August 26, 2009

VINCENT H. DEVITO, JR
VICE PRESIDENT, CONTROLLER

DEBORAH M. GIANNONI-JACKSON
VICE PRESIDENT, EMPLOYEE RESOURCE MANAGEMENT

SUBJECT: Audit Report – Postal Service's Relocation Policy
(Report Number FF-AR-09-211)

This report presents the results of our audit of the U.S. Postal Service's Relocation Policy (Project Number 09BO012FF000). We conducted this audit in response to a request from Congress to review the Postal Service's relocation policy. We provided letters to several members of Congress with the preliminary results of our work. See Appendix A for additional information about this audit.

## Conclusion

The Postal Service's relocation benefits are generally comparable to other federal and private sector companies; however, the benefits it provides to relocating employees are costly to the Postal Service. In calendar year (CY) 2008 alone, the Postal Service spent $73 million in relocation costs related to over 2,000 employees. Although the Postal Service's average cost to relocate an employee homeowner is less than the industry average, in light of the serious financial difficulties the Postal Service is facing, significant reductions in relocation expenses could free up funds for more critical operational purposes.

Underlying the high cost of relocating employees is the fact that the Postal Service does not have a national policy for determining when it will advertise a vacancy locally versus nationally, and whether or not to offer or limit relocation expense benefits in specific circumstances. Consequently, until such policies associated with vacancy announcements and benefit limits are implemented and the Postal Service's financial situation improves, we believe the Postal Service should consider freezing its relocation benefits program.

## Postal Service Relocation Benefits Are Comparable But Costly

We determined through benchmarking that the Postal Service's relocation benefits were generally comparable to other federal agencies and private corporations, with the exception of differences related to maximum home purchase prices, house hunting trips, and the Shared Appreciation Loan Program. Specifically:

- Before February 2009, the Postal Service did not have an established maximum home purchase price. In February 2009, the agency established a $1 million ceiling on home purchase prices. Two of the seven federal agencies we contacted established ceilings for home sale prices of $750,000. Five other federal agencies and three private companies we interviewed had no established home purchase limit.[1]

- The Postal Service allowed employees[2] three house hunting trips until February 2009, when they reduced the number of allowable trips to one. Other federal agencies and private companies allowed one trip.

- The Postal Service has a Shared Appreciation Loan Program, whereby the Postal Service provides qualified PCES employees with home financing to purchase a comparable home if moving to an area with a higher cost of living. This policy is unlike any other federal agency's program. In June 2009, the Postal Service eliminated the program.

Appendix B provides the details resulting from this benchmarking.

In CY 2008, the Postal Service spent $73 million for relocation benefits for more than 2,000 employees.[3] In our view, some of the relocations that occurred during this period were exorbitant. In one instance, the Postal Service paid over $1.9 million to relocate a vehicle maintenance program analyst intrastate. The majority of this cost came from a $1.7 million loss on the sale of this employee's home.

In another instance, as cited by the national media, the Postal Service paid $1.2 million to purchase an employee's home through its real estate management firm. The revised February 2009 relocation procedures (including the $1 million home purchase ceiling) were not in place at the time the employee took a lateral transfer and relocated from South Carolina to Texas. The Postal Service has paid over $75,000 to date to move this employee. This includes $16,075 for the employee and his spouse to take a house hunting trip, including *per diem* and temporary living expenses. These costs were paid using a lump sum reimbursement process. The Postal Service implemented this

[1] Management issued revised relocation policies on August 13, 2009, that reduced the maximum value of a home purchase to $800,000.
[2] This benefit was allowable for Executive and Administrative Schedule (EAS), Postal Career Executive Service (PCES), Officer and Officer retirees employees only.
[3] Includes relocations without home purchases.

process in 2005, consistent with an industry-wide practice of paying lump sum payments for certain relocation expenses.[4]

We spoke directly with the relocating employee who told us that he and his wife indeed had traveled back and forth to Texas from South Carolina on house hunting trips. Consequently, this relocation was made in accordance with the policies and procedures in effect at the time of the relocation. This house is currently unsold and is still on the market. Appendix C lists the detailed costs of home purchases over $1 million from January 2007 through March 2009.[5]

## Relocation Contract is Cost Beneficial to the Postal Service

In January 2007, the Postal Service entered into a 3-year contract, with three 2-year renewal options, with a Relocation Management Firm (RMF) to provide relocation services. In accordance with its contract with the RMF, the Postal Service bears all the risk and cost of relocating an employee, including any loss on home sales. In addition, the Postal Service pays the RMF fees based on the fee schedule set forth in their contract.

