



February 9, 2011

VINCENT H. DEVITO, JR.
VICE PRESIDENT, CONTROLLER

SUBJECT: Audit Report – Compliance With Travel Policies and Opportunities for Cost Savings (Report Number FF-AR-11-007)

This report presents the results of our audit of travel costs (Project Number 10BO016FF000). The objectives of our audit were to determine whether employees adhered to Postal Service travel policies and whether there were opportunities for cost savings. This audit was self-initiated and addresses financial risk. See [Appendix A](#) for additional information about this audit.

The Postal Service continues to pursue cost-cutting efforts to capture every opportunity for savings without negatively impacting customers. Reflecting cost-cutting initiatives, travel costs have declined 17 percent in the last year, from \$114.2 million in fiscal year (FY) 2009 to \$94.8 million in FY 2010. However, as disclosed in our report, opportunities exist for further savings.

Conclusion

Postal Service employees did not comply with prescribed travel policies resulting in over \$600,000 in excessive travel costs for lodging and airfare in FYs 2009 and 2010. We estimate the Postal Service could realize an additional \$600,000 in savings over the next 2 years, or \$300,000 annually, if it takes action to curtail employee noncompliance with travel policies. Further, the Postal Service did not cancel 2,491 credit cards issued to former employees, including 53 employees listed as deceased in employee records. At the time of our audit, there was more than \$37 million in open credit associated with cards of former employees.

Employees Exceeded Government Lodging Rates

Postal Service employees continued to exceed the prevailing government lodging rates.¹ The U.S. Postal Service Office of Inspector General (OIG) also reported this issue in FY 2009.² Of the 155,104 lodging transactions we reviewed,³ 21,691 exceeded the government lodging rate. Postal Service policy requires travelers to obtain the

¹ The U.S. General Services Administration (GSA) establishes federal lodging per diem rates.

² *Electronic Travel Voucher System Controls* (Report Number IS-AR-09-001, dated October 8, 2008).

³ From October 1, 2008 through August 13, 2010.

government rate for official lodging.⁴ While the Postal Service is in the process of clarifying this requirement in their policy, our audit found that employees were frequently unaware of the established government rate when they obtained lodging and did not verify whether the rate they secured exceeded the government rate. In addition, the current Electronic Travel Voucher System (eTravel) does not flag lodging that exceeds the prevailing government rate and does not require employees to separate lodging amounts from taxes, resulting in lodging rates that are not transparent to reviewing officials.⁵ Overall, we noted that from October 2008 through September 2010,⁶ the Postal Service could have saved more than \$600,000 if employees adhered to prescribed government lodging rates and could save an additional \$600,000 over the next 2 years if action is taken. See [Appendix B](#) for our detailed analysis of this topic. See [Appendix C](#) for details of the monetary impact.

We recommend the vice president, controller:

1. Develop required periodic training for travelers and approving officials that addresses adherence to prescribed government rates and the issues noted later this report, including proper use of and cancelling, when appropriate, the government travel card.
2. Incorporate requirements to flag lodging that exceeds prevailing government rates and require itemization of lodging and tax on lodging before approval of travel in the new electronic travel system.
3. Require advance approval for lodging rates that exceed prescribed government rates and document that approval in the new electronic travel voucher system.
4. Develop procedures to document approval for exceeding lodging until such time as the new electronic travel system is implemented.

Management's Comments

Management agreed with our finding and monetary impact but did not agree with recommendation 1 to provide periodic training to travelers and approving officials due to cost constraints. Management also disagreed with recommendation 4, stating they expect the new travel system to begin by calendar year 2013; therefore, it is not cost-efficient to spend money on the current system to document lodging costs exceeding government rates. However, for both recommendations, they proposed an alternate action to re-emphasize the importance of adhering to Postal Service travel policy in periodic communications. Management stated they would also remind travelers of the availability of the Postal Service's Travel Help web page. Management plans to begin periodic communication of the policy in Quarter 3, FY 2011.

⁴ Handbook F-15, *Travel and Relocation*, Section 4-1.1.2, dated February 2004 (updated with *Postal Bulletin* revisions through January 28, 2010).

⁵ The Postal Service shall replace eTravel with new a new system by the end of FY 2013.

⁶ We reviewed data for the period October 1, 2008, through August 13, 2010. We used an average daily rate for that period to project through September 2010.

