Service achieved its objective of generating new sales revenue at Postal Forums an average of \$1.5 million for the four Postal Forums held from fall 1999 through spring 2001. Postal Service expenses associated with attending the Postal Forum averaged \$2.5 million per Postal Forum and were primarily associated with registration, exhibit space, and transportation.

Furthermore, we determined that the National Postal Forum generated enough revenue to cover its cost for fiscal years (FY) 1998 and 1999. However, we noted that there may be a public perception the Postal Forum was a Postal Service financed event.

Customer Relations

We found information that indicated the Postal Service achieved its objective to strengthen customer relations.

For instance, over 1,700 commercial Postal Service customers attended the March 2001 Postal Forum, including representatives from over 100 of the largest Postal Service accounts valued at over \$7 billion in FY 2000. Also, Postal Service surveys¹ indicated that relationships improved in that customers stated they considered networking an important aspect of the Postal Forum.

More specifically, research data showed that customers wanted to meet with account representatives, district managers, bulk mail center managers, program managers, and Postal Service officers. Therefore, at each Postal

¹ For the April 2001 research, telephone surveys were conducted with 700 businesses.

Forum, the Postal Service set up consultation centers where customers could meet with Postal Service experts and managers to discuss their problems and to have their questions answered. In addition, approximately 300 to 500 Postal Service sales and area operations employees attending the Postal Forums conducted numerous customer relations activities that included planning, organizing, and participating in customer sales and marketing meetings.

While we believe that Postal Service officials interacting with their customers at the Postal Forum impacts customer relations, there was no system in place to directly assess whether customer relations improved.

Training Mailers

The Postal Service achieved its objective of training business mailers.

During the spring 2001 Postal Forum, the Postal Service offered 102 business sessions. Business sessions were designed to train mailers on new and existing Postal Service products and services and how these new products and services could help mailers to succeed in their business.

The sessions were organized in five tracks that reflected the way customers do business with the Postal Service:

- Distribution and Fulfillment
- Mail Center Operations
- Managing Mail Preparation and Acceptance
- Postal Rates and Policy
- Winning New Business

Nineteen Postal Service employees, including Postal Service officers and senior executives, presented eight business builder sessions at the spring 2001 Postal Forum. The business builder sessions included discussions by Postal Service officers and their industry counterparts on operations, Postal Service policy, eCommerce, the Inspection Service, and technology. Approximately 11,000 people attended the business builder and business sessions. Customer questionnaires completed at the Postal

Forum indicated that attendees liked the training sessions and considered the educational content an important factor in attending the Postal Forum.

Revenue Generated
From Postal Forums

The Postal Service achieved its objective of generating new revenue. Postal Service averaged about \$1.5 million in new sales revenue for the four Postal Forums held between fall 1999 and spring 2001. During each Postal Forum, Postal Service officials met with current and prospective customers to discuss Postal Service products and customer concerns. These meetings provided Postal Service officials with an opportunity to meet individually with customers to promote Postal Service products and services. Customers indicated that the presence of key Postal Service officials facilitated their purchase of additional Postal Service products.

Cost of Attending
Postal Forums

Postal Service expenses associated with attending the Postal Forum averaged about \$2.5 million during 2000 and spring 2001. Expenses included registration and exhibit fees for Postal Service employees attending the Postal Forum and the Postal Service exhibit. These fees averaged about \$600,000 per Postal Forum and were paid to the National Postal Forum, representing about 19 percent of total fees paid to the National Postal Forum. The Postal Service spends approximately \$1,000,000 per Postal Forum on travel costs for employees to attend and another \$900,000 for miscellaneous costs. See Appendix A for details of costs.

Although we considered most Postal Service expenses to be reasonable, we found several instances of expenses we considered questionable. For example, area and district offices paid the \$115 registration fee for nine Postal Service employees and customers at the Postal Forum golf tournament during the spring 2001 Postal Forum, a total of \$1,035. In addition, we found an instance where area officials spent \$2,986, including \$923 for alcoholic beverages, to hold a staff meeting for 28 area employees. Although these expenditures were not prohibited, they appeared to be inappropriate and could result in adverse publicity.