The relocation company realizes revenue from its realty partner relationships and receives referral fees from the realty companies with whom it does business. A real estate referral fee is a portion of a broker's commission paid to a party that provided either a listing or selling prospect to that broker. Referral fee programs are commonly used to generate additional business and income for real estate practitioners, brokerage firms, relocation management companies, and corporations.

It is our opinion that, while the Postal Service bears the risk of loss, the contract overall is comparable to or better than the General Services Administration's (GSA) fixed fee contracts. This is because, unlike the Postal Service contract, the fees associated with the GSA contracts can be up to 40 percent of the home sale price. According to the Worldwide Employee Relocation Council Relocation Assistance Survey, the average cost to relocate a current employee homeowner was $76,600 in CY 2007 with many companies paying well above $100,000 per home-owning transferee. The Postal Service's average relocation cost for an employee homeowner was $45,254 in CY 2008.

[4] Under the lump sum payment process, employees are not required to provide receipts substantiating their house hunting expenses (including airfare and/or lodging expenses) and temporary quarters. According to a Worldwide Employee Relocation Council® report, lump sum payment is a prevalent industry-wide method for covering relocation expenses for *per diem* and temporary lodging. The practice of covering actual expenses has steadily been declining; only 14 percent of organizations resorted to this method in the most recent year studied, according to this report.
[5] There were a total of 14 home purchases of $1 million or more from 2004 through 2009.

## The Postal Service Should Strengthen its Relocation Policy and Curtail Benefits Due To Economic Conditions

Underlying the high cost of relocating employees is the fact that the Postal Service does not have a national policy for determining when it will advertise a vacancy locally versus nationally, and whether or not to offer or limit relocation expense benefits in certain circumstances. Instead, local officials sometimes make these important decisions for subjective reasons. For example, Postal Service officials told us that managers often advertise jobs nationally and include relocation benefits to bring in new talent or when they feel there are no local qualified candidates. We believe a less expensive alternative to hiring nationally and paying the high cost of relocation would be to consider hiring and training locally available employees.

We recognize that, as an ongoing business enterprise, the Postal Service needs the flexibility to relocate employees and there are relocations the Postal Service is contractually obligated to pay, including those of retirees. The Postal Service has taken steps to strengthen its relocation policy, including issuing revised procedures in February 2009 to install the $1 million ceiling on home purchases and to advise employees that relocation benefits may not be provided in each case. Officials also stated they are considering further restricting the requirements to participate in the employee relocation program by reducing the maximum value of a home purchase to $800,000, eliminating the Shared Appreciation Loan Program, reducing the number of house hunting trips, eliminating the home purchase program for EAS levels 22 and below, and restricting relocation benefits for lateral transfers and downgrades.[6]

While the Postal Service is taking action to strengthen its policy and reduce expenses, we believe it needs to go further to reduce the overall cost of this program in light of the current economic crisis it faces. We believe their policy should specifically define when the Postal Service should fill a vacancy locally versus nationally, pay for moves, and reduce relocation benefits for expenses not incurred.

We recommend the Vice President, Controller, in coordination with the Vice President, Employee Resource Management:

1. Consider a temporary freeze for all employee relocations (except those they are contractually or otherwise legally obligated to pay and those related to Reductions in Force avoidance) until relocation policies are updated and the Postal Service's financial position improves.

