



February 15, 2008

WENDY A. HOCKING  
SECRETARY OF THE BOARD OF GOVERNORS

SUBJECT: Audit Report – Postal Service Board of Governors’ Travel and  
Miscellaneous Expenses for Fiscal Year 2007  
(Report Number FT-AR-08-008)

This report presents the results of our audit of the Board of Governors’ (BOG) travel and miscellaneous expenses for fiscal year (FY) 2007 (Project Number 07BM005FT000). We conducted the audit in response to a BOG resolution requiring annual audits of its travel and miscellaneous expenses. Please refer to [Appendix A](#) for additional information about this audit.

## **OVERALL AUDIT CONCLUSION**

Travel and miscellaneous expenses totaling approximately \$92,600 and external professional fees totaling approximately \$1,300 were properly supported and complied with BOG policies. However, management did not always comply with Postal Service policies and procedures pertaining to the approval and verification of BOG travel vouchers.

## **TRAVEL VOUCHER APPROVAL AND VERIFICATION**

### **Condition**

- A governor’s travel voucher for \$2,527 was processed twice for the same travel.
- A governor’s travel voucher for \$48 was processed without approval from the Secretary of the BOG.

### **Criteria**

- *Policies Relating to Governors’ Official Expenses*, effective January 1, 2007.
- Management Instructions:
  - FM-610-2000-2, *Compliance With the Prompt Payment Act*, effective March 7, 2000.
  - FM-640-1999-3, *Travel Expense Charges For Meetings*, effective April 9, 1999.

- FM-640-2001-4, *Payment for Meals and Refreshments*, effective September 24, 2001.
- FM-640-2004-1, *Government-Issued, Individually Billed Travel Charge Cards*, effective June 1, 2004.
- Handbook F-15, *Travel and Relocation*, February 2004, updated with *Postal Bulletin* revisions through September 27, 2007.
- *Administrative Support Manual 13*, Section 722.63, General, July 1999, updated with *Postal Bulletin* revisions through March 29, 2007.
- *Postal Bulletin 21991*, Procedures Update, February 11, 1999.<sup>1</sup>

### **Cause**

- Formal written policies and procedures do not exist for processing BOG travel vouchers.
- The Postal Service used an informal procedure to expedite voucher processing.

### **Effect**

- When internal controls are not in place and functioning, the risk of unnecessary payments increases. In particular, one governor received a duplicate payment of \$2,527.

### **Corrective Action**

- When we notified the BOG office of the duplicate payment, they notified the governor, who reimbursed the Postal Service for the duplicate payment promptly.
- The Secretary of the BOG advised they will no longer accept faxed or emailed travel vouchers.
- Corporate Accounting advised they are implementing a control log to track travel vouchers.

We will report \$2,527 as monetary impact, recoverable questioned costs, in our *Semiannual Report to Congress*. Refer to [Appendix B](#) for our detailed analysis of this issue.

### **Recommendation**

We recommend the Secretary of the Board of Governors:

1. Coordinate with the Manager, Corporate Accounting, to implement and communicate formal, written policies and procedures for processing Board of Governors' travel vouchers to all applicable personnel.

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<sup>1</sup> This criteria was used for the duplicate payment and requires employees to ensure charges were not previously billed, the invoice was original, and the invoice was verified.

## Management Comments

The Secretary agreed with the recommendation and observations and is coordinating with Corporate Accounting to develop formal written policies and procedures which will be distributed and implemented no later than March 1, 2008. In addition, the Secretary asked the OIG to review and provide feedback on the written policies and procedures before they are finalized. Further, the Secretary will now only sign and submit original travel vouchers, and Corporate Accounting will implement a control log to track Board travel vouchers.

For clarity, the Secretary provided detailed comments about the circumstances of the situations cited and noted they were oversights but not evidence of a chronic problem.

The Secretary did not agree that \$2,527 should be reported as recoverable questioned costs in the OIG's *Semiannual Report to Congress* because of the small amount and its prompt recovery. Management's comments, in their entirety, are included in [Appendix C](#).

## Evaluation of Management's Comments

Management's comments are responsive to the recommendation and the actions planned should correct the issues identified in the finding. In addition, the Inspector General Act of 1978 (the Act), as amended, requires the recognition of questioned costs. The Act defines a questioned cost as a cost that is questioned by the OIG because, among other things, the expenditure of funds for the intended purpose is unnecessary or unreasonable. Duplicate payments constitute expenditures that are unnecessary and unreasonable. Accordingly, we believe reporting the amount as questioned costs is consistent with the Act.