Management agreed with recommendations 2 and 3 and stated that they have incorporated language into the requirements document for the new electronic travel system for booking pre-approval for airfare, hotel, and car rental to show the government rates. In addition, the new system will flag costs outside of city pair (airline) fares and GSA lodging rates. These measures were placed in the requirements document for the new electronic travel system in September 2010. See [Appendix D](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our recommendations and management's planned actions should correct the issues identified in the report.

Employees Misused Travel Credit Cards

We reviewed travel card usage for 274⁷ employees with high-risk transactions and found that 173 misused their government travel card by purchasing personal items and taking cash advances unrelated to official travel. While travel coordinators reviewed cardholder statements when delinquencies were identified, they did not routinely review for misuse if there was no associated delinquency. As a result, we identified more than \$349,317 in inappropriate purchases and cash advances from October 2008 through September 2010. We referred this employee misconduct to the OIG Office of Investigations, and Postal Service and cognizant officials have taken a variety of personnel actions including employee removal.

When employees misuse their government travel cards, there is an increased risk of delinquency and write-offs, which could negatively impact the Postal Service's contractual relationship with Citibank[®] (goodwill). Further, the amount of money rebated to the Postal Service is reduced when Citibank forgives delinquent accounts.

Based on our audit work, Postal Service officials are mitigating risk by lowering employee credit limits from the current level of \$15,000.⁸ In addition, the Postal Service will require employees with government travel cards to sign cardholder agreements to verify employees are aware travel cards are for official travel only. Lastly, the Postal Service is working with VISA[®] to have suspicious transactions flagged in a new VISA[®] IntelliLink⁹ system. The Postal Service will train travel coordinators on this system by September 30, 2011. See [Appendix B](#) for our detailed analysis of this topic. See [Appendix C](#) for other impact.

⁷ We judgmentally selected 274 employee cardholders from a Visa[®] Intellilink report that showed 508 employees with high-risk transactions. This report defined high-risk transactions as cash advances obtained without airfare or lodging during the same period.

⁸ At the time of our report, the Postal Service had not yet determined the credit limit level.

⁹ Visa IntelliLink Compliance Management is a web-based information-services application that allows easy, convenient access to information that can improve misuse detection and management.

We recommend the vice president, controller:

5. Develop procedures for travel coordinators to monitor VISA[®] Intellilink for misuse and notify approving officials as appropriate.

Management's Comments

Management agreed with our finding and recommendation and stated that all travel card coordinators will first receive training on the VISA[®] Intellilink system. Management will then develop the procedures to monitor misuse using VISA[®] Intellilink and create program rules in the Intellilink system to detect various types of misuse. These actions will be completed by September 30, 2011.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our recommendation and management's planned actions should correct the issues identified in the report.

Travel Cards Were Not Cancelled for Separated Employees

The Postal Service did not cancel 2,491 credit cards issued to former employees, including 53 employees listed as deceased in employee records. We identified two former employees who were using their travel cards after they separated from the Postal Service. Postal Service policy requires an employee's supervisor to collect an employee's travel card upon termination.¹⁰ However, no processes exist to verify that credit card accounts for separated employees have been cancelled. At the time of our audit, there was more than \$37 million in open credit associated with these cards. When we brought this issue to management's attention, they took immediate action to begin closing the accounts of the separated employees we identified. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the vice president, controller:

6. Develop procedures to verify travel cards are cancelled for separated employees

Management's Comments

Management agreed with our finding and recommendation stating they will develop procedures to verify that travel cards are cancelled for separated employees. Management also stated they will periodically communicate to travel card coordinators the importance of periodic reviews of open travel card accounts and communicate to employees their responsibility as cardholders. They will complete these actions no later than Quarter 3, FY 2011.

¹⁰ Postal Service (PS) Form 292, Headquarter Clearance Checklist and PS Form 337, Clearance Record for Separated Employee.

Management disagreed that the \$37 million of assets were at risk,¹¹ stating the master contract with the SmartPay Card Program clearly states the employee is fully responsible for repayment of the monies owed to the bank.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our recommendation and management's planned actions should correct the issue identified in the report. The OIG considered reporting the \$37 million as assets at risk, but we agree the cardholders are responsible for any amounts that are uncollectable. Therefore, any impact on the Postal Service would most likely be nominal. As a result, we removed references to the \$37 million of open credit as being at risk.