[6] Management issued revised relocation policies on August 13, 2009, that incorporated the changes related to the maximum value of a home purchase, reducing the number of house hunting trips, and eliminating relocation benefits for EAS levels 22 and below, lateral transfers, and downgrades. Management also eliminated the Shared Appreciation Loan Program in June 2009.

## Management's Comments

Management disagreed with the recommendation, stating that a temporary freeze on relocations was not feasible. However, management has taken actions, including revising the relocation policy, which will significantly reduce relocation costs. New relocation policies became effective on August 13, 2009, via *Postal Bulletin* 22265, Handbook F-15-A Revision: *Changes to Relocation Benefits and Policy*. In addition, management advised that they are filling vacant positions on an exception basis only (when it is clearly in the best interest of the Postal Service). Management believes the slowdown in filling vacant positions has contributed to the 53 percent reduction this fiscal year in relocation expenses from 2008 levels.

Further, management provided some points of clarification to the draft report related to house hunting trips and the Shared Appreciation Loan Program, and provided an updated status on the sale of a home cited in the draft report. See Appendix D for management's comments, in their entirety.

## Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report. In addition, we updated the report to clarify some questions noted by management in response to the draft report. We have reviewed the revised relocation policy issued August 13, 2009, and verified that it does indeed set forth stricter relocation policies, which will in turn result in an overall reduction in relocation costs. We consider this significant recommendation closed.

2. Clarify when the Postal Service should (1) fill vacancies locally versus nationally, (2) decline to pay relocations and (3) reduce benefits (in addition to the already proposed relocation policy changes).

## Management's Comments

Management disagreed with the recommendation to clarify relocation policy regarding filling vacancies locally versus nationally, and stated that the selecting officials are in the best position to determine job posting strategy. Management did not respond to our recommendation to clarify policy as to when relocations could be declined and when benefits should be reduced.

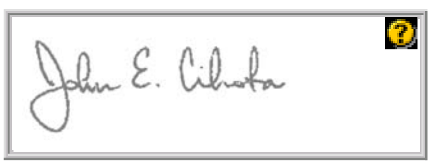
## Evaluation of Management's Comments

The OIG does not consider management's comments responsive and will not resolve all the issues identified in the report. We continue to believe that the Postal Service's relocation policy should be clarified to provide consistent and clear criteria for advertising positions locally versus nationally in order to promote consistency among job vacancies announcements throughout the country. Although management did not address our recommendation to clarify policy regarding when to decline relocation pay and reduce benefits, we have reviewed the Postal Service's revised relocation policy, issued August 13, 2009, and determined that management has implemented more stringent relocation policies. These changes included eliminating relocation benefits for employees EAS levels 22 and below, eliminating benefits for lateral transfers and downgrades, capping home purchases at $800,000, and limiting payment for losses on home sales at $100,000. The revised policy also contains specific instances of when relocation benefits are to be reduced, as in the case of an employee owning or leasing a residence at his or her new duty station.

Although these newly implemented policies represent a significant effort to reduce overall relocation costs and align Postal Service more with that of the rest of the federal government, we believe that additional instructions are needed. Specifically, we believe instructions to posting officials should specifically limit new job postings to local applicants only, but provide an option to advertise nationally if justified in writing and approved by the next higher level. This will provide greater visibility and control over relocation decisions as well as promote consistency in the awarding of relocation benefits. We view this disagreement on recommendation 2 as unresolved, consider this recommendation significant, and will pursue this through the formal resolution process.

The OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact John Wiethop, Director, Field Financial Central, or me at (703) 248-2100.




John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: Joseph Corbett
Stephen J. Forte
Vincent H. DeVito, Jr.
Stephen J. Nickerson
Steven R. Phelps
Bill Harris

# APPENDIX A: ADDITIONAL INFORMATION

## BACKGROUND

Title 39, U.S.C., § 410, gives the Postal Service the authority to establish its own relocation policy. The Postal Service has outsourced all relocation services to an RMF to ensure that employees receive uniform information on authorized relocation benefits. The RMF provides applicable policies and procedures to transferring employees and assists them with expense reimbursement to ensure prompt payment of reimbursable expenses and with arrangements for moving and storing household goods.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to evaluate the Postal Service's relocation benefits and activity at the request of Congress. Specifically, we:

- Evaluated employee relocations made in CYs 2007 and 2008.
- Compared and benchmarked Postal Service relocation policies and practices to those of other federal agencies and private companies.
- Evaluated the Postal Service's contract with its RMF.

