



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Officers' Travel and Representation
Expenses for Fiscal Year 2011**

Audit Report

December 19, 2011

Report Number FT-AR-12-008



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

December 19, 2011

Officers' Travel and Representation Expenses for Fiscal Year 2011

Report Number FT-AR-12-008

IMPACT ON:

U.S. Postal Service officers' and their travel and representation expenses in fiscal year (FY) 2011.

WHY THE OIG DID THE AUDIT:

Our objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures.

WHAT THE OIG FOUND:

Officers' travel and representation expenses totaling about \$700,000 were supported. However, officers did not always comply with Officers' Travel and Representation Expense Guidelines (Guidelines) when claiming expenses incurred during official travel and representation. Specifically, we found issues regarding reimbursement claims, international travel approval letters, travel deviation requests, alcohol purchases, and parking fees.

WHAT THE OIG RECOMMENDED:

We are not making recommendations because in FY 2011, management made several staff changes that impacted the oversight of the officers travel reimbursement process. Also, management revised the Guidelines in July 2011 and will provide necessary training to the officers and their administrative assistants on them by the end of FY 2012. Additionally, because revised Guidelines now require reimbursements based on per diem rather than actual expenses, alcohol as part of meal reimbursement claims will no longer be an issue.

WHAT MANAGEMENT SAID:

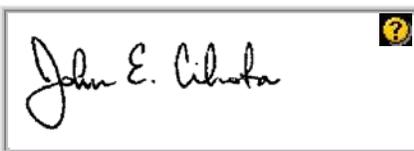
We provided a draft of this report to management on December 6, 2011, and, because we made no recommendations, management chose not to respond formally.

[Link to review the entire report](#)



December 19, 2011

MEMORANDUM FOR: TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

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

FROM: John E. Cihota
Deputy Assistant Inspector General
for Financial Accountability

SUBJECT: Audit Report – Officers' Travel and Representation
Expenses for Fiscal Year 2011
(Report Number FT-AR-12-008)

This report presents the results of our audit of the U.S. Postal Service officers' travel and representation expenses for fiscal year 2011 (Project Number 11BG008FT000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Financial Reporting, or me at 703-248-2100.

Attachments

cc: Joseph Corbett
Julie S. Moore
Jack L. Meyer
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the U.S. Postal Service officer's travel and representation expenses for fiscal year (FY) 2011 (Project Number 11BG008FT000). The report responds to a request from the Postal Service's Board of Governors (Board) to perform annual audits of Postal Service officers' travel and representation expenses.¹ Our objective was to determine whether travel and representation expenses claimed by officers were properly supported and complied with Postal Service's policies and procedures.² This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

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

During FY 2011, the Postal Service made changes to the Postal Service Officers' Travel and Representation Expense Guidelines (Guidelines)³ for officers' travel and representation expenses. A postmaster general (PMG) memorandum, dated July 29, 2011, notified officers that management revised the Guidelines, and included a copy of the revised document. The revisions incorporated eight major changes, including reimbursements based on General Services Administration (GSA) per diem rates⁴ rather than actual expenses.

Conclusion

Officers' travel and representation expenses, totaling about \$700,000, were supported. However, officers did not always comply with the Guidelines when claiming expenses incurred during official travel and for representation. Specifically, we reviewed 68 of the 972 total reimbursements and found 17 issues regarding reimbursement claims, international travel approval letters, travel deviation requests, alcohol purchases, and parking fees. Although these instances did not materially affect the overall financial statements, officers not only shape the strategic direction of the Postal Service by setting goals, targets, and indicators within the framework established by the Board but also set the tone at the top of the organization. Accordingly, they must always follow established Guidelines to set an excellent standard for the rest of the Postal Service. The PMG issued revised Guidelines to all officers in April 2009, and management trained officers' administrative assistants on them, so they should be aware of the

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

² The audit universe was limited to reimbursements processed through the eTravel System.

³ Guidelines issued on April 13, 2009, revised July 29, 2011, and effective August 1, 2011.

⁴ Per diem covers all meals, dry cleaning, skycap/bellhop tips, newspapers, and other incidentals.

requirements. All the issues reported were related to the Guidelines in effect since that time.

In the past, we found an accountant familiar with the Guidelines did an excellent job in her oversight role of ensuring officers' compliance with the Guidelines. However, as part of an organizational realignment, management selected a new manager and detailed at least four different accountants throughout the fiscal year for oversight of the travel reimbursement claim review process. Management stated they will select a permanent accountant in December 2011 and provide that individual necessary training. The accountant will then provide training to the officers and their administrative assistants on the revised Guidelines no later than September 2012. Additionally, because revised Guidelines now require reimbursements based on per diem rather than actual expenses, alcohol as part of meal reimbursement claims will no longer be an issue. As a result, we did not make recommendations at this time. However, we will continue to monitor this area as part of our ongoing financial statement audit work.

Travel and Representation Reimbursement Claims

On nine separate occasions of the 68 reviewed, officers did not submit claims for travel and representation reimbursements timely. For six of these instances, officers initially submitted incorrect claims that were returned by Corporate Accounting, so they had to be resubmitted. The Guidelines state that reimbursement claims must be submitted within 1 month of travel.⁵ Of the five officers that did not submit timely claims, one officer submitted claims outside the required timeframe on three separate occasions; two officers each submitted two claims outside the required timeframe, and two other officers each submitted one claim outside the required timeframe. When officers do not submit reimbursements timely, there is an increased risk the Postal Service's financial reports will not accurately reflect period expenses. Table 1 summarizes the occurrences.