Recommendation

We recommend the deputy postmaster general:

1. Continue to emphasize the need for prudent spending when issuing the Postal Forum attendance policy.

**Management's
Comments**

Management agreed with the recommendation. They stated that the attendance policy is issued prior to each Postal Forum event and is designed to ensure that Postal Service attendance is appropriate for the Postal Service's need to implement the event, present customer training, education programs, and is proportional to the level of customer attendance. The attendance policy for the San Diego Postal Forum, issued on February 15, 2002, reemphasized the need to finance all major elements of the Postal Forum, including customer receptions, through the National Postal Forum. A message was issued to Postal Service officers on February 15, 2002, stating that Postal Service employees who participate in Postal Forum golf tournaments are responsible for paying tournament fees. These messages will be reemphasized in the attendance policy statement for the Boston Postal Forum, to be issued in August 2002, and approximately 60 days prior to each future Postal Forum.

**Evaluation of
Management's
Comments**

Management's planned actions are responsive and meet the intent of our recommendation.

**National Postal
Forum Revenues**

The National Postal Forum's FY 1998, 1999, and 2000 tax returns² indicated that they generated sufficient revenues to cover its operational expenses. Revenues used to pay administrative expenses and salaries were within acceptable levels. Approximately 23 percent of National Postal Forum revenues were used to pay administrative expenses and salaries during 1998. We benchmarked administrative expenses and salaries as a percentage of revenues for four nonprofit organizations in the Washington, D.C. area. Expenses and salaries ranged from 16 to 27 percent of revenues. Appendix D summarizes National Postal Forum revenues and expenses for 1998, 1999, and 2000.

² Internal Revenue Service Form 990, Return of Organization Exempt From Income Tax.

Public Perception

Although the National Postal Forum is a separate legal entity from the Postal Service, we noted that there may be an appearance that the Postal Service was not completely independent of the National Postal Forum.

For instance, the Postal Service is the single largest organization at Postal Forums sending over 500 employees to each Postal Forum. This represents about 1-in-8 participants at each Postal Forum. In addition, the Postal Service had exclusive control over the Postal Forum program and did not allow Postal Service competitors to participate at the Postal Forums. Additionally, the Postal Service provided up to six staff members to support speaker registration, message center, and mail service at each Postal Forum. The National Postal Forum pays for travel and lodging expenses for these employees.

We noted that two of the current board members are former Postal Service officers and one elected board member is a former deputy postmaster general and Postal Service governor. Four of the seven board members are elected, two are appointed by the Postal Service postmaster general, and the seventh is a full-time executive director. However, our research indicated that the control by the Postal Service evidenced by the appointment of board members by the postmaster general complies with Internal Revenue Service guidelines for nonprofit organizations.

In the past several years the Postal Service has focused on reducing attendance and cost. Overall, Postal Service employees only represented 13 percent of the total attendance at the three Postal Forums. According to Postal Service guidelines, the total number of Postal Service employees should not exceed 20 percent of overall customer attendance. In addition, the Postal Service-funded customer receptions were eliminated beginning with the fall 2001 Postal Forum.

Recommendation

We recommend the vice president, Service and Market Development:

2. Discontinue having Postal Service employees work on-site at Postal Forum operations.

**Management's
Comments**

Management agreed with the recommendation. They stated that the Postal Service has previously shifted nearly all the responsibility and expense related to Postal Forum operations to the National Postal Forum corporation. Management stated that three Postal Service employees will support the San Diego Postal Forum during April 2002; however, all remaining on-site operational support will be transferred to the National Postal Forum corporation prior to the Postal Forum scheduled for Boston, Massachusetts, in September 2002.

**Evaluation of
Management's
Comments**

Management's planned actions are responsive and meet the intent of our recommendation.

APPENDIX A POSTAL SERVICE EXPENSES AT NATIONAL POSTAL FORUM

Postal Service expenses associated with attending the Postal Forum were about \$2.5 million for the spring 2000, fall 2000, and spring 2001 Postal Forums held in Nashville, Tennessee; Anaheim, California; and Orlando, Florida. Travel expenses account for about 38 percent of Postal Service expenses.

Table A-1 lists Postal Service expenses, actual and estimated, for the spring and fall 2000 and spring 2001 Postal Forums.