We conducted this performance audit from March through August 2009 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. We discussed our observations and conclusions with management officials on June 18, 2009, and included their comments where appropriate.

## PRIOR AUDIT COVERAGE

| Report Title | Report Number | Final Report Date | Report Results |
|---|---|---|---|
| *Relocation Benefits for Postal Service Officers* | FR-RA-00-010(R) | May 2, 2000 | Two officers who were promoted but did not change duty stations received relocation benefits of about $248,000 for moves within the local commuting area. We found that controls were not in place to ensure that the Board of Governors approved relocation benefits. The Postal Service agreed to require written justification for local moves and to have the Board of Governors review and approve deviations from relocation policy and components of officer incentive plans. |
| *Miscellaneous Relocation Expense Payments* | FT-AR-00-001 | September 28, 2000 | Executives received miscellaneous relocation expense payments of $10,000 or $25,000 without having to document expenses incurred. Consequently, payments could be perceived as a way to exceed the statutory limits on compensation. The Postal Service now requires officers to complete worksheets in connection with filing claims for relocation benefits. The worksheet contains a section listing the relocations taken over the past 3 years and requires approval from the Chief Financial Officer, Postmaster General, and the Board of Governors. |
| *Equity Loss Payments* | FT-AR-00-004 | September 29, 2000 | The report examined payments for losses on real estate transactions incurred as part of the relocation benefits for Postal Service executives. The Postal Service updated the policy regarding formulas and calculations for equity loss payments and included a list to detail capital improvements. |
| *Deviations from Postal Relocation Policy* | FT-AR-00-005 | September 29, 2000 | Deviations from policy granted to Postal Service executives appeared to be in the best interest of the Postal Service. We made no recommendations. |
| *Audit of Cendant Mobility Services Corporation's Billing System* | CA-CAR-00-063 | September 29, 2000 | The billing system and related internal control policies and procedures of Cendant Mobility Services Corporation[7] were adequate. We made no recommendations. |
| *Incurred Cost Audit of Cendant Mobility Service Corporation* | CA-CAR-01-010 | October 18, 2000 | The audit of the cost incurred for CYs 1998 and 1999 under Postal Service contract 198525-97-B-0696 disclosed that no findings were reported. We made no recommendations. |

[7] Cendant Mobility Services Corporation's name changed to Cartus in 2006.

| Report Title | Report Number | Final Report Date | Report Results |
|---|---|---|---|
| *Shared Real Estate Appreciation Loan Program* | FT-AR-02-001 | October 17, 2001 | Through benchmarking, we determined that the Shared Real Estate Appreciation Loan Program was not comparable to programs offered by private companies or public sector agencies. The program was only offered to a limited number of executives. Controls over the program needed strengthening. The Postal Service agreed to make it available to all executives, improve documentation, restrict participation to defined high-cost areas, and ensure that exceptions are in the best interest of the Postal Service. We recommended that management update the list of approved high-cost areas annually. Although management agreed with the need to measure the differences accurately in the urban cost of living index, they noted that an annual review would be too frequent. Management proposed conducting a biennial review and searching for a source other than the American Chamber of Commerce Researchers Association's index. |
| *Relocation Compilation Report* | FT-AR-02-012 | May 31, 2002 | Capping report summarized the previous five issued reports. We made four recommendations to strengthen controls. Management agreed with the recommendation to document equity loss calculations but did not agree to adjust officer miscellaneous expenses, eliminate the Shared Appreciation Loan Program, or require officers to document miscellaneous costs if they relocated more than once in a 3-year period. Through the audit resolution process, management agreed to reduce officer miscellaneous relocation benefits and require officers to disclose moves made in the past 3 years. The Postal Service did not agree to eliminate the Shared Appreciation Loan Program, and we agreed not to elevate the recommendation through the resolution process at that time. In June 2009, the Postal Service eliminated the program. |

