



December 7, 2006

H. GLEN WALKER
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT

SUBJECT: Audit Report - Postal Service Officers' Travel and Representation
Expenses for Fiscal Year 2006 (Report Number FT-AR-07-005)

This report presents the results of our audit of the U.S. Postal Service officers' travel and representation expenses for fiscal year 2006 (Project Number 06BD020FT000). We conducted the audit in response to the Board of Governors' policies and procedures requiring annual audits of officers' travel and representation expenses.

Postal Service officers incurred approximately \$1 million in travel and representation expenses for the fiscal year ended September 30, 2006. Our audit disclosed that, based on sample results, these expenses were properly supported and complied with 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. We discussed the results of the audit with Postal Service management on December 1, 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: Lynn Malcolm
Vincent H. DeVito, Jr.
Steven R. Phelps

INTRODUCTION

Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the U.S. 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 by setting goals, targets, and indicators within the framework the Board of Governors established. 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 officer positions.

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. Postal Service policy requires officers to claim reimbursement for all travel and representation expenses through the eTravel system.

Objective, Scope, and Methodology

Our audit objective was to determine whether travel and representation expenses claimed¹ by Postal Service officers were properly supported and complied with Postal Service policies and procedures.

To accomplish our objective, we conducted fieldwork from March through November 2006. We used Postal Service officers' travel expense guidelines issued by the Postmaster General updated June 14, 2001, and September 13, 2006, as our criteria in evaluating reported expenses. We used a cluster sample design for the officers' travel testing. Specifically, from a possible 172 "officer-quarter" clusters (43 officers x 4 quarters), we randomly selected 50 clusters for review. We reviewed all reimbursements in each selected cluster. Additionally, we reviewed all reimbursements for officers not included in the original universe of 43 officers. In total, we reviewed 317 reimbursements.

¹ We limited the audit universe to reimbursements processed through the eTravel system.

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 of 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.

Prior Audit Coverage

We have audited Postal Service officers' travel and representation expenses since fiscal year (FY) 1998 and have not identified any reportable conditions. We disclosed the results of our most recent audit for FY 2005 in our report, *Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2005* (Report Number FT-AR-06-003, dated November 16, 2005).

In addition, we evaluated whether Postal Service officers' travel guidelines were reasonable when compared to other entities' travel policies, including guidelines prescribed by other federal and local government entities, private corporations, not-for-profit organizations, and trade journals.

We offered suggestions for the Postal Service to consider when updating the officers' travel guidelines, and management incorporated many of our suggestions into the recently updated guidelines. We disclosed the results in our report, *Postal Service Officers' Travel Expense Guidelines* (Report Number FT-WP-06-001, dated September 29, 2006).

AUDIT RESULTS

Audit Results

Based on the sample results, travel and representation expenses totaling approximately \$1 million incurred by officers of the Postal Service for the year ended September 30, 2006, were properly supported and complied with Postal Service policies and procedures.² 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 December 1, 2006. 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 reimbursements were properly supported and complied with established Postal Service policies and procedures.