



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

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# **Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2012**

## **Audit Report**

January 4, 2013

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Report Number FT-AR-13-008

January 4, 2013



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UNITED STATES POSTAL SERVICE

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# HIGHLIGHTS

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## Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2012

Report Number FT-AR-13-008

### **BACKGROUND:**

The Postal Reorganization Act of 1970, as amended, established the Board of Governors, which is comprised of the postmaster general, deputy postmaster general, and nine governors appointed by the president of the U.S. As of September 30, 2012, the Board of Governors consisted of the postmaster general, the deputy postmaster general, and six governors.

The Board of Governors directs and controls the expenditures of the U.S. 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 of Governors passed Resolution Number 86-12, which requires an annual audit of the Board of Governors' expenses.

Our objective was to determine whether the Board of Governors' travel and miscellaneous expenses, including external professional fees, were properly supported, reasonable, and in compliance with Postal Service and Board of Governor policies.

### **WHAT THE OIG FOUND:**

Travel and miscellaneous expenses totaling about \$216,000 and external professional fees totaling about \$492,000 were generally properly supported, reasonable, and in compliance with Postal Service policies

and procedures and Board of Governors policies. However, the Board of Governors' general policy does not contain guidelines for purchase and payment of official business-related meals or expenses with customers and other external stakeholders.

Establishing such guidelines should give consideration to the nature of the Postal Service's business and the importance of building and maintaining customer relationships. When guidelines are not in place for dinners/meals or expenses related to external representation events, the risk of incurring questionable costs increases.

### **WHAT THE OIG RECOMMENDED:**

We recommended the secretary of the Board of Governors develop policies and procedures for business representation dinners.

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



January 4, 2013

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

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

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

**SUBJECT:** Audit Report – Postal Service Board of Governors’ Travel  
and Miscellaneous Expenses for Fiscal Year 2012  
(Report Number FT-AR-13-008)

This report presents the results of our audit of the Board of Governors’ Travel and Miscellaneous Expenses for Fiscal Year 2012 (Project Number 12BG011FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Denice Millett, director, Finance, 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) 2012 (Project Number 12BG011FT000). 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 Board's travel and miscellaneous expenses, including external professional fees, were properly supported, reasonable, and in compliance with U.S. Postal Service 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 39 U.S.C. In FY 2012, the Board held 31 meetings<sup>1</sup> and incurred more than \$708,000 in expenses, including travel and miscellaneous expenses and external professional fees.<sup>2</sup>

## Conclusion

Travel and miscellaneous expenses totaling about \$216,000 and external professional fees totaling about \$492,000 were generally properly supported, reasonable, and in compliance with Postal Service and Board policies. In comparison, FY 2011 travel and miscellaneous expenses and external professional fees totaled about \$163,000 and \$1.4 million, respectively. The significant decrease in external professional fees in FY 2012 is due to a consulting contract the Board agreed to during FY 2011. The total cost of the contract was about \$1.9 million paid over both fiscal years: \$1.4 million during FY 2011 and about \$492,000 in FY 2012.

However, we did find the Board's general policy did not contain guidelines for purchasing dinners/meals or expenses related to external representation events. Establishing such guidelines should give consideration to the nature of the Postal Service's business and the importance of building and maintaining customer relationships. When guidelines are not in place for dinners/meals or expenses for external representation events, the risk of incurring questionable costs increases.

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<sup>1</sup> Includes full Board regular, annual, special, 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 costs.

<sup>2</sup> External professional fees represent payments to a consulting firm for a professional services contract.

## Business Representation Dinners

The Board's general policy does not contain guidelines for purchasing dinners/meals or expenses related to external representation events. In FY 2012, the Board held five dinner/meal events. Although the Board is not required to follow the Postal Service's Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*,<sup>3</sup> we used it as a benchmark to evaluate the cost of Board meals. We determined the cost per person for three of the five dinner/meal events was below the \$50 allowable per the policy.<sup>4</sup> However, for two dinners, the cost per person was over \$50, exceeding the policy's recommended dinner threshold. Postal Service customers were present at both of these dinners, which may have influenced the cost decision.