## APPENDIX B: BENCHMARKING COMPARISON OF RELOCATION BENEFITS[8]

| | Postal Service (EAS)[9] | Federal Travel Regulations | Federal Deposit Insurance Corporation | Office of Comptroller of Currency | Department of Labor | Tennessee Valley Authority | Company A[10] | Company B | Company C | Employee Relocation Council (ERC) Survey[11] |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of Workers | 67,028 | Not Applicable | 5,400 | 3,000 | 16,848 | 11,460 | 5,100 | 70,000 | 100,000 | Varies |
| Number of Houses Acquired (Last 2 Years) | 1,022 | Not Applicable | 30 | 50 | 22 | 43 | 35 | 10 | 35 | Not specified in survey |
| Average Profit/(Loss) on Home Sale | ($53,307) | Not Applicable | ($43,343) | None | Unknown | ($30,000) | Not Available | Not Available | $35,607 | In 2007, average loss on sale was $20,243 |
| Home Purchase Ceiling | $1,000,000 | No, Agency discretion | None | $750,000 | None[12] | None[13] | None[13] | None[13] | None[13] | 6 percent of companies offer with no limits |
| Offer relocation leave | Yes | No | 5 days | 5 days | No | No | 5 days | 3 days | No | Not specified in survey |
| Miscellaneous Expense Allowance | $2,500 | $500/$1,000 or actual not to exceed (NTE) 1 week salary (single) or 2 weeks' salary (family) | $5,000 | 2 weeks' base salary | $500/$1,000 | $500/$1,000 | $5,000-$15,000 | $4,000/$8,000 | Yes | 95 percent of companies provide an allowance with no requirement to itemize or document expenses |
| Advance House Hunting Trips | 3 trips (lump sum payment) | 1 trip | 1 trip | 1 trip | 1 trip | 1 trip | 1 trip | 1 trip | 1 trip | 99 percent of companies cover for employees and spouses |
| Dependents on Advance Round Trip | Yes | Spouse Only | Yes | Yes | Spouse only | Spouse only | No | No | Spouse only | 35 percent of companies cover one or more dependent children |
| Child care for dependent remaining home during advance round trip of parent | No | No | No | No | No | No | Included in Misc | Included in Misc | No | Not specified in survey |

[8] We contacted GSA, Department of Defense (DOD), and Federal Reserve in St. Louis. However, we did not receive responses to all our questions. GSA officials stated they have no home purchase ceiling, and DOD has a ceiling of $750,000. We also contacted 18 private companies, but they did not respond.
[9] Handbook F-15, *Travel and Relocation, Part 3 Relocation (Non-Bargaining Only)*, December 22, 2000 (updated through March 25, 2002).
[10] Due to concerns about publishing confidential commercial information from private companies that assisted us, we redacted their actual names. This applies to columns titled Company A, Company B, and Company C.
[11] *Relocation Assistance: Transferred Employees.* This is a comprehensive picture of the programs that facilitate employee mobility prepared by the Worldwide Employee Relocation Council®, 2009.
[12] Uses an average of two appraisals; an additional third appraisal is used if the difference between the first two is significant.

