



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

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2013

Audit Report

January 30, 2014

Report Number FT-AR-14-004

January 30, 2014



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

HIGHLIGHTS

Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2013

Report Number FT-AR-14-004

BACKGROUND:

The Postal Reorganization Act of 1970, as amended, established the U.S. Postal Service Board of Governors (Board), which is composed of the postmaster general, deputy postmaster general, and nine governors appointed by the President of the United States. As of September 30, 2013, the Board consisted of the postmaster general, the deputy postmaster general, and five governors.

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.

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 Postal Service policies and procedures and Board policies.

WHAT THE OIG FOUND:

Travel and miscellaneous expenses totaling about \$153,000 and external professional fees totaling about \$36,000 were properly supported, reasonable, and generally in compliance with Postal Service and Board policies.

WHAT THE OIG RECOMMENDED:

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

[Link to review the entire report](#)



January 30, 2014

MEMORANDUM FOR: JULIE S. MOORE
SECRETARY, 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 2013
(Report Number FT-AR-14-004)

This report presents the results of our audit of the Postal Service Board of Governors’ Travel and Miscellaneous Expenses for Fiscal Year 2013 (Project Number 13BG013FT000).

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.

Attachment

cc: 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) 2013 (Project Number 13BG013FT000). 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 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 composed of the postmaster general, deputy postmaster general, and nine governors appointed by the President of the United States. As of September 30, 2013, the Board consisted of the postmaster general, the deputy postmaster general, and five governors. 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. In FY 2013, the Board held 39 meetings¹ and incurred about \$189,000 in travel and miscellaneous expenses and external professional fees.²

Conclusion

Travel and miscellaneous expenses for FY 2013 totaling about \$153,000 and external professional fees totaling about \$36,000 were properly supported, reasonable, and generally in compliance with Postal Service and Board policies. In comparison, FY 2012 travel and miscellaneous expenses and external professional fees totaled about \$216,000 and \$492,000, respectively. The significant decrease in external professional fees is due to a final payment of \$492,000 in FY 2012 for a consulting contract entered into during FY 2011.

Business-Related Meals and Expenses

In FY 2012, the U.S. Postal Service Office of Inspector General (OIG) found the Board's general policy did not contain guidelines for purchasing official business-related meals and expenses for customers and other external stakeholders. The OIG recommended the secretary of the Board develop policies and procedures for business representation meals. As a result, the Board adopted a revised policy, effective June 18, 2013, that included guidelines for these expenses. Specifically, the policy provided a breakfast and lunch per person allowance of \$50 and a dinner per person allowance of \$75. Both limits exclude tax and gratuity.

¹ 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.

² The majority of professional fees represents payments for legal consultations.

During FY 2013, but prior to implementation of the revised policy, we identified three instances where the cost of meals exceeded the guidelines of the revised policy:

- For two dinners, one in New York City totaling \$1,885³ and one in Washington, D.C., totaling \$893,⁴ the per person costs of the meals were \$94 and \$81, respectively.
- For one catered lunch with corporate customers in New York City totaling \$3,020,⁵ the per person cost of the meal was \$131, exceeding the \$50 allowance.

We did not find any instances exceeding the cost guidelines after implementation of the revised policy. Since the above instances occurred before the Board revised the policy, we are not making any recommendations in this area.

Because we are not making any recommendations, management chose not to formally respond to this report.

³ There were 20 attendees, including eight Board members, five Postal Service officers, three Postal Service managers, and four Postal Service inspectors. Cost excludes tax and gratuity.

⁴ There were 11 attendees, including eight Board members and three Postal Service inspectors. Cost excludes tax and gratuity.

⁵ There were 23 attendees, including eight Board members, two Postal Service officers, 10 executives representing nine corporate customers, and three Postal Service inspectors. Cost includes fees for services and linens.

Appendix A: Additional Information

Background

The Postal Reorganization Act of 1970, as amended, established the Board, which is composed of the postmaster general, deputy postmaster general, and nine governors appointed by the President of the United States. As of September 30, 2013, the Board consisted of the postmaster general, the deputy postmaster general, and five governors.⁶

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 in Washington, D.C., or another location where members can visit Postal Service facilities or large mailer operations. In FY 2013, the Board held 39 meetings and incurred about \$153,000 in travel and miscellaneous expenses and about \$36,000 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 in compliance with Postal Service policies and procedures and Board policies. We reviewed all 58 Board⁷ travel reimbursements processed under finance number 101099 through the Oracle Accounts Payable System for travel and miscellaneous expenses incurred during FY 2013. We also reviewed all Board external professional fees incurred during the same period at the request of the independent public accountant, EY, LLP.

We conducted this performance audit from December 2012 through January 2014⁸ 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

⁶ There were four vacancies on the Board as of September 30, 2013.

⁷ The postmaster general's and deputy postmaster general's travel and representation expenses are not included in the scope of this audit. They are included in our audit on *Officers' Travel and Representation Expenses for Fiscal Year 2013*.

⁸ The scope of our audit was October 1, 2012 through September 30, 2013.

such activities. We discussed our observations and conclusions with management on December 20, 2013, and included their comments where appropriate.

We assessed the reliability of 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 2012</i>	FT-AR-13-008	1/4/2013	None
<p>Report Results: 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. However, the Board's general policy did not contain guidelines for purchase and payment of official business-related meals or expenses with customers and other external stakeholders. The secretary of the Board agreed with the recommendation to develop policies and procedures for business representation meals.</p>			
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
<p>Report Results: 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. We did not make any recommendations.</p>			