Miscellaneous Travel Policy Noncompliance

Employees violated various other travel policies including paying for other employees' lodging, using their personal credit card for travel rather than their government travel card, submitting duplicate claims for travel reimbursement, and other noncompliance described in [Appendix B](#). The eTravel system does not flag or otherwise identify the noncompliances we identified. As a result, the Postal Service has an increased risk of unnecessary travel expenses.

We recommend the vice president, controller:

7. Include requirements in the new electronic travel voucher system to identify and flag the instances of noncompliance identified in our report.

Management's Comments

Management agreed with our finding and recommendation and stated they are revising the current electronic travel voucher system so that an employee will not be able to use duplicate hotel dates in vouchers. Further, requirements for the new electronic travel system will include provisions so that approvers will be able to view previous vouchers to eliminate duplicate claims and employees will no longer have the ability to combine hotel taxes with hotel rates. Other issues will be addressed in periodic communications with travelers and approving officials. Management plans to begin periodic communication of travel policy in Quarter 3, FY 2011.

Travelers Submitted International Airfare Costs Before Travel

We noted in isolated instances that employees submitted travel vouchers for international airfare that was booked for future dates. Postal Service policy explicitly

¹¹ In the draft report sent to management for official comments, the OIG considered the \$37 million of open credit for the non-cancelled credit cards to be assets at risk: items (for example, cash, stamps, and money orders) that are at risk of loss because of inadequate internal controls.

prohibits payment in advance of travel.¹² Postal Service officials advised that the employees would not have had sufficient credit on their travel cards if the airfare was not paid in advance, and such flights were routinely booked far in advance, thus requiring prompt payment before travel. As a result, the Postal Service is at increased risk for overpayment, as it did with one employee who received a reimbursement of \$10,114 in October 2009 for a flight that was never taken. The employee currently has a credit on his government travel card account and has yet to repay the Postal Service. The Postal Service increases its risk of not collecting the overpayment the longer it resides in the employee's account. See [Appendix C](#) for the monetary impact.

We recommend the vice president, controller:

8. Revise current policies to allow for submission of international airfare before travel when such costs reach the individual's travel card credit limit.
9. Initiate action to collect the \$10,114 duplicate airline payment.

Management's Comments

Management agreed with our finding and recommendations but clarified the individual did not actually receive reimbursement of the \$10,114 but was instead a credit on his travel card. Management noted the employee recently purchased airfare for an upcoming international flight. His voucher for the new trip will list the travel card credit of \$10,114 as a personal expense to remove the credit balance from the employee's travel card. The corrective action will be taken no later than March 31, 2011.

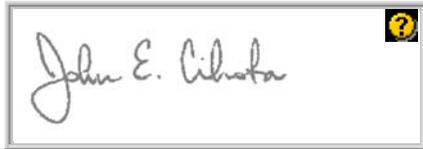
Management also incorporated new wording in the revised Handbook F-15 to include when an exception to the travel policy is allowed. They expect to issue the revised Handbook F-15 no later than September 30, 2011.

Evaluation of Management's Comments

The OIG considers management's comments responsive to our recommendations and management's planned actions should correct the issues identified in the report.

¹² Handbook F-15, Section 2-1.6.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact William Rickett, acting director, Field Financial-Central, or me at 703-248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small, square icon with a question mark.

John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

Attachments

cc: Joseph Corbett
Susan M. Brownell
Stephen J. Nickerson
Susan LaChance
Corporate Audit and Response Management

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Title 39, Section 410 of the U.S. Code gives the Postal Service the authority to establish its own travel policy. The Postal Service sets forth its travel policies for employees that travel for official business and their approving officials in Handbook F-15. Employees must comply with the policies stated in Handbook F-15 and plan their itinerary to accomplish their purpose with a minimum investment of time and expense.

Employees and approving officials use eTravel, a Web-based system, to electronically manage their business travel expenses; create, review, and submit expense reports; and access policy compliance information. Employees are required to submit their eTravel expense report as soon as possible after travel is completed but no later than the end of the accounting month in which travel was completed.