## OBSERVATIONS

We identified items that were not material to the overall travel and miscellaneous expenses and external professional fees and do not affect the overall adequacy of internal controls. We offer this information to assist with the management and control of these expenditures.

- Four vouchers were missing the second page of Postal Service (PS) Form 1231, Board of Governors/Officers Expense Report: one each in quarters 1 and 3 and two in quarter 4. The second page of PS Form 1231 requires a full explanation of the business purpose of the trip. If forms are not completed, there is insufficient evidence trip costs were incurred in connection with official Postal Service business.

- A governor did not submit two travel reimbursement vouchers timely. He submitted one approximately 62 business days after the travel occurred and the second approximately 53 business days after the travel occurred. When requests for reimbursement are not submitted timely, there is an increased risk expenses would not be reviewed in the quarter incurred or included in the proper period.
- One governor did not obtain written authorization from the Chairman for arriving 2 days in advance of a scheduled board meeting.<sup>2</sup> BOG policies state the Board must make every effort to avoid unnecessary or excessive expenses including, in part, using the method of transportation most advantageous to the Postal Service, taking the most direct route, and using the least expensive services available to meet one's needs. When authorizations for deviations are not obtained, it may raise questions if reviewed externally (such as in response to a Freedom of Information Act request).

### PROGRESS ON PRIOR YEAR OBSERVATIONS

Our prior audit report<sup>3</sup> identified several expense vouchers from one governor that included claims for meals just under the \$75 threshold and a voucher that was not dated. During FY 2007, we identified only one expense voucher from the same governor that included claims for meals just under \$75, and all vouchers were dated.

We appreciate the cooperation and courtesies provided by your staff during the audit. 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

### Attachments

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<sup>2</sup> On two other occasions, the governor obtained written authorization for 1 and 2 extra nights' lodging.

<sup>3</sup> *Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2006* (Report Number FT-AR-07-003, dated December 5, 2006).

cc: H. Glen Walker  
Lynn Malcolm  
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Katherine S. Banks

## APPENDIX A: ADDITIONAL INFORMATION

### BACKGROUND

The Postal Reorganization Act of 1970, as amended, established the Office of the BOG, 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, 2007, the Board consisted of nine governors, the Postmaster General, and the Deputy Postmaster General.

The BOG 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 BOG's travel and miscellaneous expenses.

The BOG generally meets monthly in Washington, D.C., or other locations where members can visit Postal Service facilities or large mailer operations. In FY 2007, the BOG held 14 meetings.<sup>4</sup> For the fiscal year ended September 30, 2007, the BOG incurred approximately \$92,600 in travel and miscellaneous expenses and approximately \$1,300 in external professional fees.

### OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the travel and miscellaneous expenses the BOG incurred were properly supported and complied with BOG policies and Postal Service policies and procedures. To accomplish our objective, we conducted fieldwork from February through November 2007. We used the BOG's *Policy Relating to Governors' Official Expenses* and Postal Service policies and procedures as criteria in our evaluation. We reviewed all 71 travel and miscellaneous expense vouchers the governors<sup>5</sup> submitted during FY 2007. We also reviewed all professional fees paid to outside firms at the request of the independent public accountant, Ernst & Young LLP.

We conducted this audit from February 2007 through February 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 necessary to achieve our audit objective. Our procedures were not designed to provide

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<sup>4</sup> 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.

<sup>5</sup> The Postmaster General and Deputy Postmaster General's travel and representation expenses are not included in the scope of this audit. They are included in the scope of the Postal Service officers' travel and representation expenses audit.

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 29, 2007, and included their comments where appropriate.

We relied on computer-generated data from the Accounts Payable Excellence (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**

<b>Report Title</b>	<b>Report Number</b>	<b>Final Report Date</b>	<b>Results</b>
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2006</i>	FT-AR-07-003	December 5, 2006	There were no reportable conditions.

## APPENDIX B: TRAVEL VOUCHER APPROVAL AND VERIFICATION

Management did not always comply with Postal Service policies and procedures pertaining to the approval and verification of governors' travel vouchers. Specifically, a governor's travel voucher for \$2,527 was processed twice for the same travel, and a governor's travel voucher for \$48 was processed without approval from the Secretary of the BOG.

*Policies Relating to Governors' Official Expenses* requires a governor seeking reimbursement for official expenses provide the BOG office with a manually prepared itemized accounting of each expenditure on a PS Form 1231 or in another format. Also, a governor must sign PS Form 1231 to certify expenses were incurred in connection with official postal business, date the request, and submit the form to the Secretary of the BOG for approval.

