



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2016

Audit Report

Report Number
FT-AR-17-004

December 6, 2016





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

The Postal Reorganization Act of 1970, as amended, established the U.S. Postal Service Board of Governors (Board), which is generally composed of the Postmaster General, deputy postmaster general, and nine governors appointed by the president of the United States. As of September 30, 2016, the Board consisted of the Postmaster General, the deputy postmaster general, and one governor.

The Board 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 passed Resolution Number 86-12, which requires annual audits of the Board's travel and miscellaneous expenses.

The Board is required by law to have a quorum of six members in order to take certain actions. In November 2014, while the Board still had a quorum, it issued a resolution that established a committee to exercise certain powers when the Board is unable to assemble a quorum. The committee consists of the remaining members of the Board and exercises powers necessary for operational continuity.

In December 2016, the term of the remaining governor will expire, and the committee will consist only of the Postmaster General and deputy postmaster general.

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

What the OIG Found

Fiscal year 2016 travel and miscellaneous expenses totaling about \$33,000 and external professional fees totaling about \$140,000 were properly supported, reasonable, and complied with Postal Service and Board policies.

What the OIG Recommended

Based on the audit results, we did not make any recommendations.

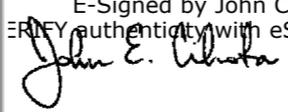
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 6, 2016

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

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance, Pricing and Investments

SUBJECT: Audit Report – Postal Service Board of Governors’ Travel
and Miscellaneous Expenses for Fiscal Year 2016
(Report Number FT-AR-17-004)

This report presents the results of our audit of the Postal Service Board of Governors’ Travel and Miscellaneous Expenses for Fiscal Year 2016 (Project Number 16BM004FT000).

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

Attachment

cc: Corporate Audit and Response Management

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Findings

In FY 2016, the Board held 17 meetings and incurred about \$33,000 in travel and miscellaneous expenses and about \$140,000 in external professional fees.

Introduction

This report presents the results of our audit of the Board of Governors' (Board) travel and miscellaneous expenses for fiscal year (FY) 2016 (Project Number 16BM004FT000). 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 fees¹, were properly supported, reasonable, and complied with the U.S. Postal Service and Board policies. See [Appendix A](#) for additional information about this audit.

The Postal Reorganization Act of 1970, as amended, established the Board, which is generally composed of the Postmaster General (PMG), deputy postmaster general (DPMG), and nine governors appointed by the president of the United States. As of September 30, 2016, the Board consisted of the PMG, the DPMG, and one governor.² 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.

The Board is required by law to have a quorum of six members in order to take certain actions. In November 2014, while the Board still had a quorum, it issued a resolution that established a Temporary Emergency Committee (TEC) to exercise certain powers when the Board is unable to assemble a quorum. The TEC consists of the remaining members of the Board and exercises powers necessary for operational continuity. In December 2016, the term of the remaining governor will expire, and the TEC will consist only of the PMG and DPMG.

In FY 2016, the Board held 17 meetings³ and incurred about \$33,000 in travel and miscellaneous expenses and about \$140,000 in external professional fees.