The Government Travel Card System is a program offered by the Postal Service in which an individual government travel card with automatic teller machine privileges is issued to designated employees for use while on official travel. If an employee is issued a travel card, the card is in the employee's name and charges are billed directly to the employee for payment. Handbook F-15 clearly states that employees may not use their official government travel card for personal business.

To assist with the administration of the travel program, each Postal Service district has an eTravel coordinator who can answer questions and enroll travelers in eTravel. The eTravel coordinator provides key setup and administrative support for Postal Service travelers who use the eTravel system.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether employees adhered to Postal Service travel policies and whether opportunities existed for cost savings. To accomplish our objectives, we:

- Obtained lodging transactions with associated hotel tax from eTravel for the period October 1, 2008, through August 13, 2010. We did not obtain transactions where the associated hotel tax was not separately identified because we could not be assured the individual lodging charges included only the cost of the stay, exclusive of the hotel tax.
- Compared lodging transactions to prevailing government lodging rates published by the GSA.
- Contacted 60 employees whose lodging costs exceeded the government lodging rates, to determine if they were aware of government lodging rates and the reasons those rates were exceeded.

- Reviewed a random sample of 90 lodging transactions to evaluate the validity of travel data obtained from eTravel.
- Obtained and reviewed the premium airfare report from GSA for the period October 1, 2008, through June 30, 2010, to identify premium travel that violated Postal Service policy.
- Compared employee eTravel reimbursement reports to the Citibank® travel card data to verify accuracy of official purchases for the period October 1, 2008, through September 30, 2010. We judgmentally reviewed a sample of 274 of 508 Citibank® travel cardholders' transactions flagged on the Visa® Intellilink report that showed employees with high-risk transactions. This report defined high-risk transactions as cash advances obtained without associated travel.
- Compared employees on board as of November 10, 2010, to current travel credit cardholders.

We conducted this performance audit from March 2010 through February 2011 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on December 13, 2010, and included their comments where appropriate.

We assessed the reliability of eTravel data by testing a sample of transactions to supporting documentation. We determined the data were sufficiently reliable for the purposes of this report.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2009.</i>	FT-AR-10-007	2/2/2010	Officers' travel and representation expenses were supported and complied with policies. We made no recommendations in this report.
<i>Office of the Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2009</i>	FT-AR-10-002	11/5/2009	Officers' travel and miscellaneous expenses were supported and complied with policies. We made no recommendations in this report.

Report Title	Report Number	Final Report Date	Report Results
<i>Electronic Travel Voucher System Controls</i>	IS-AR-09-001	10/8/2008	Overall, the manual and automated controls associated with eTravel adequately support approval of travel expenses other than lodging. However, management could improve the controls and clarify the policy associated with the approval of lodging expenses. Management did not agree with the report recommendations at the time of report issuance, because the Postal Service planned to replace the current travel voucher system.
<i>Security Vulnerability Assessment of the Electronic Travel Voucher System</i>	IS-AR-08-012	6/25/2008	The scans performed during this security vulnerability assessment identified security vulnerabilities and inconsistencies with Postal Service security requirements on the eTravel production servers and database server tested. Management agreed with the recommendations and implemented corrective actions.
<i>Postal Service Board of Governors' Travel and Miscellaneous Expenses for Fiscal Year 2007</i>	FT-AR-08-008	2/15/2008	Travel and miscellaneous expenses were properly supported and complied with Board of Governors policies. However, management did not always comply with Postal Service policies and procedures pertaining to the approval and verification of Governors' travel vouchers. The Board agreed with the recommendations.
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2007</i>	FT-AR-08-004	12/20/2007	Officers' travel and representation expenses were properly supported and complied with Postal Service policies and procedures. We made no recommendations in this report.

APPENDIX B: DETAILED ANALYSIS

Employees Exceeded Government Lodging Rates

Postal Service employees continued to pay for lodging that exceeded the prevailing government lodging rates, as previously reported by the OIG in FY 2009.¹³ Postal Service policy requires travelers to obtain the government rate for official lodging.¹⁴ Of the 155,104 lodging transactions made from October 1, 2008, through August 13, 2010, we reviewed, 21,691 exceeded the government lodging rate. While the Postal Service will clarify this requirement in a revised Handbook F-15, our audit found employees were frequently unaware of what the established government rate was when they obtained lodging and did not verify whether the rate they secured exceeded the government rate. Some of the occurrences we noted included:

- One employee claimed 326 lodging nights for reimbursement over a 20-month period that, in total, exceeded the prescribed government lodging rates by \$17,877.
- Postal Service employees claimed lodging charges for reimbursement for the 2009 and 2010 National Postal Forums that exceeded the prescribed government lodging rates by \$88,983.
- Two employees on an extended detail assignment for the majority of FY 2009 charged a total of \$11,000 over the prescribed government lodging rates.

