



Office of Inspector General | United States Postal Service

Audit Report

Fiscal Year 2021 Board of Governors' Expenditures

Report Number 21-100-R22 | February 25, 2022



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Highlights

Background

The Postal Reorganization Act of 1970, as amended, established the Board of Governors (Board), which is comprised of nine governors appointed by the president of the United States, the postmaster general, and the deputy postmaster general. While the members of the Board changed through the year, there was a full Board as of September 30, 2021.

The Board reviews the Postal Service's practices and policies and establishes objectives and goals in accordance with Title 39 of the U.S. Code. In fiscal year (FY) 2021, the Board incurred over \$928,000 in travel, meeting, and other expenses, including about \$758,000 for professional and other services.

What We Did

Our objective was to determine whether expenditures by the Board of Governors were properly supported and reasonable and complied with Postal Service and Board policies and procedures. We reviewed 88 of 240 transactions representing \$899,687 of \$928,160 (97 percent) of FY 2021 Board expenditures.

What We Found

Board expenditures were properly supported. However, we identified minor compliance issues regarding timely submission of travel expense reports, missing expense receipts, and an overpayment for reimbursement of travel expenses made with foreign currency. We communicated these issues to Board personnel and the Postal Service took corrective action to recover the overpaid amount.

We also found at one dinner event that the Board used Postal Service funds to purchase nine drinks with top shelf liquor which was prohibited by policy in effect at the time of the event. The Board revised its policies regarding Governors' official expenses effective for FY 2022. We are not providing a recommendation at this time and will evaluate application of this revised policy as a part of our audit work for FY 2022.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 25, 2022

MEMORANDUM FOR: MICHAEL J. ELSTON
SECRETARY OF THE BOARD OF GOVERNORS

CARA M. GREENE
VICE PRESIDENT, CONTROLLER

Lorie Nelson

FROM: Lorie Nelson
Acting Deputy Assistant Inspector General
for Finance and Pricing

SUBJECT: Audit Report – Fiscal Year 2021 Board of Governors’
Expenditures (Report Number 21-100-R22)

This report presents the results of our audit of the U.S. Postal Service Fiscal Year 2021 Board of Governors’ Expenditures.

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

Attachment

cc: Corporate Audit Response Management
Postmaster General

Results

Introduction/Objective

This report presents the results of our audit of the U.S. Postal Service Fiscal Year (FY) 2021 Board of Governors' (Board) expenditures (Project Number 21-100). We conducted this audit to fulfill our obligations under Board policy to perform an annual audit of the Board's expenses.¹ Our objective was to determine whether expenditures by the Board were properly supported and reasonable and complied with Postal Service and Board policies and procedures. See [Appendix A](#) for additional information about this audit.

Background

The Postal Reorganization Act of 1970, as amended, established the Board, which is comprised of nine governors appointed by the President of the United States, the postmaster general, and the deputy postmaster general.² At the beginning of FY 2021, the Board consisted of six governors and the postmaster general. Membership changed during the year and, as of September 30, 2021, the Board consisted of nine governors, the deputy postmaster general, and the postmaster general. The Board reviews the Postal Service's practices and policies and establishes objectives and goals in accordance with Title 39 of the U.S. Code.

The Board contracted with an independent public accounting (IPA) firm to express opinions on the Postal Service's financial statements and internal controls over financial reporting. As a part of their work, the IPA firm opined that the *United States Postal Service Statement of Expenditures of the Office of the Board of Governors for the Year Ended September 30, 2021*, presented fairly, in all material respects, the expenditures of the Board.³ The IPA firm maintains overall responsibility for testing and reviewing significant Postal Service accounts, processes, and internal controls; and relies on the audit work performed by the U.S. Postal Service Office of Inspector General (OIG) for portions of the Board's expenditures. As such, we coordinated our audit work regarding compliance with

Board and Postal Service policies with the IPA firm to ensure adequate coverage of the Board's expenditures.

In FY 2021, the Board held 41 meetings⁴ and incurred over \$928,000 in travel, meeting, and other expenses, including about \$758,000 in professional and other services,⁵ as (see [Table 1](#)).

