



April 12, 2010

JAMES C. MILLER, III
CHAIRMAN, AUDIT & FINANCE COMMITTEE

SUBJECT: Officer Compensation for Calendar Year 2009
(Report Number FT-WP-10-001)

This report presents the results of our audit of compensation paid or deferred to officers¹ based on the limits established in the Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006) and U.S. Postal Service policies and guidelines (Project Number 10BM001FT001). Initially we performed this work in fiscal year (FY) 2008, in response to an inquiry from the Board of Governors (Board) regarding the audit coverage we provide for officer compensation. We will continue to provide a report annually as part of our ongoing financial statement audit work. See [Appendix A](#) for additional information about this portion of the audit.

Background

The passage of the Postal Act of 2006 amended Title 39, imposing guidelines on total compensation² for the Postal Service. Under this provision, the total compensation payable to any employee is established at three levels:

- Level I of the Executive Schedule or \$196,700 for calendar year 2009.
- With the approval of the Board, total annual compensation not to exceed the total annual compensation payable to the vice president of the United States, or \$227,300 for calendar year 2009.
- For up to 12 officers or critical employees, compensation up to 120 percent of the total annual compensation payable to the vice president of the United States, or \$272,760 for calendar year 2009.

Further, Postal Service officers receive additional benefits and other perquisites not subject to the compensation cap.

Conclusion


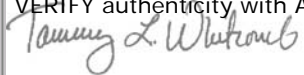
The Postal Service complied with the compensation limits stated in the Postal Act of 2006. Further, while we reviewed deferred compensation as a part of the overall scope,

¹ Defined in this report as Postal Career Executive Schedule II employees, the Secretary of the Board of Governors, and the Inspector General.

² Compensation includes annual salary, merit lump sum payments, bonuses, and awards.

it does not apply to compensation caps. We noted that six of 44 officers were allocated a total of \$502,395 in deferred compensation³ during calendar year 2009. Officers may be granted deferred compensation that is distributed after employment ends, or in a year when the payment of previously deferred compensation does not exceed the cap. Title 39 does not limit the Postal Service from devising and implementing deferred compensation provided it does not conflict with either the Federal Employees' Retirement System or Civil Service Retirement System.

If you have any questions or need additional information, please contact Tammy Whitcomb, assistant inspector general for audit, or me at 703-248-2100.

E-Signed by Tammy Whitcomb 
VERIFY authenticity with ApproveIt


For

David C. Williams
Inspector General

Attachment

cc: Mary Anne Gibbons
Joseph Corbett
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³ Deferred compensation is primarily bonuses awarded during FY 2008 and credited in early 2009.

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The passage of the Postal Act of 2006 amended Title 39, imposing guidelines on total compensation⁴ for the Postal Service. Under this provision, the total compensation payable to any employee is established at three levels.

- The first limit provides that no officer or employee may be paid compensation at a rate in excess of the rate for level I of the Executive Schedule. This compensation limit was set at \$196,700 for calendar year 2009.
- With the approval of the Board, however, the Postal Service may develop a program to award a bonus or other reward in excess of the above compensation limit, as long as this does not cause the total annual compensation paid to the officer to exceed the total annual compensation payable to the vice president of the United States as of the end of the calendar year in which the bonus or award is paid. In approving any such program, the Board must determine that the bonus or award is based on a performance appraisal system that makes meaningful distinctions based on relative performance. This total compensation limit was \$227,300 for calendar year 2009.
- In addition, the Board may allow up to 12 officers or employees of the Postal Service in critical senior executive or equivalent positions to be paid total annual compensation up to 120 percent of the total annual compensation payable to the vice president of the United States as of the end of the calendar year in which such payment is received. This compensation limit was \$272,760 for calendar year 2009.

Postal Service officers receive additional benefits and other perquisites not subject to the compensation cap, including increased annual leave exchange hours, free financial counseling, parking, life insurance, and health benefits.⁵ In certain limited cases, officers have contractual benefits in the form of deferred compensation. These items are not generally subject to the compensation guidelines defined in the Postal Act of 2006.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this portion of the FY 2010 Postal Service Financial Statements Audit - Eagan Information Technology/Accounting Service Center was to determine whether the Postal Service complied with the Postal Act of 2006 limits on annual compensation for officers.

⁴ Compensation includes annual salary, merit lump sum payments, bonuses, and awards.

⁵ The Postmaster General also receives driver and personal security services from the U.S. Postal Inspection Service.

We conducted this portion of the audit from February through April 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We relied on computer-generated data from payroll systems and the Eagan Accounts Payable System for testing compensation, awards, bonuses, annual leave exchange, and deferred compensation. We used advanced data analysis techniques to test data gathered from these systems and performed specific internal control and transaction tests, to include tracing selected information to supporting source records.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Officer Compensation for Calendar Year 2008</i>	FT-WP-09-002	6/17/09	\$0	We made no recommendations.
<i>Executive Compensation</i>	FT-WP-09-001	12/05/08	\$670	We identified one executive exceeding the compensation limit in calendar year 2007. Management took corrective action, so no recommendations were made.