



December 6, 2010

JULIE S. MOORE
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Audit Report – Postal Service Board of Governors’ Travel and
Miscellaneous Expenses for Fiscal Year 2010
(Report Number FT-AR-11-004)

This report presents the results of our audit of the Board of Governors’ (Board) travel and miscellaneous expenses for fiscal year (FY) 2010 (Project Number 10BG001FT000). We conducted the audit in response to a Board resolution requiring annual audits of its travel and miscellaneous expenses. The objective of the audit was to determine whether the travel and miscellaneous expenses of the Board — including external professional fees — were properly supported, reasonable, and in compliance with Postal Service policies and procedures and Board policies. This audit addresses financial risk. See [Appendix A](#) for additional information.

The Postal Reorganization Act of 1970, as amended, established the Board, which is comprised of the postmaster general, deputy postmaster general, and nine governors appointed by the president. 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 of the U.S. Code.

Conclusion

Travel and miscellaneous expenses totaling \$136,353 and external professional fees totaling \$8,226 were properly supported, reasonable, and in compliance with U.S. Postal Service and Board policies. Accordingly, we are not making any recommendations.

Audit Comment

In FY 2010, the Board entered into agreements with two hotels¹ for meetings and field trips scheduled to be held outside the Washington D.C. area.² In coordination with the Customer and Industry Marketing Group, the Board appropriately obtained competitive

¹ Since each individual total was less than \$10,000, the Postal Service considers this an agreement instead of a contract, thereby allowing the Board’s executive administrator to execute them using her individual purchase card.

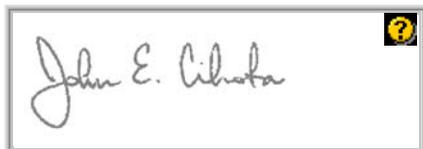
² Newport Beach, CA in January 2010; and Louisville, KY in June 2010.

bids for these agreements. However, one meeting and related field trip were subsequently cancelled and these agreements did not contain language to protect the Postal Service in the event of cancellation. Accordingly, we suggest the following best practices to benefit the Postal Service when entering into any future agreements. Specifically, we suggest the Postal Service:

- Incorporate language into the agreement which states that, prior to the hotel assessing a cancellation fee, the hotel and the Postal Service agree to attempt to hold a meeting of equal or greater value at the hotel within 12 months of the contracted date of the meeting and have the hotel credit the cancellation fee towards the next meeting.
- Propose a contract amendment to delete from any agreement a hotel's request for an advance deposit. Postal Service policy³ states, "In most cases, the Postal Service pays for supplies or service after delivery. Paying for supplies or services before they are delivered is strongly discouraged."

We are not making any recommendations in this report and, 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
Vincent H. DeVito, Jr.
Stephen J. Nickerson
Jennie T. Coe
Corporate Audit and Response Management

³ FM-610-2003-1, *Advance Payments*.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Reorganization Act of 1970, as amended, established the Board, which is comprised of the postmaster general, deputy postmaster general, and nine governors appointed by the president. As of September 30, 2010, the Board consisted of the postmaster general, the deputy postmaster general, and eight governors.⁴

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 of the 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 another location where members can visit Postal Service facilities or large mailer operations. In FY 2010, the Board held 28 meetings⁵ and incurred \$136,353 in travel and miscellaneous expenses and \$8,226 in external professional fees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the travel and miscellaneous expenses of the Board — including external professional fees — were properly supported, reasonable, and in compliance with Postal Service policies and procedures and Board policies. We reviewed all 86 Board⁶ travel reimbursements 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 2010. 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 December 2010 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our report and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our report 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

⁴ There was one vacancy as of September 30, 2010.

⁵ 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.

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.

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 assessed the reliability of the NAOFA-APEX system data by tracing selected financial information to supporting source documentation. For example, we verified Board travel payments recorded in NAOFA-APEX to original travel reimbursements. We determined the data were sufficiently reliable for the purposes of this report.

PRIOR AUDIT COVERAGE

We issued the following reports addressing Board travel and miscellaneous expenses.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2009</i>	FT-AR-10-002	11/5/2009	\$0	Travel and miscellaneous expenses totaled \$226,339 and external professional fees totaled \$58,245 and were properly supported, reasonable, and in compliance with Board policies. We did not make any recommendations.
<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 in compliance 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 in compliance 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.