



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2011

Audit Report

December 6, 2011

Report Number FT-AR-12-004

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**INSPECTOR
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and Miscellaneous Expenses
for Fiscal Year 2011**

Report Number FT-AR-12-004

HIGHLIGHTS

IMPACT ON:

The Board of Governors' (Board) travel and miscellaneous expenses and external professional fees for fiscal year 2011.

WHY THE OIG DID THE AUDIT:

We conducted this audit in response to a Board resolution requiring annual audits of its expenses. Our objective was to determine whether travel and miscellaneous expenses (including external professional fees) of the Board were properly supported, reasonable, and in compliance with U.S. Postal Service policies and procedures and Board policies.

WHAT THE OIG FOUND:

Travel and miscellaneous expenses totaling approximately \$163,000 and

external professional fees totaling \$1.4 million were properly supported, reasonable, and in compliance with U.S. Postal Service policies and procedures and Board policies.

WHAT THE OIG RECOMMENDED:

Based on the results, we are not making any recommendations.

WHAT MANAGEMENT SAID:

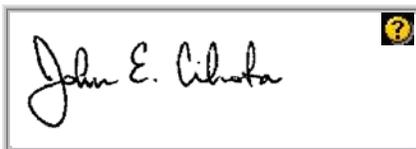
We provided a copy of this report to management on November 16, 2011, and since there are no recommendations, management chose not to respond formally to this report.

[*Link to review the entire report*](#)



December 6, 2011

MEMORANDUM FOR: JULIE S. MOORE
SECRETARY OF THE BOARD OF GOVERNORS

A rectangular box containing a handwritten signature in black ink that reads "John E. Cihota". A small yellow question mark icon is visible in the top right corner of the box.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

SUBJECT: Audit Report – Postal Service Board of Governors’ Travel
and Miscellaneous Expenses for Fiscal Year 2011
(Report Number FT-AR-12-004)

This report presents the results of our audit of the Board of Governors’ travel and miscellaneous expenses for fiscal year 2011 (Project Number 11BG007FT000).

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.

Attachments

cc: Joseph Corbett
Timothy F. O’Reilly
Jack L. Meyer
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the Board of Governors' (Board) travel and miscellaneous expenses for fiscal year (FY) 2011 (Project Number 11BG007FT000). We conducted this audit in response to a Board resolution requiring annual audits of the Board's expenses. 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 U.S. Postal Service policies and procedures and Board policies. This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

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 approximately \$163,000 and external professional fees totaling \$1.4 million were properly supported, reasonable, and in compliance with U. S. Postal Service and Board policies. In comparison, FY 2010 travel and miscellaneous expenses and external professional fees were approximately \$136,000 and \$8,000, respectively. The increase in travel and miscellaneous expenses was due to an increase in Board meetings from 28 in FY 2010 to 41 in FY 2011. The significant increase in external professional fees was for a consulting contract for professional services to assist in identifying a viable business model for the Postal Service. Based on the results of this audit, we are not making any recommendations, and management chose not to respond formally to this report.

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, 2011, the Board consisted of the postmaster general, the deputy postmaster general, and seven governors.¹

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 expenses.

The Board generally meets monthly in Washington, D.C., or another location where members can visit Postal Service facilities or larger mailer operations. In FY 2011,² the Board held 41 meetings³ and incurred approximately \$163,000 in travel and miscellaneous expenses and \$1.4 million in external professional fees.⁴

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 87 Board⁵ travel reimbursements processed under finance number 101099 through the Oracle Accounts Payable System for travel and miscellaneous expenses incurred during FY 2011. We also reviewed all Board external professional fees⁶ incurred during the same period.

We conducted this performance audit from January through December 2011 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 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

¹ There were two vacancies on the Board as of September 30, 2011.

² October 1, 2010, to September 30, 2011.

³ Meetings include full Board regular, annual, and special meetings and committee meetings, but not other official functions such as stamp dedication ceremonies. A governor may participate by telephone in these meetings and, thus, not incur travel cost.

⁴ External professional fees represent payments to a consulting firm for a professional services contract.

⁵ 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 expense audit.

⁶ External professional fees are part of Professional and Miscellaneous services.

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 characteristics of such activities. We provided a copy of this report to management on November 16, 2011, and since there are no recommendations, they chose not to respond formally to this report.

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

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Report Results
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2010</i>	FT-AR-11-004	12/6/2010	Travel and miscellaneous expenses totaling \$136,353 and external professional fees totaling \$8,226 were properly supported, reasonable, and in compliance with Postal Service and Board policies. We did not make any recommendations.
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2009</i>	FT-AR-10-002	11/5/2009	Travel and miscellaneous expenses totaling \$226,339 and external professional fees totaling \$58,245 were properly supported, reasonable, and in compliance with Postal Service and 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	Travel and miscellaneous expenses totaling \$116,241 and external professional fees totaling \$6,703 were properly supported and in compliance with Board policies. However, we identified 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.