



December 20, 2004

WILLIAM T. JOHNSTONE
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Transmittal of Audit Report – Postal Service Board of Governors' Travel
and Miscellaneous Expenses for Fiscal Year 2004
(Report Number FT-AR-05-004)

This report presents the results of our audit of the Board of Governors' travel and miscellaneous expenses for fiscal year 2004 (Project Number 04XD013FT000). We conducted the audit in response to a Board of Governors' resolution requiring annual audits of its travel and miscellaneous expenses.

Our audit disclosed the Office of the Board of Governors' travel and miscellaneous expenses, which totaled approximately \$193,000, and external professional fees, which totaled approximately \$41,000, for the year ended September 30, 2004, were properly supported and complied with Postal Service policies and procedures and Board of Governors guidelines. The results of the audit were discussed with Postal Service management on November 1, 2004. Because there were no recommendations provided, management chose not to respond to this report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you wish to further discuss the contents of this report or have any questions, please contact John E. Cihota, Director, Financial Statements, or me at (703) 248-2300.

/s/ John M. Seeba

John M. Seeba
Assistant Inspector General
for Audit

Attachment

cc: Richard J. Strasser, Jr.
Lynn Malcolm
Stephen J. Nickerson
Margaret A. Weir
Steven R. Phelps

INTRODUCTION

Background

The Postal Reorganization Act of 1970, as amended, established the Office of the Board of Governors (the Board), comprising the Postmaster General, Deputy Postmaster General, and nine Governors appointed by the President. As of September 30, 2004, the Board consisted of the Postmaster General, Deputy Postmaster General, and six 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, United States Code. On July 8, 1986, the Board passed Resolution Number 86-12, which requires annual audits of the Board of Governors' travel and miscellaneous expenses.

The Board of Governors generally meets monthly in Washington, D.C., or other locations where members can visit Postal Service facilities or large mailer operations. In fiscal year (FY) 2004 the Board held 11 regular meetings, in addition to committee meetings. For the year ended September 30, 2004, the Board incurred approximately \$193,000 in travel and miscellaneous expenses and approximately \$41,000 in external professional fees.

Objective, Scope, and Methodology

The objective of the audit was to determine whether the travel and miscellaneous expenses incurred by the Board were properly supported and complied with Postal Service policies and procedures and Board of Governors' guidelines.

To accomplish our objective, we conducted fieldwork from April through November 2004. The criteria used in our evaluation were the Board's Guidelines Relating to Governors' Official Expenses, effective January 1, 1998, and Postal Service travel policies and procedures. We reviewed all 149 travel and miscellaneous expense vouchers submitted by the Board during FY 2004. We also reviewed all professional fees paid to outside firms at the request of the independent public accountant, Ernst & Young LLP.

This audit was conducted from April through December 2004 in accordance with generally accepted

government auditing standards, and included such tests of internal controls, accounting records, and other auditing procedures as were considered necessary. Our tests of controls were limited to those necessary to achieve our audit objectives. Our procedures were not designed to provide assurance on internal controls. Consequently, we do not provide an opinion on such controls. We discussed our observations and conclusions with appropriate management officials and included their comments, where appropriate.

We relied on computer-generated data from Postal Service's financial accounting systems, specifically, the Accounts Payable Accounting and Reporting System II (APARS II). 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 that payments recorded in APARS II were supported by payment authorizations and the amounts were properly applied to the appropriate general ledger accounts.

Prior Audit Coverage	We have audited the Board's travel and miscellaneous expenses for each fiscal year since FY 1998 and have not identified any reportable conditions. The results of our most recent audit for FY 2003 were disclosed in our report, <u>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2003</u> (Report Number FT-AR-04-004, dated January 15, 2004).
Audit Results	Our audit disclosed that travel and miscellaneous expenses totaling approximately \$193,000, and external professional fees of about \$41,000, which the Board incurred in the year ended September 30, 2004, were properly supported and complied with the Board of Governors' guidelines and Postal Service policies and procedures.
Management's Comments	The results of the audit were discussed with Postal Service management on November 1, 2004. Because there were no recommendations provided, management chose not to respond to this report.
Evaluation of Management's Comments	No action by management was required.