| | Postal Service (EAS)[9] | Federal Travel Regulations | Federal Deposit Insurance Corporation | Office of Comptroller of Currency | Department of Labor | Tennessee Valley Authority | Company A[10] | Company B | Company C | Employee Relocation Council (ERC) Survey[11] |
|---|---|---|---|---|---|---|---|---|---|---|
| Temporary Quarters (TQ) | 60 days (lump sum payment) | 30 days or actual NTE 120 days | 30/60 days | 14/7 days | 60 days | 60 days | 30/60 days | 30 days | 30 days | 95 percent of companies cover; most common time limit was 54-55 days |
| TQ Expense Limits | Yes | Yes | No limit | GSA Per Diem Rate | Yes | $1,850/$1,550 | Yes | No | No limit | Not specified in survey |
| Return Trips to Former Residence | 1 trip | No | Two trips | No | No | No | Two trips/month | Two trips | Yes | 62 percent of companies intend a lump sum payment to cover this |
| Return trip to former residence to escort family to new duty station | No | No | No | No | No | No | Yes | Yes; Final Trip | Yes | Not specified in survey |
| Expenses while en route to new location | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | 50 percent of companies intend a lump sum payment to cover this |
| Use of RMF for: Home Purchase | Yes | Agency Discretion | No | Yes | Yes, not through RMF | Yes | Yes | Yes | Yes | 77 percent of companies do not require employees to use a specific lender |
| Use of RMF for: Marketing Assistance | Yes | Agency Discretion | Yes | Yes | No | Yes | Yes | Yes | No | 77 percent of companies do not require employees to use a specific lender |
| Use of RMF for: Home Finding Assistance | Yes | Agency Discretion | Yes | Yes | No | Yes | Yes | Yes | No | 77 percent of companies do not require employees to use a specific lender |
| Use of RMF for: Household Goods | Yes | Agency Discretion | Yes | Yes | Yes, not through RMF | Yes | Yes | Yes | No | 77 percent of companies do not require employees to use a specific lender |

| | Postal Service (EAS)[9] | Federal Travel Regulations | Federal Deposit Insurance Corporation | Office of Comptroller of Currency | Department of Labor | Tennessee Valley Authority | Company A[10] | Company B | Company C | Employee Relocation Council (ERC) Survey[11] |
|---|---|---|---|---|---|---|---|---|---|---|
| Home Purchase Expenses | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | 90 percent of companies provide this benefit |
| Home Sale Expenses | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | 90 percent of companies provide this benefit |
| Equity Loss-Loss on Sale of Previous Residence | Yes | No | Yes, up to $50,000 | Yes, with limits[13] | No | No | Yes, up to $10,000 | Yes, up to $10,000 | Yes | 77 percent of companies make this assistance generally available to all transferred employees in all locations |
| 50-mile rule | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Not specified in survey |
| Loan Origination Fee or Points | 1 percent | Yes | Yes | Yes | 1 percent | 1 percent | No | Yes | Yes | 40 percent of companies report paying discount points, with the most common amount being 1.0 point. |
| Shared Appreciation Loan (SAL) Program | PCES in select cities and Officers | No | No | No | No | No | No | Yes, called Mortgage Buydown Subsidy | No | 42 percent of respondents provide mortgage buy-downs, either temporary or permanent, on a formal or case-by-case basis. |
| Mortgage Interest Differential | No | No | Yes | No, use Mortgage Subsidy Program | No | No | No | No | Yes, if over 8 percent | Not specified in survey |
| Household Goods Storage | 60 days | Up to 180 days | 60 days | No | 90 days | 90 days | 60 days | 60 days | 180 days max | 91 percent of companies cover |

[13] Responsible for first 5 percent loss from original purchase price (maximum of $25,000 if using a relocation company, and $35,000 if not).

