



December 20, 2007

LYNN MALCOLM
VICE PRESIDENT CONTROLLER

SUBJECT: Audit Report — Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2007 (Report Number FT-AR-08-004)

This report presents the results of our audit of the U.S. Postal Service officers' travel and representation expenses for fiscal year (FY) 2007 (Project Number 07BM006FT000). We conducted the audit in response to the Board of Governors policies and procedures requiring annual audits of officers' travel and representation¹ expenses.

Please refer to the appendix for additional information about this audit.

OVERALL AUDIT CONCLUSION

Based on the sample results, officers' travel and representation expenses totaling approximately \$880,000 were properly supported and complied with Postal Service policies and procedures.²

OBSERVATIONS

We identified an opportunity to strengthen the *Officers' Travel and Representation Expense Guidelines*. We offer this information to assist with the overall management of these expenditures.

¹ Representation expenses nearly always involve one or more non-Postal Service employees (suppliers, customers, foreign postal administrators, etcetera) and a Postal Service officer.

² The sample results returned zero deviations. The upper error limit on these results is 5 percent and meets the tolerable error planned. There is a 95 percent chance that the true deviation rate in the population does not exceed the tolerable deviation rate of 5 percent. Since the results meet our design criteria, we conclude that the submitted reimbursements were properly supported and complied with established Postal Service policies and procedures.

Officers' Travel Guidelines

Officers may claim reimbursement of refreshment expenses related to group recognition events. However, the guidelines neither specify a dollar limit nor define what type of refreshments are allowable. Revising the guidelines would serve to provide further clarification around this expense and ensure officers' compliance.

We discussed our observations and conclusions with management officials on December 5, 2007, and included their comments where appropriate. Because there were no recommendations provided, management chose not to respond 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
Stephen J. Nickerson
Vincent H. DeVito, Jr.
Katherine S. Banks

APPENDIX: ADDITIONAL INFORMATION

BACKGROUND

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. As part of these audits, the Board of Governors adopted policies and procedures that require annual audits of officers' travel and representation expenses.

Postal Service officers shape the strategic direction of the Postal Service by setting goals, targets, and indicators within the framework established by the Postal Service Board of Governors. Their positions are classified as Postal Career Executive Service II and include the Postmaster General, Deputy Postmaster General, and all Vice Presidents. The Board of Governors has authorized 50 Postal Service officer positions.

Postal Service officers are reimbursed for actual expenses incurred on official travel. They are also reimbursed for representation expenses incurred with customer, industry, or employee groups with whom the Postal Service conducts official business. Postal Service policy requires officers to claim reimbursement for all travel and representation expenses through the eTravel system.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures.³ To accomplish our objective, we conducted fieldwork from February through December 2007. We used Postal Service *Officers' Travel and Representation Expense Guidelines* issued by the Postmaster General on September 13, 2006; Handbook F-15, *Travel and Relocation*, dated February 2004; and various management instructions⁴ as our criteria in evaluating reported expenses. We used a cluster design for the officers' travel testing. Specifically, from a possible 172 "officer-quarter" clusters (43 officers⁵ x 4 quarters), we randomly selected 50 clusters for review. We reviewed all reimbursements in each selected cluster. Additionally, we reviewed all reimbursements for officers not included in the original universe of 43 officers.⁶ In total, we reviewed 287 reimbursements.

We conducted this audit from February through December 2007 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

³ The audit universe is limited to vouchers processed through the eTravel system.

⁴ Management Instructions include (1) FM-610-2000-2, *Compliance With the Prompt Payment Act*, effective March 7, 2000; (2) FM-640-1993-3, *Travel Expense Charges For Meetings*, effective April 9, 1999; (3) FM-640-2001- 1, *Payment for Meals and Refreshments*, effective September 24, 2001; and (4) FM-640-2004-1, *Government Issued, Individually Billed Travel Charge Cards*, effective June 1, 2004.

⁵ Of the 50 authorized officer positions, the Postal Service had 43 in place at the time of our sample.

⁶ Includes officers appointed during the fiscal year after the initial sample was taken.

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. We limited our tests of controls 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 the characteristics of such activities.

We relied on computer-generated data from the Accounting Data Mart (ADM) and eTravel systems. We performed specific internal control and transaction tests on the systems' data to include tracing selected information to supporting source records. For example, we traced all hard copy vouchers through the eTravel and ADM systems.

PRIOR AUDIT COVERAGE

| Report Title | Report Number | Final Report Date |
|---|----------------------|--------------------------|
| <i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2006</i> | FT-AR-07-005 | December 7, 2006 |
| <i>Postal Service Officers' Travel Expense Guidelines</i> | FT-WP-06-001 | September 29, 2006 |