Formal written policies and procedures do not exist for processing BOG travel vouchers. Accordingly, during our audit, we performed a walkthrough to gain an understanding of the overall process. The Secretary of the BOG must approve the governor's request for reimbursement and submit it to the manager, Corporate Accounting, for verification. Next, Corporate Accounting personnel perform a cursory review of the travel voucher and input the information into the APEX system for payment.

The duplicate payment occurred because of an informal procedure used to expedite voucher processing. Specifically, the BOG office received vouchers from the governors via fax or email. The Secretary of the BOG signed those vouchers with a note stating payment was pending receipt of the original voucher, and then distributed them to Corporate Accounting for further processing. On one occasion, Corporate Accounting personnel processed and paid a voucher before receipt of the original. Then, when the BOG office received the original, they distributed it to Corporate Accounting for processing and it was subsequently paid a second time.

In the instance of the voucher processed without approval, the Secretary of the BOG was out of the office, and BOG personnel requested approval for several vouchers from the Vice President, Controller. The Vice President, Controller inadvertently omitted her signature on the voucher. In addition, an acting manager verified the voucher in the Corporate Accounting manager's absence and forwarded it for final processing. Corporate Accounting personnel did not notice the missing signature.

As a result, the Postal Service processed and paid the same travel voucher twice. When internal controls are not in place and functioning, the risk of unnecessary payments increases.

When we notified the BOG office of the duplicate payment, they notified the governor who reimbursed the Postal Service promptly. Also, during a meeting on November 29, 2007, the Secretary of the BOG advised they will no longer accept faxed or emailed



travel vouchers. In addition, Corporate Accounting personnel advised they are implementing a control log to track travel vouchers.

## APPENDIX C. MANAGEMENT'S COMMENTS

WENDY A. HOCKING  
SECRETARY OF THE BOARD OF GOVERNORS



January 11, 2008

JOHN E. CIHOTA  
DEPUTY ASSISTANT INSPECTOR GENERAL  
FOR FINANCIAL ACCOUNTABILITY  
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Draft Audit Report – Postal Service Board of Governors  
Travel and Miscellaneous Expenses for Fiscal Year 2007  
(Report Number FT-AR-08-DRAFT)

On behalf of the Board of Governors (BOG) Office, I respectfully make this response to the Office of Inspector General (OIG) report dated December 21, 2007, regarding BOG travel and miscellaneous expenses for fiscal year 2007.

### FINDINGS

The Board Office agrees with the OIG's finding that travel and miscellaneous expenses and external professional fees were properly supported and complied with BOG policy. For the purpose of clarity, however, detailed comments are provided in the General Comments section about the circumstances under which: 1) a Governor's travel voucher for \$2,527 was processed twice, and 2) a Governor's travel voucher for \$48 was processed without the Secretary of the BOG's signature.

### OBSERVATIONS

The Board Office agrees with the observations made on page 3 of the OIG audit report.

### MONETARY IMPACT OF RECOVERABLE QUESTIONED COSTS

The Board Office does not agree that \$2,527 should be reported as monetary impact of recoverable questioned costs in the OIG's *Semi-Annual Report to Congress*. This is addressed in more detail under General Comments.

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## **RECOMMENDATION**

The OIG report recommends that the Secretary of the BOG coordinate with the Manager, Corporate Accounting, to implement and communicate formal, written policies and procedures for processing BOG travel vouchers to all applicable personnel.

## **RESPONSE TO RECOMMENDATION**

The Board Office agrees with the OIG's recommendation. Formal written policies and procedures should help to prevent inadvertent errors in processing Governors' travel vouchers such as those found during the FY 2007 audit. As Secretary of the Board of Governors, I will ensure that formal written policies and procedures are devised in collaboration with the Manager, Corporate Accounting, then implemented and communicated to all applicable personnel. These formal written policies and procedures will be distributed and implemented no later than March 1, 2008. I have asked the OIG audit team, and it has agreed, to review and provide feedback on the written policies and procedures before they are finalized.

## **GENERAL COMMENTS**

Notwithstanding this Office's agreement with the OIG's recommendation regarding formal written policies and procedures for handling BOG travel vouchers, the following commentary is provided with the intention of clarifying certain aspects of the situations cited in the report.

### 1. Compliance with Postal Service policies and procedures

The OIG report concludes that "management [referring to both the Board Office and to Finance's Corporate Accounting group] did not always comply with Postal Service policies and procedures over approval and verification of BOG travel vouchers" (page 1). The OIG's factual support for this conclusion is set forth on page 6 of the audit report.

