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# HIGHLIGHTS

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January 4, 2013

## Advertising Program

Report Number MS-AR-13-002

### **BACKGROUND:**

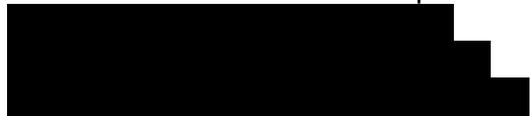
The United States Postal Service spent \$147 million on advertising in fiscal year 2011. Our objective was to evaluate the oversight of this advertising program.

### **WHAT THE OFFICE OF INSPECTOR GENERAL FOUND:**

The Postal Service was not adequately monitoring its two largest advertising contracts, which threatened the effectiveness and integrity of its advertising program. Specifically, the Postal Service:

- Did not clearly define or understand the roles and responsibilities of the primary team members for its major advertising contractors, who were paid \$10 million in fiscal year 2011.
- Paid \$631,712 in questionable bonuses to these two contractors in fiscal years 2011 and 2012.
- Did not sufficiently track or allocate certain advertising costs.
- Did not comply with internal controls for certifying and retaining advertising invoices.

We also identified misuse of position by



which we have referred to our Office of Investigations for further review.

These deficiencies, particularly related to the lack of clear understanding of

contractor staff roles and responsibilities and the misuse of position, are concerning because of the structure and magnitude of the contractors' wage rates and total labor costs, which were \$11.4 million in fiscal year 2011.

Senior management expressed concern over these contracts during our audit and allowed the major advertising contract to expire. Management has taken significant steps to restructure advertising contract processes for consistency with current industry practices and maximize the effectiveness of its advertising investments.

Overall we identified nearly \$7 million in unsupported questioned costs as a result of incorrectly certified and questionable contractor support staff labor costs and bonus payments.

### **WHAT THE OFFICE OF INSPECTOR GENERAL RECOMMENDED:**

We recommended the Postal Service establish a clearly defined process to perform contractor evaluations; and appropriately review, certify, and maintain invoices. We also recommended the Postal Service track contractor labor costs and appropriately allocate advertising costs.