Table A-1. Postal Service Expenses

Expenses	Spring 2000	Fall 2000	Spring 2001
Actual			
Registration Fees	\$451,975	\$363,660	\$326,950
Exhibit Space Fees	217,305	215,110	234,710
Exhibit Contractor	494,868	422,000	586,216
Marketing	122,243	188,592	0
Production	92,967	115,850	52,657
Estimated			
Travel	*1,000,000	*1,000,000	**909,000
Receptions	*150,000	**85,514	**97,287
Other	*150,000	*150,000	*150,000
Total Expenses	\$2,679,358	\$2,540,726	\$2,356,820

* OIG estimates

** Actual expenses

Registration fee payments to the National Postal Forum for Postal Service employees attending the Postal Forums averaged about \$381,000 per Postal Forum, about 23 percent of total National Postal Forum registration fee revenues at the calendar year 2000 and spring 2001 Postal Forums. Table A-2 shows total National Postal Forum registration fee revenues and Postal Service registration fee payments to the Postal Forum.

Table A-2. Registration Fee Payments

Postal Forum	Registration Fees		
	Total Registration	Postal Service Payments	Percentage of Total
Spring 2000 (Nashville)	\$1,898,815	\$451,975	24%
Fall 2000 (Anaheim)	1,424,148	363,660	26%
Spring 2001 (Orlando)	1,696,624	326,950	19%
Average	\$1,673,196	\$380,862	23%

Postal Service exhibit space payments to the National Postal Forum averaged about \$222,000 at the spring and fall 2000 and spring 2001 Postal Forums. Postal Service payments were about 15 percent of the total exhibit space revenues collected by the National Postal Forum. Total exhibit space revenues collected by the Postal Forum averaged about \$1.5 million per Postal Forum. The Postal Service pays the prevailing market rate for space required for the Postal Service exhibit. Table A-3 shows total Postal Forum exhibit space revenues and Postal Service exhibit space payments to the National Postal Forum.

Table A-3. Exhibit Space Fees

Postal Forum	Exhibit Space Fees		
	All Exhibit Fees	Postal Service Fee	Percentage of Fees
Spring 2000 (Nashville)	\$1,444,650	\$217,305	15%
Fall 2000 (Anaheim)	1,448,930	215,110	15%
Spring 2001 (Orlando)	1,543,320	234,710	15%
Average	\$1,478,967	\$222,375	15%

The Postal Service paid \$494,868 at the spring 2000 and \$422,000 at the fall 2000 Postal Forums to store, maintain, transport, and to set up the large Postal Service exhibit. The Postal Service paid the exhibit contractor \$586,216 for the spring 2001 Postal Forum. The additional costs were for marketing and promotional efforts that were previously done by Postal Service advertising agencies.

The National Postal Forum pays for all Postal Forum related advertising and promotional expenses. However, the Postal Service incurs marketing expenses to promote and advertise the Postal Service. Postal Service marketing expenses were \$122,243 at the spring 2000 Postal Forum and \$188,592 at the fall 2000 Postal Forum. The marketing expenses were for the:

- Design and production of Postal Service advertisements in Postal Forum program guides.
- Design and messaging work for the Postal Service exhibit.
- Print and video advertising promoting the Postal Service.

Beginning with spring 2001 Postal Forum, the marketing and promotion costs were included in the exhibit contract.

The Postal Service reimbursed the National Postal Forum \$208,817 for production expenses at the spring and fall 2000 Postal Forums. As part of a Memorandum of Understanding, the Postal Service hosts several general sessions and a customer

recognition/awards dinner. The National Postal Forum pays for production expenses for these events. In the Memorandum of Understanding, production costs were estimated to be \$1.1 million for the spring and fall 2000 Postal Forums. However, the Postal Service requested additional production support at a cost of \$92,967 at the spring 2000 Postal Forum to hire a professional host/moderator for three general sessions; and \$115,850 to expand video production of award winners and customers at the fall 2000 Postal Forum general sessions. At the spring 2001 Postal Forum, the Postal Service reimbursed the National Postal Forum \$52,657.

Travel expenses are the largest Postal Service expense at the Postal Forum. On average, the Postal Service spends about \$967,000 on Postal Forum travel expenses, about 38 percent of total Postal Service expenses of \$2.5 million. We estimated the spring and fall 2000 Postal Forum travel expenses because Postal Service travelers were not recording their travel under the correct general ledger account number.

