



December 20, 2004

RICHARD J. STRASSER, JR.
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT

SUBJECT: Transmittal of Audit Report - Postal Service Officers' Travel and
Representation Expenses for Fiscal Year 2004
(Report Number FT-AR-05-003)

This report presents the results of our audit of the Postal Service officers' travel and representation expenses for fiscal year 2004 (Project Number 04XD014FT000). The audit was conducted in response to the Board of Governors' policies and procedures requiring annual audits of officers' travel and representation expenses.

Postal Service officers incurred \$1.4 million in travel and representation expenses for the year ended September 30, 2004. Our audit disclosed that, based on sample results, these expenses were properly supported and complied with Postal Service policies and procedures. The results of the audit were discussed with Postal Service management on October 25, 2004. Because there were no recommendations provided, management chose not to respond to this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact John E. Cihota, Director, Financial Statements, or me at (703) 248-2300.

/s/ John M. Seeba

John M. Seeba
Assistant Inspector General
for Audit

Attachment

cc: Lynn Malcolm
Stephen J. Nickerson
Margaret A. Weir
Steven R. Phelps

INTRODUCTION

Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. As part of these audits, the Board of Governors adopted policies and procedures that require annual audits of officer travel and representation expenses.

Postal Service officers shape the strategic direction of the Postal Service by setting goals, targets, and indicators within the framework established by the Postal Service Board of Governors. Their positions are classified as Postal Career Executive Service II and include the Postmaster General, Deputy Postmaster General, and all Vice Presidents. The Board of Governors has authorized 50 Postal Service officer positions.

Postal Service officers are reimbursed for actual expenses incurred on official travel. They are also reimbursed for representation expenses incurred with customer, industry, or employee groups with whom the Postal Service conducts official business.

Objectives, Scope, and Methodology

Our audit objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures.

To accomplish our objective, we conducted fieldwork from June through November 2004. Postal Service officers' travel expense guidelines were issued by the Postmaster General on November 8, 1999, and updated on June 14, 2001. We used these guidelines as our criteria in evaluating reported expenses. We statistically selected and reviewed 56 of 1,132¹ electronic travel reimbursements covering expenses incurred during fiscal year (FY) 2004.

This audit was conducted from June through December 2004 in accordance with generally accepted government auditing standards and included such tests of internal controls, accounting records and other auditing procedures as were considered necessary. Our tests of controls were limited to those necessary to achieve our audit objectives. Our procedures were not designed to

¹ The 56 travel reimbursements reviewed totaled about \$64,000, and the total amount for the 1,132 travel reimbursements was \$1.4 million.

provide assurance on internal controls. Consequently, we do not provide an opinion on such controls. We discussed our observations and conclusions with appropriate management officials and included their comments, where appropriate.

We performed specific internal control and transaction tests on the e-Travel system data to provide assurance the data was properly entered and approved.

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| Prior Audit Coverage | We have audited Postal Service officers' travel and representation expenses since FY 1998 and have not identified any reportable conditions. The results of our most recent audit for FY 2003 were disclosed in our report, <u>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2003</u> (Report Number FT-AR-04-003, dated January 15, 2004). |
| Audit Results | Based on the sample results, travel and representation expenses totaling \$1.4 million, incurred by officers of the Postal Service for the year ended September 30, 2004, were properly supported and complied with established Postal Service policies and procedures. ² |
| Management's Comments | The results of the audit were discussed with Postal Service management on October 25, 2004. Because there were no recommendations provided, management chose not to respond to this report. |
| Evaluation of Management's Comments | No action by management was required. |

² The sample results returned zero deviations. The upper error limit on these results is 5 percent and meets the tolerable error planned. There is a 95 percent chance that the true deviation rate in the population does not exceed the tolerable deviation rate of 5 percent. Since the results meet our design criteria, we conclude that the submitted vouchers were properly supported and complied with established Postal Service policies and procedures.