Summary

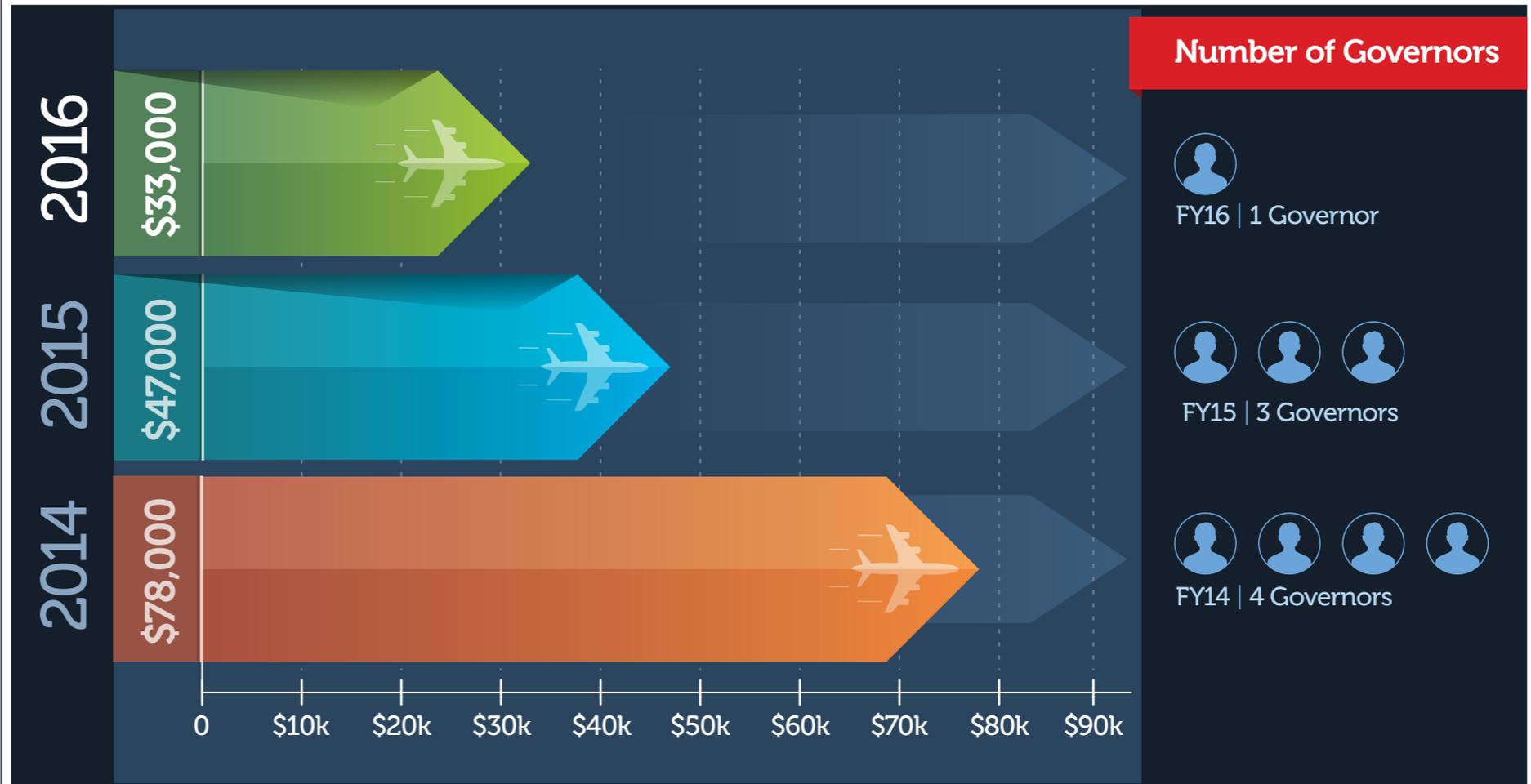
FY 2016 travel and miscellaneous expenses totaling about \$33,000 and external professional fees totaling about \$140,000 were properly supported, reasonable, and complied with Postal Service and Board policies. In comparison, as shown in [Figure 1](#), travel and miscellaneous expenses were about \$47,000 in FY 2015 and \$78,000 in FY 2014.

¹ Professional fees generally include payments for legal and consulting services.

² There were eight vacancies on the Board as of September 30, 2016. Six individuals have been nominated and are awaiting confirmation by the U.S. Senate. Pending legislation, *Postal Service Reform Act of 2016, H.R. 5714*, seeks to reduce the number of Board members from nine to five governors.

³ 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.

Figure 1. Annual Travel and Miscellaneous Expenses



Source: U.S. Postal Service Office of Inspector General analysis of Oracle Accounts Payable (OAP) activity reports.

The downward trend in travel expenses directly corresponds to a decrease in the number of Board members. There were four governors at the end of FY 2014, three at the end of FY 2015, and one at the end of FY 2016.

The external professional fees were about \$400 in FY 2015 and FY 2014. The significant increase in FY 2016 was due to payments for two external professional service contracts. One contract was for consulting fees to review the Postal Service's real estate leasing program and compensation methods. The other contract was to an executive search firm for fees related to finding a replacement for the retired inspector general.

Recommendation

Based on the audit results, we did not make any recommendations. We provided a copy of this report to management on November 21, 2016. Management chose not to respond formally to this report.

Appendix A: Additional Information

***As of September 30, 2016,
the Board consisted of the
Postmaster General, the
deputy postmaster general,
and one governor.***

Background

The Postal Reorganization Act of 1970, as amended, established the Board, which is generally composed of the PMG, DPMG, and nine governors appointed by the president of the United States. As of September 30, 2016, the Board consisted of the PMG, the DPMG, and one governor.

The Board directs and controls the expenditures of the Postal Service, reviews its practices and sets 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 2016, the Board held 17 meetings and incurred about \$33,000 in travel and miscellaneous expenses and about \$140,000 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 complied with Postal Service policies and procedures and Board policies. We reviewed all 18 Board⁴ travel reimbursements processed through the OAP system⁵ for travel and miscellaneous expenses incurred during FY 2016. At the request of the Postal Service's independent public accounting firm, we also reviewed all Board external professional fees incurred during the same period.

We conducted this performance audit from December 2015 through December 2016 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 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 21, 2016. Management chose not to respond formally to this report.

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

⁴ The PMG's and DPMG'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 2016* (Project Number 16BM005FT000).

⁵ The OAP software system processes and reports payments made at the San Mateo and St. Louis accounting service centers (ASC). It supports transactions generated by other Postal Service ASCs, field operations, and headquarters.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2015</i>	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 the Postal Service and Board policies.	FT-AR-16-002	12/7/2015	None
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2014</i>	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 and Board policies.	FT-AR-15-001	12/5/2014	None



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