However, under the new Postal Service Electronic Travel Voucher System, travel to the Postal Forum is being recorded under the correct general ledger account number. For the spring 2001 Postal Forum, we identified 670 travel payments totaling \$909,000.

At each Postal Forum the Postal Service hosts a number of customer receptions. These receptions provide operations and sales personnel an opportunity to meet and talk with customers about customer issues and concerns. Prior to the fall 2000 Postal Forum, each area sponsored separate customer receptions that cost the Postal Service about \$150,000. Beginning with the fall 2000 Postal Forum, the areas no longer hosted customer receptions. Instead, the Postal Service sales group sponsored four receptions, one for each regional sales area. At the fall 2000 Postal Forum, the four receptions cost \$85,514. At the spring 2001 Postal Forum, the four receptions cost \$97,287. Beginning with the fall 2001 Postal Forum, the Postal Service-funded customer receptions have been eliminated.

Postal Service officials stated that only the four sales receptions have been eliminated. Areas and districts may hold customer receptions at their discretion. At the spring 2001 Postal Forum, the areas and districts held 27 separate customer receptions/dinners at a cost of \$54,336. We included these expenses in the "other expenses" category below.

For the spring 2000, fall 2000, and spring 2001 Postal Forums, we estimated that the Postal Service areas, districts, and headquarters agencies spent a combined \$150,000 at each Postal Forum on miscellaneous expenses like customer dinners, pins, welcome kits, invitations, customer and employee awards, area suites and associated food and beverages, and printing and publication expenses.

APPENDIX B COMPARISON OF NATIONAL POSTAL FORUM ATTENDANCE

Postal Service attendance at the Postal Forum is declining. Approximately 1,079 Postal Service employees attended the spring 2000 Postal Forum in Nashville, Tennessee; 866 employees attended the fall 2000 Postal Forum in Anaheim, California; and 743 employees attended the spring 2001 Postal Forum held in Orlando, Florida.

At each Postal Forum, an average of 371 Postal Service employees attend the Postal Forum as session speakers, exhibit staff, security, public affairs, and communications staff. Those support employees receive a complementary Postal Forum registration. Additionally, an average of 525 employees attend the Postal Forum to support sales and customer relations objectives. The Postal Service pays the registration fees for those employees.

There are also a limited number of local Postal Service employees that purchase a \$25 one-day exhibit hall pass. At the spring 2001 Postal Forum, 65 Postal Service employees purchased exhibit hall passes.

Table B-1 depicts attendance figures for the Nashville, Anaheim, and Orlando Postal Forums.

Table B-1. Postal Service Attendance

Postal Service Category	Spring 2000	Fall 2000	Spring 2001
Postal Service Paid Attendance:	644	483	447
Postal Service Support at Postal Forum (Nonpaid):			
Postal Service Speakers	120	112	75
Consultation Center Staff	23	7	3
Postal Service Staff	52	55	51
Postal Service Exhibit Staff	179	142	125
Postal Senior Executives	<u>61</u>	<u>67</u>	<u>42</u>
Total Postal Service Support at Postal Forum:	<u>435</u>	<u>383</u>	<u>296</u>
Total Postal Service Attendance	<u>1,079</u>	<u>866</u>	<u>743</u>
Total Attendance:	7,184	7,191	6,690
Postal Service Attendance as a Percentage of Total Attendance:	15%	12%	11%

Prior to each Postal Forum the Postal Service chief operating officer issues attendance guidelines that identify employees who are expected to attend, and employees that may attend at the discretion of the area and headquarters vice presidents and certain executives. Employees expected to attend typically include district managers, area and district marketing managers, area Postal Forum coordinators, plant and transportation managers, and sales account representatives.

Overall, Postal Service employees represented 13 percent of the total attendance at the three Postal Forums. Additionally, Postal Service employees represented about 20 percent of Postal Service customer attendance. As a general guideline, the total number of Postal Service employees attending at the discretion of Postal Service executives should not exceed 20 percent of overall customer attendance. Customer attendance is identified by the Postal Forum from registration data and forwarded to the area and headquarters Postal Forum coordinators.