Establishing such guidelines should give consideration to the nature of the Postal Service's business and the importance of building and maintaining customer relationships. However, when guidelines are not in place for dinners/meals or expenses related to representation events, the risk of incurring questionable costs increases. See [Appendix B](#) for other impact.

## Recommendation

We recommend the secretary of the Board of Governors:

1. Develop policies and procedures similar to those included in the Postal Service's Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, for the Board of Governors.

## Management's Comments

Management agreed with the recommendation to develop guidelines for representation events hosted by the Board. They agreed that having such guidelines would help when planning events for specific occasions and would reflect the unique nature of the Board's customer relationships. The secretary of the Board will draft guidelines and obtain approval from the Board by May 10, 2013. See [Appendix C](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendation in the report and corrective action should resolve the issue identified in the report.

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<sup>3</sup> Dated September 10, 2008.

<sup>4</sup> Meals per person, excluding tax and gratuity.

## 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, 2012, the Board consisted of the postmaster general, the deputy postmaster general, and six governors.<sup>5</sup>

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.C. On July 8, 1986, the Board passed Resolution Number 86-12, which requires an annual audit 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 larger mailer operations. In FY 2012, the Board held 31 meetings and incurred about \$216,000 in travel and miscellaneous expenses and about \$492,000 in external professional fees.

### Objective, Scope, and Methodology

Our objective was to determine whether 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 53 Board<sup>6</sup> travel reimbursements processed under finance number 101099 through the Oracle Accounts Payable System for travel and miscellaneous expenses incurred during FY 2012. We also reviewed all of the Board's external professional fees incurred during the same period at the request of the independent public accountant, Ernst & Young, LLP.

We conducted this performance audit from December 2011 through January 2013<sup>7</sup> 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. We limited our tests of controls 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 characteristics of

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<sup>5</sup> There were three vacancies on the Board as of September 30, 2012.

<sup>6</sup> 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 our audit on *Officers' Travel and Representation Expenses for Fiscal Year 2012* (Report Number [FT-AR-13-004](#), dated December 11, 2012).

<sup>7</sup> The scope of our audit was October 1, 2011, through September 30, 2012.

such activities. We discussed our observations and conclusions with management on November 29, 2012, and included their comments where appropriate.

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	Monetary Impact
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2011</i>	FT-AR-12-004	12/6/2011	None
<b>Report Results:</b> Travel and miscellaneous expenses totaling about \$163,000 and external professional fees totaling \$1.4 million were properly supported, reasonable, and in compliance with Postal Service and Board policies.			
Report Title	Report Number	Final Report Date	Monetary Impact
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2010</i>	FT-AR-11-004	12/6/2010	None
<b>Report Results:</b> 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.			

### Appendix B: Other Impact

Recommendation	Impact Category	Amount
1	Goodwill Branding <sup>8</sup>	NA

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<sup>8</sup> An actual or potential event or problem that could harm the reputation of the Postal Service.

## Appendix C: Management's Comments

JULIE S. MOORE  
SECRETARY OF THE BOARD OF GOVERNORS



December 20, 2012

Ms. Judith Leonhardt  
Director, Audit Operations  
1735 North Lynn Street  
Arlington, VA 22209-2013

SUBJECT: Transmittal of Draft Audit Report—Postal Service Board of Governors' Travel and  
Miscellaneous Expense for Fiscal Year 2012 (Report Number FT-AR-13-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. We agree with your conclusion that the Board expenses reviewed in the report were reasonable and properly documented. We also generally agree with your recommendation to develop guidelines for representation events hosted by the Board of Governors, as guidelines will help in planning events suitable for specific occasions. As indicated in your report, these guidelines will reflect the unique nature of the Board's interaction with customers, and the importance of building and maintaining customer relationships. As Secretary of the Board, I will draft the guidelines and obtain approval from the Board by May 10, 2013.

I see nothing in this report or management's response which contains proprietary or other business information that may be exempt from disclosure under the Freedom of Information Act (FOIA).

Thank you for providing this report.

  
Julie S. Moore

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

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