IN FISCAL YEAR 2021 THE USPS BOARD OF GOVERNORS HELD

41 MEETINGS
and incurred
over

\$928,000
in TRAVEL, MEETING, and
OTHER EXPENSES,
including about

\$758,000
in PROFESSIONAL and
OTHER SERVICES

¹ Policies Relating to Governors' Official Expenses, adopted January 7, 2014.

² Public Law 91-375, enacted August 12, 1970.

³ *Report of Independent Auditors*, dated November 10, 2021.

⁴ Meetings include full Board of Governors' regular, annual, and special meetings as well as committee meetings, but do not include other official functions such as stamp dedication ceremonies. In addition to a salary, governors receive \$300 a day in meeting fees for not more than 42 meeting days each year.

⁵ Professional services generally include legal and consulting services, which totaled \$754,741 in FY 2021.

Table 1. Board of Governors' Expenditures

Expense Category	FY 2021	FY 2020	FY 2019
Governors' and Staff Travel ⁶	\$77,821	\$85,459	\$64,787
Governors' Meeting Fees	55,800	65,400	15,900
Meeting Expenses	28,919	34,720	28,464
Professional and Other Services	757,850	1,540,662	73,082
Supplies	7,770	8,394	4,617
Total	\$928,160	\$1,734,635	\$186,850

Source: OIG analysis of Postal Service accounts payable and general ledger records.

Findings Summary

Board expenditures were properly supported. However, we identified minor compliance issues regarding timely submission of travel expense reports,⁷ missing expense receipts,⁸ and an overpayment of \$126 for reimbursement of travel expenses made with foreign currency. We communicated these issues to Board personnel and the Postal Service took corrective action to recover the overpaid amount.

We also found that at one dinner event, Postal Service funds were used to purchase a limited amount of liquor which was prohibited by policy. The Board has since revised its policy in this area, which we intend to review as part of our future work.

Finding #1: Alcohol at Board Dinner Events

In FY 2021, the Board held one dinner event where nine drinks with top shelf liquor were purchased using Postal Service funds at a cost of \$81. At other

dinners, the Board used Postal Service funds to purchase bottles of wine. Postal Service executives attended these event and there were no external guests present.

The Board's policy in effect in FY 2021 generally limited the type of alcoholic beverage that could be purchased during official events using Postal Service funds to wine and beer, but specific dollar limits were not given. However, with regard to hard liquor, the policy states that, "large event receptions prior to dinners will limit alcoholic drinks to wine and beer and will not have an open bar serving hard liquor, unless the guests are members of a foreign post where hard liquor is customary." These events did not include members of foreign posts.

At the end of FY 2021, the Board revised its policy regarding governors' official expenses effective October 1, 2021⁹; therefore, we are not providing a recommendation at this time. We will evaluate application of this new policy during FY 2022.

Management's Comments

Management disagreed with the finding and stated that they did not violate the policy. They said the referenced policy is not applicable because the event was not a large reception prior to dinner but was a dinner involving only board members.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG continues to believe that the intent of the referenced policy in effect in 2021 was to allow hard liquor only when entertaining members of a foreign post where it is customary. However, the policy has been revised and we will evaluate the revision in FY 2022.

⁶ We did not include travel expenses of Board members, the postmaster general, or the deputy postmaster general in the scope of this audit. As Postal Service officers, we included their travel in the FY 2021 Officers' Travel and Representation Expenses audit (Project Number 21-094).

⁷ Policy requires claims for reimbursement to be submitted within 90 days after completion of the trip. One governor submitted an expense report on day 91 and another on day 92.

⁸ Policy requires governors to attach receipts for items exceeding \$75 to their requests for reimbursement. One governor did not provide an explanation for not providing receipts for two travel expenses exceeding the threshold.

⁹ Resolution of the Board of Governors, Resolution No. 21-24, *Policies Relating to Governors' Official Expenses*, effective October 1, 2021.

Appendices

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Appendix A: Additional Information

Scope and Methodology

We reviewed 88 of 240 transactions representing \$899,687 of \$928,160 (97 percent) of FY 2021¹⁰ Board expenditures. Table 2 shows the scope of our audit analysis by expense category.