Overall, we noted that from October 2008 through September 2010, the Postal Service could have saved more than \$600,000 if employees adhered to prescribed government lodging rates. In addition, it could save an additional \$600,000 over the next 2 years if employees are required to follow prescribed government lodging rates.

We noted during our audit that eTravel could be modified to further identify and possibly prevent excessive lodging rates. These modifications could include incorporating flags to identify lodging that exceeds the prevailing government rate and by requiring travelers to separate nightly lodging expenses from associated tax charges. However, as the Postal Service is in the process of replacing eTravel, management believes, and we concur, that it is not prudent to invest in enhancements to the current system at this time. Additionally, the Postal Service advised us that the new electronic travel voucher system, which will be completed by the end of FY 2013, will include features to identify excessive lodging before travel and after approval.

¹³ *Electronic Travel Voucher System Controls* (Report Number IS-AR-09-001, dated October 8, 2008).

¹⁴ Handbook F-15, Section 4-1.1.2.

Employees Misused Travel Credit Cards

We reviewed travel card usage for 274¹⁵ employees with high-risk transactions and found that 173 misused their government travel cards by purchasing items for personal use and taking cash advances unrelated to official travel, including the following:

- Three employees purchased airfare tickets, including tickets to Spain and Italy, for family and friends.
- One employee purchased an Apple computer and paid his mortgage.
- One employee used his government issued travel card more than 50 times at adult entertainment establishments.

The Postal Service's travel coordinators routinely review travel card delinquencies but, until recently, did not have a convenient electronic tool that automatically identified potential misuse if there was no associated delinquency. In December 2010, the Postal Service began using the VISA[®] Intellilink system,¹⁶ which generates reports to flag a variety of high-risk transactions, including cash advances and prohibited purchases. The Postal Service is training its travel coordinators to use this product to identify misuse. We believe use of this tool will significantly aid in identifying purchasing impropriety.

Overall, we identified more than \$349,317 in inappropriate purchases and cash advances made from October 2008 through September 2010. When employees misuse their travel cards, there is an increased risk of delinquency and account write-offs, which could negatively impact the Postal Service's contractual relationship with Citibank. Based on our audit work, Postal Service officials are taking measures to mitigate risk by lowering employee credit limits from the current level of \$15,000. In addition, the Postal Service will require employees with government travel cards to sign cardholder agreements to verify they are aware government travel cards are for official travel only. Lastly, the Postal Service will train all travel coordinators on the VISA[®] IntelliLink system by September 30, 2011.

Travel Cards Were Not Cancelled for Separated Employees

The Postal Service did not cancel 2,491 credit cards currently held by former employees, including 53 employees listed as deceased. Two former employees we reviewed were using their travel cards after they separated from the Postal Service. Postal Service policy requires an employee's supervisor to collect an employee's travel card upon termination.¹⁷ Currently, there is no process to verify credit card accounts of

¹⁵ We judgmentally selected 274 employee cardholders from a Visa[®] Intellilink report that showed 508 employees with high-risk transactions. This report defined high-risk transactions as cash advances obtained without airfare or lodging during the same period.

¹⁶ Visa[®] IntelliLink Compliance Management is a web-based information-services application that allows easy, convenient access to information that can improve misuse detection and management.

¹⁷ PS Form 292, "Headquarter Clearance Checklist" and PS Form 337, "Clearance Record for Separated Employee."

terminated employees have been cancelled. At the time of our audit, there was more than \$37 million in open credit associated with these cards. When we brought this issue to management’s attention, they took immediate action to close the accounts of the separated employees we identified.

Miscellaneous Travel Policy Noncompliance

During our review, we found that employees violated various travel policies, as identified in Table 1.