Although there are currently no formal written policies and procedures specifically developed for processing BOG travel vouchers, which are processed manually and not on eTravel (for a variety of reasons known to the OIG), the Board Office and Corporate Accounting have worked together on Governors' vouchers for many years. Standard procedure has been that once a Governor's original travel voucher is reviewed and signed by the Secretary of the Board, the original is hand-delivered to Corporate Accounting. The Board Office retains a copy of the voucher for its own records, but provides only the original to Corporate Accounting.



The OIG audit noted two situations involving the processing of Governors' vouchers that did not adhere to standard procedure. The first involved the Board Office's conveyance to Corporate Accounting a facsimile copy of a Governor's travel voucher, rather than the original. This departure from standard procedure was in the interest of timeliness. As is the case with much of the mail coming to postal Headquarters, it is not unusual for some of the Board Office's mail to be irradiated prior to delivery. This can cause a delay of anywhere from a few days to more than a week in the Board Office's receipt of mail, including Governors' original travel vouchers. Because at the time Governors seek reimbursement for their official expenses they have typically already paid them with personal funds or been billed for them on personal credit cards, expediting reimbursement is a priority for the Board Office. Very infrequently, and only in order to get the reimbursement process under way in a timely fashion, the Board Office has accepted a facsimile copy of a Governor's travel voucher for review. If the original voucher had not been received by the time the review was completed, the faxed voucher was signed by the Secretary of the Board. Before having the faxed, signed voucher hand-delivered to Corporate Accounting, a bold note was written directly on the voucher next to the Secretary's signature. This note stated that as soon as the original voucher was received, it would be provided to Corporate Accounting to replace the faxed copy. In addition to this precaution, Board Office staff always attached a separate note to make it clear that the voucher was a faxed copy being forwarded only to expedite processing, and that the original would be provided as soon as it was received. To draw attention to both precautionary notes, key language in them was always highlighted.

In the instance cited in the OIG report, when the original voucher was hand-delivered to Corporate Accounting, notes on the original document clearly referenced the previously-submitted faxed copy, and the intent simply to substitute the original voucher for the faxed copy. This process had been successfully followed a number of times. Unfortunately, in this case the faxed voucher and the original were processed as separate transactions. As soon as the Board Office was contacted regarding the duplicate payment to a Governor, the Governor was notified and he immediately sent a check in the amount of the duplicate payment. This Governor's travel reimbursement payments are deposited directly to one of his personal accounts, and at the time he was contacted about the duplicate payment he had not yet received the account statement showing it. The duplicate amount was never at risk of not being recovered.

The second instance cited by the OIG as a problem with processing Governors' travel vouchers involved the omission of the Board Secretary's signature on an individual Governor's voucher. Again, because of the Board Office's interest in expediting reimbursement for Governors, the Office's longstanding practice when the Board Secretary is out of the office for more than a few days is to ask the Vice President, Controller (who oversees Corporate Accounting), to sign Governors' vouchers. On the occasion cited by the OIG report, the voucher was submitted

to the Vice President, Controller, for her signature with a large number of other vouchers. The Governor's particular voucher was not signed, and during final processing Accounting personnel did not catch the error. These are oversights that in and of themselves do not represent a chronic problem with the processing of Governors' vouchers.

In the interest of doing everything possible to prevent future inadvertent processing errors, however, I now only sign off on and submit *original* vouchers to Corporate Accounting. To further prevent the possibility of duplicate reimbursement payments to any of the Governors, the Manager, Corporate Accounting, and his staff will implement a control log to track Board travel vouchers.

2. Including \$2,527 as monetary impact, recoverable questioned costs

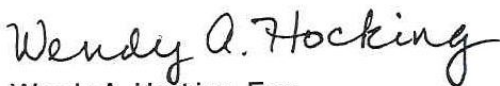
As described above, a duplicate reimbursement payment of \$2,527 was processed and direct-deposited to a Governor's personal account. The duplication of the payment was not the fault of the Governor. As soon as he was made aware of the duplicate payment – and even before he had received his monthly statement for this account – he sent a check via Express Mail to the Board Office for the full amount of the duplicate payment. There was never any risk that the \$2,527 in overpayment would not be recovered. Thus, while we agree that the internal controls in place at the time did not prevent the overpayment from occurring, the small amount of the overpayment and its prompt reimbursement do not warrant its identification in the OIG's next *Semi-Annual Report to Congress* as "monetary impact, recoverable questioned costs."

**APPLICATION OF FOIA**

In my opinion, this report contains no FOIA-exempt information.

**CONCLUSION**

The Board Office appreciates the professionalism and courtesy demonstrated throughout the audit by all members of the OIG audit team. Their efforts to help us examine and improve our policies and procedures are always welcomed.



Wendy A. Hocking, Esq.

cc: Chairman Miller  
Vice Chairman Kessler  
Glen Walker  
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