| | Postal Service (EAS)[9] | Federal Travel Regulations | Federal Deposit Insurance Corporation | Office of Comptroller of Currency | Department of Labor | Tennessee Valley Authority | Company A[10] | Company B | Company C | Employee Relocation Council (ERC) Survey[11] |
|---|---|---|---|---|---|---|---|---|---|---|
| Tax Assistance-Federal Income Tax | Yes | Agency Discretion | Yes | Yes | No | Yes | No | No | Yes | 93 percent also assist the employee with additional tax liability |
| Calendar Year-end Relocation Income Tax Allowance | Yes | Yes | Yes | No | Yes | No | No | Yes | No | Not specified in survey |
| Surviving spouse relocation benefits | No | No | No | Yes | Yes | No | No | No | No | Not specified in survey |
| Spouse job search expenses | No | No | No | Yes | No | No | No | Yes, International to U.S. only | No | Not specified in survey |
| Relocation benefits for Retirees | PCES Only | Yes, for Senior Executive Service (SES) employees only | Yes, with years of service minimum | No | SES employees only | No | No | No | No | Not specified in survey |
| Different relocation polices for Executives vs. Non-Executives | Yes | Yes | No | No | No | Yes | No | No | Yes | 78 percent of companies have tiered policy based on salary and job level |
| Require the relocating employee to list/market their home (if selling one) before using the RMF | Yes, Not required for PCES Employees | Not Available | No | No, required to market concurrently with RMF | Yes | Yes | Yes | No | No | 87 percent of employers require participation |
| Typical contract terms if using a RMF | Firm Fixed | Not Available | Cost Plus | Fixed Fee | Percent Fee | Standard | Not Available | Not Available | Not Available | Not specified in survey |
| How RMF is paid for services | Per Fee Schedule | Not Available | Fixed fee | Percentage of home value | Percentage | Invoiced | Not Available | Not Available | Flat Fee | Not specified in survey |
| RMF shares in the profit/loss of the home sale | No | Not Available | No | No | No | No | No | Yes | No | Not specified in survey |

## APPENDIX C: RELOCATION COSTS FOR HOME PURCHASES IN EXCESS OF $1 MILLION FROM JANUARY 2007 - MARCH 2009

| File Number | 1926621[14] | 1798971 | 1724964 | 1746977 | 1597958 | 1779351 | 1764607 |
|---|---|---|---|---|---|---|---|
| Postal Service Area Location | Capital Metro | Pacific | Pacific | Southeast | Capital Metro | Pacific | Southeast |
| | | | | | | | |
| Home Finding | | | | | $3,538 | | |
| En Route Trip | | $1,549 | $755 | $1,248 | | | $1,405 |
| Home Sale Incentive | | | | 5,000 | | | |
| Household Goods Moving | $21,252 | 14,692 | 25,556 | 12,245 | 8,340 | $37,588 | 15,678 |
| Household Goods Storage | 6,234 | 1,610 | 2,018 | | | 7,194 | 1,722 |
| Lump Sum Payments | 16,075 | 11,997 | 10,872 | 14,967 | | 12,690 | 20,750 |
| Miscellaneous Allowance | 2,500 | 2,500 | 2,500 | 2,500 | 10,000 | 2,500 | 2,500 |
| New Home Closing Costs | 5,531 | 2,222 | 5,819 | 9,192 | 18,150 | 8,888 | |
| Other | 27 | 112 | 111 | 202 | 205 | 98 | 138 |
| Loss on Home Sale | | 112,500 | 112,500 | 0 | 0 | 263,433 | 1,700,000 |
| Departing Home Costs (including Broker Fees) | 13,250 | 105,680 | 100,084 | 106,282 | 92,342 | 192,466 | 222,760 |
| Tax Assistance | 11,405 | 10,580 | 10,795 | $8,158 | 14,605 | 8,990 | 7,959 |
| **Total** | $76,274 | $263,442 | $271,010 | $159,794 | $147,180 | $533,847 | $1,972,912 |

[14] This home has not yet been sold. Therefore, some of the relocation costs have not yet been incurred.

## APPENDIX D: MANAGEMENT'S COMMENTS

FINANCE

UNITED STATES
POSTAL SERVICE

July 17, 2009

LUCINE M. WILLIS

SUBJECT: Draft Audit Report—Postal Service's Relocation Policy
(Report Number FF-AR-09-DRAFT)

Thank you for the opportunity to respond to the subject draft audit report. As you noted, the Postal Service's average cost to relocate an employee is below industry averages and our contract with the relocation management firm is cost-beneficial. In addition, it should be noted that we are preparing to issue significant revisions to relocation policies for EAS and PCES employees. The updated policy is expected to be implemented in August 2009.

