



November 5, 2009

JULIE S. MOORE
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Audit Report – Postal Service Board of Governors’ Travel and
Miscellaneous Expenses for Fiscal Year 2009
(Report Number FT-AR-10-002)

This report presents the results of our audit of the Board of Governors’ (Board) travel and miscellaneous expenses for fiscal year (FY) 2009 (Project Number 09BG001FT000). We conducted the audit in response to a Board resolution requiring annual audits of its travel and miscellaneous expenses. This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

Conclusion

Travel and miscellaneous expenses totaling \$226,339¹ and external professional fees totaling \$58,245 were properly supported, reasonable, and complied with U.S. Postal Service and Board policies.

PROGRESS ON PRIOR YEAR ISSUE

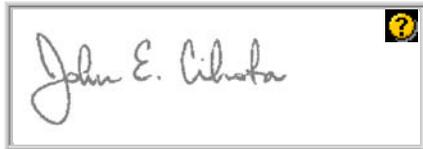
We followed up on the prior year issue related to our Board audit.² Specifically, the Board office did not adequately segregate duties for purchasing, receiving, and approving professional services. When we notified the Board office of the issue, the Secretary of the Board separated the duties for obtaining professional services effective October 29, 2008. Since the Board office took corrective action, we did not make a recommendation. However, we continued to monitor this issue as part of our annual audit work. During FY 2009, we did not identify any instances where segregation of duties was not adequate.

¹ This amount includes \$52,213 initially charged to the Postmaster General’s finance number for monthly Board meeting expenses, and \$19,997 charged to the National Events finance number. Except for \$4,461 for the September Board meeting, the costs were transferred to the Board’s finance number in FY 2009. Prior audits did not include these costs.

² *Postal Service Board of Governors’ Travel and Miscellaneous Expenses for Fiscal Year 2008* (Report Number FT-AR-09-003, dated November 21, 2008).

We are not making any recommendations in this report. As a result, management chose not to respond formally to this report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Financial Reporting, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small, square icon with a question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachment

cc: Joseph Corbett
Mary Anne Gibbons
Vincent H. DeVito, Jr.
Stephen J. Nickerson
Bill Harris

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Reorganization Act of 1970, as amended, established the Board, comprised of the Postmaster General, Deputy Postmaster General, and nine Governors appointed by the President. As of September 30, 2009, the Board consisted of the Postmaster General, Deputy Postmaster General, and eight Governors.³

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, U.S. Code. On July 8, 1986, the Board passed Resolution Number 86-12, which requires annual audits of the Board's travel and miscellaneous expenses.

The Board generally meets monthly in Washington, D.C., or other locations where members can visit Postal Service facilities or large mailer operations. In FY 2009, the Board held 30 meetings⁴ and incurred \$226,339 in travel and miscellaneous expenses⁵ and \$58,245 in external professional fees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether travel and miscellaneous expenses — including external professional fees — of the Board were properly supported, reasonable, and complied with Postal Service policies and procedures and Board policies. To accomplish our objective, we conducted fieldwork from March through October 2009. We used the Board's *Policy Relating to Governors' Official Expenses* and Postal Service policies and procedures as criteria in our evaluation. We reviewed all 113 Board⁶ vouchers processed under finance number 101099 through the National Accounting Oracle Financials Application - Accounts Payable Excellence (NAOFA-APEX) System for travel and miscellaneous expenses incurred during FY 2009. We also reviewed all Board professional fees incurred during the same period at the request of the independent public accountant, Ernst & Young LLP.

We conducted this performance audit from March through November 2009 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those

³ There was one vacancy at September 30, 2009.

⁴ Meetings include full Board regular, annual, and special meetings and committee meetings, but do not include other official functions such as stamp dedication ceremonies. A governor may participate by telephone in these meetings and thus not incur travel costs.

⁵ This amount includes \$52,213 initially charged to the Postmaster General's finance number for monthly Board meeting expenses, and \$19,997 charged to the National Events finance number. Except for \$4,461 for the September Board meeting, the costs were transferred to the Board's finance number in FY 2009. Prior audits did not include these costs.

⁶ The Postmaster General and Deputy Postmaster General's travel and representation expenses are not included in the scope of this audit. They are included in the scope of the Postal Service officers' travel and representation expenses audit.

standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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. Also, 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 our observations and conclusions with management officials on October 29, 2009, and included their comments where appropriate.

We relied on computer-generated data from the NAOFA-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 NAOFA-APEX to hard copy original travel vouchers.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2008</i>	FT-AR-09-003	11/21/2008	\$0	Travel and miscellaneous expenses totaled \$116,241 and external professional fees totaled \$6,703 and were properly supported and complied with Board policies. However, there was an internal control issue pertaining to the purchase and approval of professional services. The Board office took corrective action so we did not make any recommendations.
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007</i>	FT-AR-08-008	2/15/2008	\$2,527	Travel and miscellaneous expenses totaled approximately \$92,600 and external professional fees totaled \$1,300 and were properly supported and complied with Board policies. However, management did not always comply with Postal Service policies and procedures pertaining to the approval and verification of Board travel vouchers. The Postal Service implemented our recommendation, which is now closed.