Table 1: Policy Violations With Associated Postal Policy

Issue	Postal Service Policy
Employees paid for other employees’ lodging with their government travel cards.	Management Instruction FM-640-2004-1, <i>Government-Issued, Individually Billed Travel Charge Cards</i> , Page 2, section a, Dated June 1, 2004.
Employees used their personal credit cards for travel rather than their government travel cards.	There is no written policy; however, according to Postal Service officials, when employees are first given their government travel cards, they are instructed to use their government travel card for all government travel.
Employees submitted duplicate claims for travel reimbursement.	There is no written eTravel policy on duplicate reimbursements; however, Postal Service officials stated employees are not allowed to submit multiple reimbursements for the same purchase.
Employees incorrectly coded hotel taxes as hotel charges.	Handbook F-15, Section 6-3.1.
Employees entered the wrong start and end dates for trips.	eTravel Quickstart - Creating and Submitting Expenses, Step 6, Dated October 2009.
Employees combined multiple hotel nights into the same night when entering them into eTravel.	eTravel Itemizing Expenses Quickstart, Using the Hotel Expert, page 2 Dated October 2009.
Employee incorrectly coded a lease as hotel when entering it into eTravel.	Handbook F-15, Section 6-3.2.
Employees purchased fuel for their privately owned vehicles and meals while conducting local travel.	Handbook F-15, Section 7-1.1.
Employees claimed lodging expenses when their travel did not exceed 50 miles from their official duty station.	Handbook F-15, Section 2-3.

APPENDIX C: MONETARY AND OTHER IMPACTS

Monetary Impact

Finding	Impact Category	Amount
Employees Exceeded Government Lodging Rates	Unrecoverable Questioned Costs ¹⁸	\$600,000
Employees Exceeded Government Lodging Rates	Funds Put To Better Use ¹⁹	600,000
Travelers Submitted International Airfare Costs Before Travel	Recoverable Questioned Costs ²⁰	10,114
Total		\$1,210,114

Other Impact

Finding	Impact Category	Amount
Employees Misused Travel Cards	Goodwill Branding ²¹	

¹⁸ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

¹⁹ Funds that could be used more efficiently by implementing recommended actions.

²⁰ Recoverable costs that are unnecessary, unreasonable, or an alleged violation of laws or regulations.

²¹ An actual or potential event or problem that could harm the reputation of the Postal Service.

APPENDIX D: MANAGEMENT'S COMMENTS

VINCENT DeVITO
VICE PRESIDENT, CONTROLLER



January 24, 2011

LUCINE M. WILLIS

SUBJECT: Draft Audit Report—Compliance with Travel Policies and
Opportunities for Cost Savings (Report Number FF-AR-11-DRAFT)

As requested, we are responding to your January 7 memorandum and subject audit report. Attached are comments on specific findings addressing government lodging rates, travel card misuse, miscellaneous travel policy noncompliance, and payment of international airfare prior to traveling.

This report contains proprietary business information and is exempt from disclosure under the Freedom of Information Act due to deliberative process privilege, which permits withholding of information such as drafts, requirement documents, internal proposals, etc., from public availability. We request that the portions of our Management Response that pertain to the draft requirements for a new travel system be exempt from disclosure as they are in draft format, subject to change, and should not be revealed until a request for proposal is issued.

If you have any questions, please call Katherine Banks at (202) 268-3592, Judi White at (202) 268-4039, or Steve Nickerson at (202) 268-5737.

Thank you for providing this report.

A handwritten signature in black ink that reads "Vincent DeVito".

Vincent DeVito

Attachment

cc: Joseph Corbett
Susan M. Brownell
Susan LaChance
Stephen J. Nickerson
Corporate Audit and Response Management

475 L'ENFANT PLAZA SW ROOM 8016
WASHINGTON, DC 20260-5200
202-268-8201
FAX: 202-268-8104
www.usps.com

VINCENT DeVITO
VICE PRESIDENT, CONTROLLER



January 24, 2011

LUCINE M. WILLIS

SUBJECT: Draft Audit Report—Compliance with Travel Policies and
Opportunities for Cost Savings (Report Number FF-AR-11-DRAFT)

Thank you for the opportunity to respond to the subject audit findings and recommendations.

While management agrees in general with the \$1,210,114 monetary impact, we disagree with the finding that \$37,000,000 worth of assets were at risk with the number of travel cards that were not cancelled for separated employees. The master contract with GSA's SmartPay Card Program clearly states that these accounts are individually-billed accounts and that the employee, even if separated from the Postal Service, is fully responsible for repayment of the monies owed to the bank. Additionally, the \$37,000,000 is based on the total credit limit of the cards, not on actual charges made by employees after separation.