Prior to responding to the specific recommendations in the report, we need to update and clarify some points in the body of the report. Relocation benefits are considered an employee benefit and cannot be unilaterally changed by management. Employee benefits for bargaining employees are subject to negotiation with our unions, while changes to benefits for EAS employees involve a mandatory consultation process with our management associations. We have recently concluded the mandatory process, and are preparing to publish an updated EAS relocation policy in the upcoming Postal Bulletin. An updated PCES policy will be published simultaneously. Until these policy changes are formally published, the policies documented in Handbook F-15-A and elsewhere, remain in effect. No policy changes have been enacted with respect to our bargaining employees.

The report notes three items on page two that require some elaboration. First, the report states that the Postal Service allowed employees up to three advance house hunting trips. However, this was a benefit available only to PCES executives, not to all employees. The vast majority of employees were never allowed more than one house hunting trip. As noted in the report, the number of house hunting trips allowable for PCES executives is being reduced to one. Second, the report indicates that the Shared Appreciation Loan (SAL) program has been eliminated as of June 29. We want to clarify that this does not mean that all outstanding SALs have been terminated; rather it means that the SAL program will be phased out over time as existing loans are paid off. Lastly, we must note that the contract for sale of the $1.2 million home that the Postal Service purchased through the home purchase program fell through when the buyer was unable to obtain financing. The house is back on the market.

Our responses to your specific recommendations are found below:

Recommendation #1
Consider a temporary freeze for all employee relocations (except those they are contractually or otherwise legally obligated to pay and those related to Reduction in Force avoidance) until relocation policies are updated and the Postal Service's financial position improves.

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5000
WWW.USPS.COM

Management Response
Management disagrees with the recommendation to freeze all employee relocations because it is not feasible. However, other management actions taken during fiscal year 2009 have had the affect of greatly reducing relocation costs. Management has worked with the management associations to revise the policy as expeditiously as possible. The new policies will become effective with publication in the August 2009 Postal Bulletin. In the meantime, filling of vacant PCES and EAS positions have been greatly diminished. Vacant positions are being filled on an exception basis only, where it is clearly in the best interest of the Postal Service to do so. This slowdown in the filling of vacant positions has had a corollary impact on relocation costs through June 2009; relocation expenses were 53 percent below the 2008 levels. In those instances where the best qualified candidate for a critical position is not local to the new duty station, relocation benefits will be offered.

Recommendation #2
Clarify when the Postal Service should (1) fill vacancies locally versus nationally, (2) decline to pay relocations, and (3) reduce benefits in addition to the already proposed relocation policy changes.

Management Response
Management disagrees with this recommendation. The selecting official is the individual in the best position to determine job posting strategy most likely to be effective. Most Postal Service jobs are bargaining unit positions and career vacancies within a postal installation. They are filled internally by reassignment, promotion, or a change to lower level of qualified career employees who are designated the successful bidders or applicants. However, when positions cannot be filled by employees who are on the rolls of the installation with the vacancy, secondary consideration must be given to qualified career applicants from other installations within an expanded geographic area, subject to appropriate collective bargaining agreement provisions.

For EAS jobs, the policy is that a vacancy is openly announced to a minimum of all the eligible career EAS employees within the postal district. The policy further provides that after the assessment of potential applicants, the selecting official has the option of expanding the area of consideration to include (a) bargaining unit employees, (b) larger geographic territory (i.e., area-wide or Postal Service-wide), and/or (c) external advertisement. The selecting official is in the best position to understand the needs of the vacancy and the demographics of his local labor pool. The policy is intended to provide the selecting official flexibility to determine the appropriate area of consideration necessary to successfully recruit qualified applicants and fill vacancies in an efficient and timely manner. Given that postal employees are located across the United States in both rural and urban communities, and that Postal Service jobs cross all occupational series, a policy that would restrict the selecting official's option to recruit postal-wide would impact availability of well-qualified applicants. This in turn, would impact a unit's productivity and not be in the best interest of the Postal Service. Therefore at this time, the Postal Service policy regarding the selecting official's responsibility for determining the area of consideration remains unchanged.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

Vincent DeVito
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