



November 16, 2005

WILLIAM T. JOHNSTONE
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Transmittal of Audit Report – Postal Service Board of Governors Travel
and Miscellaneous Expenses for Fiscal Year 2005
(Report Number FT-AR-06-001)

This report presents the results of our audit of the Board of Governors travel and miscellaneous expenses for fiscal year 2005 (Project Number 05BM004FT000). We conducted the audit in response to a Board of Governors resolution requiring annual audits of its travel and miscellaneous expenses.

Our audit disclosed the Office of the Board of Governors travel and miscellaneous expenses (totaling approximately \$118,000) and external professional fees (totaling approximately \$64,000) for the fiscal year ended September 30, 2005, were properly supported and complied with Postal Service policies and procedures and Board of Governors guidelines. Our audit does not provide absolute assurance of the absence of fraud or illegal acts, due to the nature of evidence and the characteristics of such activities. The results of the audit were discussed with Postal Service management on November 8, 2005. 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 Lorie Siewert, Director, Financial Statements, or me at (703) 248-2300.

E-Signed by Inspector General 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Acting Deputy Assistant Inspector General
for Financial Operations

Attachment

cc: Richard J. Strasser, Jr.
Lynn Malcolm
Vincent H. DeVito, Jr.
Margaret A. Weir
Steven R. Phelps

INTRODUCTION

Background

The Postal Reorganization Act of 1970, as amended, established the Office of the Board of Governors (the Board), comprising the Postmaster General, Deputy Postmaster General, and nine governors appointed by the President. As of September 30, 2005, the Board consisted of the Postmaster General, Deputy Postmaster General, and six governors.

The Board directs and controls the expenditures of the Postal Service, reviews its practices and policies, and establishes objectives and goals in accordance with Title 39, United States Code. On July 8, 1986, the Board passed Resolution Number 86-12, which requires annual audits of the Board of Governors travel and miscellaneous expenses.

The Board of Governors generally meets monthly in Washington, D.C., or other locations where members can visit Postal Service facilities or large mailer operations. In fiscal year (FY) 2005, the Board held 11 regular meetings, in addition to committee meetings. For the fiscal year ended September 30, 2005, the Board incurred approximately \$118,000 in travel and miscellaneous expenses and approximately \$64,000 in external professional fees.

Objective, Scope, and Methodology

The objective of the audit was to determine whether the travel and miscellaneous expenses incurred by the Board were properly supported and complied with Postal Service policies and procedures and Board of Governors guidelines.

To accomplish our objective, we reviewed all 104 travel and miscellaneous expense vouchers submitted by the Board during FY 2005. We also reviewed all professional fees paid to outside firms at the request of the independent public accountant, Ernst & Young LLP. The criteria used in our evaluation were the Board's *Guidelines Relating to Governors' Official Expenses*, effective January 1, 1998; and Postal Service travel policies and procedures.

We conducted this audit from April through November 2005 in accordance with generally accepted government auditing standards and included such tests of internal controls and accounting records, and other auditing procedures, as we considered necessary. Our tests of controls were limited to

those necessary to achieve our audit objective. Our procedures were not designed to provide assurance on internal controls. Consequently, we do not provide an opinion on such controls. We discussed our observations and conclusions with management officials and included their comments where appropriate.

We relied on computer-generated data from Postal Service's financial accounting systems, specifically, the Accounts Payable Accounting and Reporting System II (APARS II) and Accounts Payable Excellence (APEX).¹ We performed specific internal control transaction tests on these systems' data, to include tracing selected financial information to supporting source documentation. For example, we verified that payment authorizations supported payments recorded in APARS II and APEX and the amounts were properly applied to the appropriate general ledger accounts.

Prior Audit Coverage

We have audited the Board's travel and miscellaneous expenses for each fiscal year since FY 1998 and have not identified any reportable conditions. The results of our most recent audit for FY 2004 were disclosed in our report, *Postal Service Board of Governors Travel and Miscellaneous Expenses for Fiscal Year 2004* (Report Number FT-AR-05-004, dated December 20, 2004).

¹ In August of FY 2005, the Postal Service replaced APARS II with the APEX system.

AUDIT RESULTS

Audit Results

Our audit disclosed that travel and miscellaneous expenses (totaling approximately \$118,000) and external professional fees (totaling approximately \$64,000) which the Board incurred in the fiscal year ended September 30, 2005, were properly supported and complied with the Board of Governors guidelines and Postal Service policies and procedures. Our audit does not provide absolute assurance of the absence of fraud or illegal acts, due to the nature of evidence and the characteristics of such activities.

**Management's
Comments**

We discussed the results of the audit with Postal Service management on November 8, 2005. 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.