Employees Exceeded Government Lodging Rates

Recommendation 1:

Develop required periodic training for traveler and approving officials that addresses adherence to prescribed government rates and the issues noted later in this report, including proper use of and cancelling, when appropriate, the government travel card.

Management Response/Action Plan:

Management disagrees with this recommendation that periodic training be required for traveler and approving officials. It is neither practical nor cost-effective to require training for over 212,000 travelers, most of whom do not travel regularly, and additional training for over 7,000 approvers. We will, however, re-emphasize the importance of adhering to postal policy.

In addition, once the new electronic travel system has been selected, we will readdress the training issues.

Management plans to restate postal policy in periodic communications which will begin no later than Quarter 3, and will include issues such as government rates, using correct start/end dates, using the correct expense types, and when to and when not to claim lodging expenses, use of the individually-billed travel card and what to do when separating from the Postal Service. These communications will also remind travelers of the availability of the Postal Service's Travel Help web page, which provides comprehensive policy and procedural guidance for travelers and approvers.

475 L'ENFANT PLAZA SW ROOM 8016
WASHINGTON, DC 20260-5200
202-268-8201
Fax: 202-268-8104
www.usps.com

- 2 -

Target Implementation Date:

Beginning Quarter 3, Fiscal Year (FY) 2011

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

Recommendation 2:

Incorporate requirements to flag lodging that exceeds prevailing government rates, and require itemization of lodging and tax on lodging before approval of travel in the new electronic travel system.

Management Response/Action Plan:

Management agrees with this recommendation and has incorporated the following language into the requirements document for the new electronic travel system:

- Booking preapproval (Airfare, Hotel, Car Rental)
 - Booking process
 - Airfare, show government fares
 - Hotel, show government fares
- Approval
 - Flag costs outside of City Pair Fares and GSA lodging rates
 - Show airfare booked vs. City Pair rates to approver for comparison
 - Show hotel rate booked vs. GSA lodging rate
 - Flag costs outside of City Pair Fares and GSA lodging rates

These are only a fraction of the many requirements to be evaluated. The provider best meeting all the requirements at the best value will be the successful solution provider.

Target Implementation Date:

These requirements are already in the requirements document for the new electronic travel system.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

Recommendation 3:

Require advance approval for lodging rates that exceed prescribed government rates, and document that approval in the new electronic travel voucher system.

- 3 -

Management Response/Action Plan:

Management agrees with these recommendations and has incorporated the following language into the requirements document for the new electronic travel system:

- Booking preapproval (Airfare, Hotel, Car Rental)
 - Booking process
 - Airfare, show government fares
 - Hotel, show government fares
 - Approval
 - Flag costs outside of City Pair Fares and GSA lodging rates
 - Show airfare booked vs. City Pair rates to approver for comparison
 - Show hotel rate booked vs. GSA lodging rate
 - Flag costs outside of City Pair Fares and GSA lodging rates

These are only a fraction of the many requirements to be evaluated. The provider best meeting all the requirements at the best value will be the successful solution provider.

Target Implementation Date:

These requirements are already in the requirements document for the new electronic travel system.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

Recommendation 4:

Develop procedures to document approval for exceeding lodging until such time as the new electronic travel system is implemented.

Management Response/Action Plan:

Management disagrees with this recommendation. With the expectation of the new electronic travel system being in place by calendar year 2013, it is not cost-efficient to spend money on the current system so that lodging costs exceeding the government rates would be flagged.

However, management will reemphasize these requirements in periodic communications to begin no later than Quarter 3, FY2011.

Target Implementation Date:

Beginning Quarter 3, FY2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

- 4 -

Employees Misused Travel Credit Cards

Recommendation 5:

Develop procedures for travel coordinators to monitor VISA Intellilink for misuse and notify approving officials as appropriate.

Management Response/Action Plan:

Management agrees that procedures need to be developed to monitor VISA Intellilink for misuse and notify approving officials as appropriate.

Management's first course of action is training for all travel card coordinators on the use of VISA Intellilink. Management's second course of action is to develop the procedures to monitor misuse of the travel card using VISA Intellilink. Management will create program rules in VISA Intellilink that can be applied to detect various types of misuse.