**APPENDIX C
COMPARISON OF NATIONAL POSTAL FORUM
REGISTRATION FEE TO OTHER CONFERENCES**

The \$695 registration fee that individual Postal Service employees paid to attend the spring and fall 2000 Postal Forums is comparable to registration fees at similar tradeshows and conferences. Although each tradeshow and conference is unique, we judgmentally selected five tradeshows and conferences that were similar in length and also provided informational and educational presentations. As shown below, the registration fee for those events ranged from \$445 to \$1,625.

Conference	Number Days	Fee
National Congress for Community Excellence Development	3	\$445
MailCom 2000	3	595
National Postal Forum	3	695
American Bankers Association Marketing Conference	3	995
ICE Internet Commerce Expo	3	995
Call Center 2000	4	1625

APPENDIX D NATIONAL POSTAL FORUM REVENUES AND EXPENSES

The National Postal Forum's 1998, 1999, and 2000 tax returns³ indicated that they generated sufficient revenues to cover their operational expenses. In 1998, the National Postal Forum reported revenues of \$6,050,589 and expenses of \$5,342,379 resulting in a \$708,210 increase in net assets. The increase in net assets combined with a \$382,108 increase in the fair market value of investments, resulted in a \$1,090,318 increase in net assets for 1998.

In 1999, the National Postal Forum reported revenues of \$6,347,138 and expenses of \$6,395,461 resulting in a \$48,323 decrease in net assets. However, the decrease in net assets was offset by a \$392,346 increase in the fair market value of investments, resulting in a \$344,023 increase in net assets for 1999. Tax returns for calendar year 2000 were not available at the time of our audit.

In 2000, the National Postal Forum reported revenues of \$6,908,492 and expenses of \$6,573,086, resulting in a \$335,406 increase in net assets. This increase in net assets was partially offset by a fair market value decrease in investments of \$209,311. This results in a total net increase in assets of \$126,095 for 2000.

Table D-1 summarizes National Postal Forum revenues and expenses for 1998, 1999, and 2000.

Table D-1. National Postal Forum Revenues and Expenses

National Postal Forum	2000	1999	1998
Revenues	\$6,908,492	\$6,347,138	\$6,050,589
Expenses	<u>6,573,086</u>	<u>6,395,461</u>	<u>5,342,379</u>
Excess or (deficit)	<u>\$335,406</u>	<u>\$(48,323)</u>	<u>\$708,210</u>
Beginning Fund Balance	\$4,440,804	\$4,096,781	\$3,006,463
Increase FMV Investments ⁴	(209,311)	392,346	382,108
Excess or (deficit)	<u>335,406</u>	<u>(48,323)</u>	<u>708,210</u>
Ending Fund Balance	<u>\$4,566,899</u>	<u>\$4,440,804</u>	<u>\$4,096,781</u>

³ Internal Revenue Service Form 990, Return of Organization Exempt From Income Tax.

⁴ Fair market value.

APPENDIX E. METHODOLOGY

To determine whether the Postal Service achieved their objectives of strengthening customer relations, training business mailers, and generating new sales revenue, we reviewed customer surveys results from the most recent Postal Forum, interviewed the Postal Service employee responsible for the training and educational sessions and reviewed Postal Service records on new sales generated at each Postal Forum. To verify the accuracy of reported closed sales revenue, we examined the sales vouchers and interviewed the sales specialists, and customers involved in the sales transactions.

To identify Postal Service expenses associated with attending the Postal Forum and financial payments made to the National Postal Forum, we reviewed Postal Forum expenses for FYs 1999, 2000, and 2001 through June 15, 2001. We interviewed key personnel at the National Postal Forum and obtained data on Postal Service payments made to the National Postal Forum. In addition, we interviewed and obtained expense documentation from the area and Capital Metro Operations Postal Forum coordinators. We also reviewed the most recent settlement of costs between the National Postal Forum and the Postal Service.

