



November 21, 2008

JULIE S. MOORE
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Audit Report – Postal Service Board of Governors Travel and
Miscellaneous Expenses for Fiscal Year 2008
(Report Number FT-AR-09-003)

This report presents the results of our audit of the Board of Governors (Board) travel and miscellaneous expenses for fiscal year (FY) 2008 (Project Number 08BG001FT000). We conducted the audit in response to a Board resolution requiring annual audits of its travel and miscellaneous expenses. This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

Conclusion

Travel and miscellaneous expenses (totaling \$116,241) and external professional fees (totaling \$6,703) were properly supported and complied with Board policies. However, we identified an internal control issue pertaining to the purchase and approval of professional services that, if corrected, could increase the effectiveness of administering, monitoring, and reporting Board expenditures.

Purchasing, Receiving, and Approving Professional Services

The Board Office did not adequately segregate duties for purchasing, receiving, and approving professional services. On six occasions, one individual purchased, received, and approved stenographic services totaling \$1,335. Postal Service policy¹ states no one employee may be responsible for any two functions, which includes issuing purchase orders, approving purchases, and processing invoices. The Board Office needs to divide or segregate key duties and responsibilities among different individuals to reduce the risk of error. The Board Office was not aware these duties need to be separated.

When we notified the Board Office of the issue, the Secretary of the Board separated the duties for obtaining professional services effective October 29, 2008. Since the

¹ Handbook F-1, *Accounting and Reporting Policy*, Section 4-2.1.1.2, July 2008.

Board Office took corrective action, we are not making a recommendation at this time. However, we will continue to monitor this issue as part of our future annual audit work.

Observation

A governor's travel expenses² were charged to account 56605, Meetings and Conferences. Rather, they should have been charged to account 56316, Travel – Board of Governors. This occurred because the governor's firm paid his travel expenses and requested reimbursement from the Postal Service. However, the Accounts Payable Excellence (APEX) system does not permit use of account number 56605 when an entity bills travel expenses. By using the correct account number, management is provided with more reliable information to assist in decision making.

PROGRESS ON PRIOR YEAR'S RECOMMENDATION AND OBSERVATIONS

We followed up on the prior year's recommendation and observations related to our Board audit.³

Travel Voucher Approval and Verification

Last year, we reported that management did not always comply with Postal Service policies and procedures over approval and verification of governors' travel vouchers. We recommended the Secretary of the Board of Governors coordinate with the Manager, Corporate Accounting, to implement and communicate formal, written policies and procedures for processing Board travel vouchers to all applicable personnel.

The Secretary of the Board and the Manager, Corporate Accounting, implemented and communicated a *Checklist for Board of Governors Expense Report Form 1231 in Connection with Policies Relating to Governors' Official Expenses* ("Checklist"), effective April 2, 2008. During FY 2008, we did not identify any instances of duplicate payments.

Management's corrective actions resolved the issue identified in the report. Accordingly, we closed this recommendation on April 8, 2008.

Observations

Our audit report for FY 2007 also observed that four expense vouchers were missing the second page of Postal Service Form 1231, Board of Governors/Officers Expense Report; two vouchers were not timely submitted by a governor; and a governor did not obtain written authorization from the Chairman to arrive 2 days in advance of a scheduled board meeting.

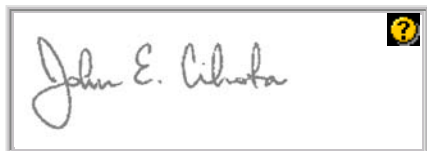
² Travel expenses were for cab, air, and train fares totaling approximately \$7,602.

³ *Postal Service Board of Governors Travel and Miscellaneous Expenses for Fiscal Year 2007* (Report Number FT-AR-08-008, dated February 15, 2008).

During FY 2008, we did not identify any instances of missing expense voucher pages, timeliness issues, or instances where the necessary written authorization was not obtained.

We are not making any recommendations in this report. As a result, management chose not to respond formally to this report.

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.



John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachment

cc: H. Glen Walker
Vincent H. DeVito, Jr.
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APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Postal Reorganization Act of 1970, as amended, established the Board, comprised of nine governors appointed by the President with the advice and consent of the Senate, the Postmaster General, and the Deputy Postmaster General. As of September 30, 2008, the Board consisted of nine governors, the Postmaster General, and the Deputy Postmaster General.

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, United States 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 other locations where members can visit Postal Service facilities or large mailer operations. In FY 2008, the Board held 22 meetings.⁴ For the fiscal year ended September 30, 2008, the Board incurred \$116,241 in travel and miscellaneous expenses and \$6,703 in external professional fees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether travel and miscellaneous expenses (including external professional fees) of the Board were properly supported and reasonable and complied with Postal Service policies and procedures and Board policies. To accomplish our objective, we conducted fieldwork from February through November 2008. We used the Board's *Policy Relating to Governors' Official Expenses* and Postal Service policies and procedures as criteria in our evaluation. We reviewed all 95 vouchers processed under finance number 101099 through the APEX system for governors'⁵ travel and miscellaneous expenses incurred during FY 2008. At the request of the independent public accountant, Ernst & Young, LLP, we also reviewed all governors' professional fees incurred during the same period.

We conducted this audit from February through November 2008 in accordance with generally accepted government auditing standards. 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 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

⁴ 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.

⁵ We have not included the Postmaster General and Deputy Postmaster General's travel and representation expenses in the scope of this audit. They are included in the scope of the Postal Service officers' travel and representation expenses audit.

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 the characteristics of such activities. We discussed our observations and conclusions with management officials on November 19, 2008, and included their comments where appropriate.

We relied on computer-generated data from the APEX system. We performed specific internal control transaction tests on this system's data, to include tracing selected financial information to supporting source documentation. For example, we verified Board travel payments recorded in APEX to hard copy original travel vouchers.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007</i>	FT-AR-08-008	2/15/08	\$2,527	Travel and miscellaneous expenses totaled approximately \$92,600 and external professional fees totaled \$1,300 and were properly supported and complied with Board policies. However, management did not always comply with Postal Service policies and procedures pertaining to the approval and verification of Board travel vouchers. The Postal Service implemented our recommendation, which is now closed.
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2006</i>	FT-AR-07-003	12/5/06	N/A	Travel and miscellaneous expenses (totaling approximately \$63,000) and external professional fees (totaling approximately \$21,000) which the Board incurred in the fiscal year ended September 30, 2006, were properly supported and complied with the Board of Governors' guidelines and Postal Service policies and procedures. We did not make any recommendations.

<p><i>Postal Service Board of Governors Travel and Miscellaneous Expenses for Fiscal Year 2005</i></p>	<p>FT-AR-06-001</p>	<p>11/16/05</p>	<p>N/A</p>	<p>Our audit disclosed that travel and miscellaneous expenses (totaling approximately \$118,000) and external professional fees (totaling approximately \$64,000) which the Board incurred in the fiscal year ended September 30, 2005, were properly supported and complied with the Board of Governors' guidelines and Postal Service policies and procedures. We did not make any recommendations.</p>
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