



December 5, 2006

WENDY A. HOCKING  
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Transmittal of Audit Report – Postal Service Board of Governors' Travel  
and Miscellaneous Expenses for Fiscal Year 2006  
(Report Number FT-AR-07-003)

This report presents the results of our audit of the Board of Governors' travel and miscellaneous expenses for fiscal year 2006 (Project Number 06BD009FT000). We conducted the audit in response to a Board of Governors' resolution requiring annual audits of its travel and miscellaneous expenses.

The Office of the Board of Governors' travel and miscellaneous expenses, totaling approximately \$63,000, and external professional fees, totaling approximately \$21,000, for the fiscal year ended September 30, 2006, were properly supported and complied with U.S. Postal Service policies and procedures and Board of Governors guidelines. However, 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. We discussed the results of the audit with Postal Service management on November 21, 2006. 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) 248-2100.

E-Signed by John Cihota   
VERIFY authenticity with Approve!  
*John E. Cihota*

John E. Cihota  
Deputy Assistant Inspector General  
for Financial Operations

Attachment

cc: H. Glen Walker  
Lynn Malcolm  
Vincent H. DeVito, Jr.  
Steven R. Phelps

## INTRODUCTION

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### 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, 2006, the Board consisted of the Postmaster General, Deputy Postmaster General, and eight 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) 2006, the Board held nine regular meetings, in addition to committee meetings. For the fiscal year ended September 30, 2006, the Board incurred approximately \$63,000 in travel and miscellaneous expenses and approximately \$21,000 in external professional fees.

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### 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 conducted fieldwork from March through November 2006. The criteria used in our evaluation were the Board's *Guidelines Relating to Governors' Official Expenses* and Postal Service travel policies and procedures. We reviewed all 59 travel and miscellaneous expense vouchers submitted by the Board during FY 2006. We also reviewed all professional fees paid to outside firms at the request of the independent public accountant, Ernst & Young LLP.

We conducted this audit from March through December 2006 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 Excellence (APEX) system. We performed specific internal control transaction tests on this system's data, to include tracing selected financial information to supporting source documentation. For example, we verified Board travel payments recorded in APEX were properly supported and authorized.

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**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 2005 were disclosed in our report, *Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2005* (Report Number FT-AR-06-001, dated November 16, 2005).

## AUDIT RESULTS

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**Audit Results**

Travel and miscellaneous expenses totaling approximately \$63,000, and external professional fees totaling approximately \$21,000, which the Board incurred in the fiscal year ended September 30, 2006, were properly supported and complied with the Board of Governors' guidelines and Postal Service policies and procedures. However, 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.

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**Audit Comment**

We identified items that were not material to the overall travel and miscellaneous expenses and external professional fees and do not affect the overall adequacy of internal controls. We offer this information to assist with overall management and control of these expenditures:

- Several expense vouchers from one governor included claims for meals just under the \$75 threshold. Although a receipt is not required for expenses under \$75, these repetitive claims could raise a question if reviewed externally, for example, in response to a Freedom of Information Act request.
- One expense voucher was not dated. Postal Service instructions for completing the form require the date along with a signature for processing payment. Although the date is not a legal requirement for payment, it is important for a variety of control, process, and audit purposes and is a sound business practice that should be encouraged.

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**Management's  
Comments**

We discussed the results of the audit with management on November 21, 2006. Because there were no recommendations provided, management chose not to respond to this report.

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**Evaluation of  
Management's  
Comments**

No action by management was required.