To determine whether the National Postal Forum generated sufficient revenues to pay their operational expenses, we reviewed the National Postal Forum Internal Revenue Service Forms 990, Return of Organization Exempt From Income Tax, for FYs 1998, 1999, and 2000. We did not audit these statements since a public accounting firm audits the Postal Forum financial statements and prepares its tax returns. We also benchmarked the National Postal Forum's administrative expenses and salaries as a percentage of revenues to four nonprofit organizations in the Washington, D.C. area.⁵

To examine Postal Service attendance, we interviewed and obtained attendance documentation from the area and Capital Metro Operations Postal Forum coordinators. In addition, we interviewed key personnel at the National Postal Forum and examined National Postal Forum data on Postal Service attendance at the Postal Forums. We did not assess the reliability of that computer-processed data. We also reviewed the most recent settlement of costs between the National Postal Forum and Postal Service.

To determine advertising agency expenses, and determine whether the advertising agencies charged the Postal Service to process the exhibit contractor invoices, we interviewed personnel from two Postal Service advertising agencies that worked on the Postal Forum. Additionally, we reviewed advertising agency billing documentation to include advertising production, labor, and travel charges.

⁵ Organizations benchmarked included the National Humane Education Society, American Statistical Association, National Defense Industrial Association, and National District Attorneys Association.

To verify the accuracy of reported closed sales revenue, we examined the sales vouchers and interviewed the sales specialists, account managers, and customers involved in the sales transactions.

To examine training and education sessions conducted by the Postal Service, we interviewed the business session coordinator and reviewed the Business Session Rating and Attendance Analysis from the spring 2001 Postal Forum.

APPENDIX F. MANAGEMENT'S COMMENTS

John R. Wargo
Director, Strategic Management Development



April 15, 2002

RONALD K. STITH
ASSISTANT INSPECTOR GENERAL FOR CORE OPERATIONS

SUBJECT: Response to Draft Audit Report - National Postal Forum
(Report Number EM-AR-02-DRAFT)

Postal management has completed its review of the subject Draft Audit Report and agrees with the audit's conclusion that the Postal Service's objectives for the Forum are being met, and with specific recommendations. Please see the attached comments.

Thank you for the opportunity to review and comment on the draft audit report. Please contact me with any questions.



John R. Wargo
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cc: John E. Potter
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Patrick R. Donahoe
Susan M. Duchek
Ken Cowell

ATTACHMENT

The following comments are offered:

Recommendation 1, made to the Deputy Postmaster General: Continue to emphasize the need for prudent spending when issuing the Postal Forum attendance policy.

We agree with this recommendation. Postal Service attendance policy is issued prior to each Forum event and is designed to ensure that Postal attendance is appropriate for the Postal Service's need to implement the event, present customer training and education programs, and is proportional to the level of customer attendance. Attendance policy for the San Diego Forum, issued on February 15, 2002, reemphasized the need to finance all major elements of the Forum, including customer receptions, through the National Postal Forum (NPF) corporation. A message was issued to Postal Service officers on February 15, 2002, stating that Postal Service employees who participate in Forum golf tournaments are responsible for paying tournament fees. These messages will be reemphasized in the attendance policy statement for the Boston Forum, to be issued in August 2002, and approximately 60 days prior to each future Forum.

Recommendation 2, made to the Vice President, Service and Market Development: Discontinue having Postal Service employees work on-site at Postal forum operations.

We agree with this recommendation. The Postal Service has previously shifted nearly all responsibility and expense related to Forum operations to the NPF corporation. We will continue to support Forum operations with three Postal Service employees for the San Diego Forum, CA, April 21-24, 2002, but will transfer all remaining on-site operational support to the Forum staff prior to the Boston, MA, Forum, September 22-25, 2002.

As stated previously, management agrees with the audit's conclusion and specific recommendations; however, several findings require clarification.

- Sales revenue is not the primary objective of the Forum, as attendees represent commercial customers who are major users of the Postal Service. The primary objective of the Forum is to provide training and information on the use of Postal Service products and services.
- There are systems in place to measure customers' satisfaction with the Forum experience. Management has developed systems to measure: overall customer satisfaction, quality and relevance of training and education, quality and relevance of technology and exhibits, and networking opportunities.
- While Postal Service expenses with the Forum are important considerations, it should be noted that the Forum provides an exclusive opportunity for the Postal Service to interact with its major commercial customers, yet over 80 percent of the Forum's registration and exhibit fees are paid for by mailing industry.

Postal management does not believe the draft audit report contains proprietary or other business information that may be exempt from disclosure under the FOIA.