Target Implementation Date:

These actions will be completed by September 30, 2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

Recommendation 6:

Develop procedures to verify travel cards are cancelled for separated employees.

Management Response/Action Plan:

Management agrees that procedures need to be developed to verify that travel cards are cancelled for separated employees. In addition to developing procedures to verify that travel cards are cancelled, management will periodically communicate to the travel card coordinators the importance of conducting periodic reviews of their open travel card accounts to ensure that accounts have been closed when employees leave the agency. Management will also communicate to employees, Postal policy as it relates to their responsibility as cardholders to turn in their travel card upon leaving the Postal Service.

Management would like to note that all of the accounts in question have been closed.

Target Implementation Date:

These actions will be completed no later than Quarter 3, FY2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

- 5 -

Miscellaneous Travel Policy Noncompliance

Recommendation 7:

Include requirements in the new electronic travel vouchers system to identify and flag the instances of noncompliance identified in our report.

Management Response/Action Plan:

Management agrees with this recommendation and is currently revising the current electronic travel voucher system so that an employee will not be able to use duplicate hotel dates in vouchers, thus ensuring that neither duplicate hotel charges for the same employee nor charges for multiple employees can be claimed by one individual. This is a minor modification to the system that can be done within the system maintenance budget and does not require major costs. The logic that will allow this modification to be put in place is currently used with the per diem expense and will just be applied to the hotel expense type.

Requirements for the new electronic voucher system will include provisions so that approvers will have the ability to view previous travel vouchers by employee which will eliminate duplicate claims. Employees will no longer have the ability to combine hotel taxes with hotel rates.

The requirements for the new electronic travel voucher system will include the following:

- Expense voucher filing
 - Hotel
 - Must be itemized
 - Cannot combine hotel charges and taxes into one entry
 - Cannot use same date twice
- Approver within system can see
 - Traveler history report
 - Flag/check duplicate entries

Other issues such as incorrect start/end dates, using the wrong expense types, and claiming lodging expenses when they are not more than 50 miles from their duty station will be addressed in periodic postal communications.

Target Implementation Date:

These requirements are already in the requirements document for the new electronic travel system.

Periodic postal communications to address other issues will begin in Quarter 3, FY2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

- 6 -

Travelers Submitted International Airfare Costs Before Travel

Recommendation 8:

Revise current policies to allow for submission of international airfare before travel when such costs reach the individual's travel card credit limit.

Management Response/Action Plan:

Management agrees with this recommendation and has incorporated language in the revised F-15 Handbook. Section 11-1, When to Claim Expenses, of the draft revised F-15 Handbook states:

In most cases, you are reimbursed for expenses after they have been incurred. There are some exceptions to this policy. The following expenses may be approved and paid in advance of the actual expense:

- Advance deposit required to reserve a hotel room;
- International airfare, ticketed more than 30 days in advance of travel;
- Payment for training and conference fees; and
- Rent for leased lodgings

Target Implementation Date:

Management anticipates that the publication of the revised F-15 Handbook will take place no later than September 30, 2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting

Recommendation 9:

Initiate action to collect the \$10,114 duplicate airline payment.

Management Response/Action Plan:

While management agrees with the recommendation, we want to clarify the audit findings. The individual did not actually receive a reimbursement of \$10,114; a credit was made to his individually-billed travel card. He was never personally reimbursed for this expense.

To remedy this situation, the following actions are being taken:

The employee recently received approval to travel internationally and purchased a discounted government airfare in the amount of \$11,397.70 to travel from February 3-19. Action to be taken to collect the airfare will be handled within eTravel as follows:

Employee will pre-populate airfare in the amount of \$11,397.70. The \$11,397.70 will then be itemized to claim \$10,114 as a personal expense (which means do not reimburse his individually-billed travel card); the remaining \$1,283.70 will be reimbursed to the travel card.

- 7 -

Target Implementation Date:

This will be resolved no later than March 31, 2011.

Responsible Official:

Katherine Banks, Manager, Assets & Payables, Corporate Accounting



Vincent H. DeVito, Jr.

cc: Joseph Corbett
Susan M. Brownell
Susan LaChance
Stephen J. Nickerson
Sally Haring