Table 2. FY 2021 Board Expenditures Reviewed

Expense Category	Total Transactions	Total Amount	Transactions Reviewed	Amount Reviewed
Governors' and Staff's travel	73	\$77,821	10	\$63,785
Governors' meeting fees	41	55,800	41	55,800
Professional and Other services	48	757,850	27	754,241
Meeting expenses	27	28,919	9	24,540
Supplies	51	7,769	1	1,321
Total	240	\$928,159	88	\$899,687

Source: OIG analysis of Postal Service accounts payable and general ledger records.

We identified all Board expenses recorded in the Postal Service accounts payable system and obtained the governors' meeting fees documentation from Corporate Accounting for the period from October 2020 through September 2021. We excluded travel expenses for the postmaster general and deputy postmaster general as they are part of the audit of the Postal Service's officers' travel.¹¹ We judgmentally selected and reviewed Board expenditures in coordination with the IPA firm.

¹⁰ The Postal Service's fiscal year 2021 was from October 1, 2020, through September 30, 2021.

¹¹ *Officers' Travel and Representation Expenses* audit (Project Number 21-094).

¹² Contract Authoring and Management is a web-based system to facilitate the solicitation, award and administration of supplies, services, and transportation contracts.

To accomplish our objective, we:

- Reviewed applicable policies, criteria, and guidelines relating to Board expenditures.
- Interviewed personnel from the Office of the Board, and Travel and Relocation.
- Obtained and reviewed Postal Service (PS) Forms 1231, *Governors/Officer Expense Report*, and supporting documentation.
- Obtained and reviewed PS Forms 1013, Transportation Ticketing Authorization, Corporate Travel Account (CTA), and supporting documentation.
- Obtained and reviewed the Board secretary's monthly certifications of governors' salary and meeting attendance as well as the corresponding Corporate Accounting memos confirming scheduled payments for compensation paid to the governors.
- Obtained and reviewed invoices and supporting documentation for contract fees to assess professional and other services fees.
- Researched related contract documentation in the Contract Authoring Management System.¹²
- Obtained and reviewed monthly Purchase Card statements and supporting documentation to assess meeting and supply expenses.

We conducted this performance audit from January 2021 through February 2022 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. In addition, 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 discussed our observations and

conclusions with management on November 22, 2021 and January 18, 2022, and included their comments where appropriate.

We assessed the reliability of accounts payable and general ledger data by tracing the transactions to supporting source documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Fiscal Year 2020 Board of Governors' Expenditures</i>	Determine whether fiscal year (FY) 2020 expenditures of the U.S. Postal Service Board of Governors (Board) were properly supported, reasonable, and complied with Postal Service and Board policies and procedures.	21-064-R21 <i>Fiscal Year 2020 Board of Governors' Expenditures</i>	9/22/21	\$5,837
<i>Fiscal Year 2019 Board of Governors' Travel and Other Expenses</i>	Determine whether travel and other expenses of the Office of the Board of Governors, including external professional fees, are properly supported, reasonable, and comply with Postal Service and Board of Governors policies and procedures.	19BM004FT000-R20 (consolidated in the report for <i>Fiscal Year 2019 Selected Financial Activities and Accounting Records</i>)	1/6/2020	None

Appendix B: Management's Comments



BOARD OF GOVERNORS

February 17, 2022

Lorie Nelson
Acting Deputy Assistant Inspector General for Finance and Pricing

SUBJECT: Fiscal Year 2021 Office of the Board of Governors Expenditures
(Project Number 21-100)

The Office of the Board of Governors appreciates the OIG team's thorough and professional work on the fiscal year 2021 audit.

The Postal Service disagrees with the only finding in the report. The policy referenced concerning the purchase of alcohol other than wine and beer is not applicable to the event at which nine drinks totaling \$81 were purchased. Specifically, it was not a "large event reception[] prior to dinner[]"; it was a dinner that involved only the members of the board.

For this reason, the policy was not violated.

A handwritten signature in blue ink that reads "Michael J. Elston".

Michael Elston
Secretary of the Board of Governors

cc: Ms. Greene

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