Table 1: Claims Not Submitted Timely

Number	Trip Ending Date	Submission Date	Days Late
1*	June 18, 2010	October 7, 2010	79
2	February 28, 2011	April 29, 2011	31
3	March 3, 2011	April 29, 2011	26
4*	February 10, 2011	March 23, 11	13
5*	April 7, 2011	May 18, 2011	11
6*	May 5, 2011	June 16, 2011	11
7*	May 5, 2011	June 16, 2011	11
8*	June 10, 2011	July 14, 2011	4
9	September 25, 2010	October 29, 2010	4

* Claims initially submitted timely but returned for correction.
Source: eTravel System.

⁵ Guidelines, dated April 13, 2009, page 1, and revised Guidelines, dated July 29, 2011, page 1.

International Travel Approval Letters

On two separate occasions of 12 reviewed, officers either did not attach the approval letter for international travel to the expense report or they did not submit it timely. On one occasion, although the letter was on file, Corporate Accounting personnel did not attach the approval letter to the expense report. When we discussed this issue with Corporate Accounting personnel, they attached the letter to the expense report. On another occasion, an officer submitted the approval letter 9 days in advance of the travel instead of the required 21 days. Handbook F-15⁶ states that a copy of the approval letter must be attached to expense reports, and foreign travel authorization procedures issued by the PMG require approval letters to be submitted 21 days in advance of requested foreign travel dates.⁷ When personnel do not follow international travel authorization procedures, there is an increased risk travel may occur that is not critical to the overall business purpose.

Travel Deviation Requests

On one occasion of 68 reviewed, an acting officer did not obtain preapproval for a travel deviation. The acting officer changed the official itinerary for personal reasons and did not believe a deviation letter was required, because the change did not result in any increased travel costs. However, we did not find any documentation with the reimbursement request to verify the costs. Guidelines⁸ require travel deviations be preapproved in writing and, depending on the amount of the deviation, must be preapproved by either the vice president, controller, or manager, Corporate Accounting. When employees do not obtain pre-approval for travel deviations, there is an increased risk that employees may improperly obtain personal benefits and rewards or may conceal details of unauthorized travel.

Alcohol Purchases

On four separate occasions of 68 reviewed, officers claimed wine or hard liquor as a reimburseable expense. In one instance, three officers were attending the National Postal Forum and purchased a bottle of wine with their meals while at dinner together after the conference. We did not find any documentation provided with the reimbursement claim indicating their meals were part of a working meeting. Had this documentation been provided, the expense would have complied with Postal Service policies.⁹

In two instances, officers were reimbursed for wine or beer purchased with their meals while on official travel although the purchases were not related to any officer-approved

⁶ *Travel and Relocation*, dated May 2010, Section 4-1.3.1.

⁷ PMG memorandum, *Update to Foreign Travel Authorization Procedures*, dated December 23, 2010.

⁸ Guidelines, dated April 13, 2009, page 1, Deviations, and revised Guidelines, dated July 29, 2011, page 9, Other Documentation.

⁹ Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.

internal or external event. Postal Service policy allows purchases of wine and beer to be served with officer-approved internal or external events.¹⁰

Finally, an officer claimed hard liquor purchased at a representation function that did not include international guests. At the time of this event, the Guidelines¹¹ did not allow for purchases of hard liquor for any officer-approved functions related to a business activity. When officers do not follow established Guidelines for alcohol purchases, they are not setting a standard of excellence for the rest of the organization.

Parking Fees

An officer claimed parking expenses not associated with official business as a reimbursable expense. The officer was in the company of a person with whom the Postal Service conducts official business. When this individual fell ill and was transported to the hospital, the officer visited the individual twice at the hospital and claimed parking expenses for the visits. Guidelines¹² allow reimbursement only for travel expenditures incurred during official travel. This expense is not reimbursable because it is a personal and not an official business-related expense. When officers claim unofficial business-related expenses, this increases operation costs at a time when the Postal Service is under severe financial stress.

Observation

Registration Fees Processed Through eTravel

Personnel processed two conference/registration fees through eTravel and charged them to a general ledger (GL) account related to domestic travel other than training, instead of a GL account related to meetings and conferences. The Guidelines¹³ allow for the reimbursement of conference registration fees and other costs related to attending conferences in the domestic travel GL account. However, although this is an allowable expense, management should consider requiring officers to process conference registration fees through the eBuy2 system¹⁴ so the expense is allocated to the relevant GL account, and management can better manage costs associated with both domestic travel and meetings and conferences.

¹⁰ Management Instruction FM-640-2008-1.

¹¹ Guidelines, dated April 13, 2009, page 5, Meals, item number 4, did not allow for purchase of hard liquor. Revised Guidelines, dated July 29, 2011, page 7, Representation, item 4, allow hard liquor only if there are international guests, as appropriate for the occasion.

¹² Guidelines, dated April 13, 2009, page 1, and revised Guidelines, dated July 29, 2011, page 9.

¹³ Guidelines, dated April 13, 2009, page 5, Other Reimbursable Expense, and revised Guidelines, dated July 29, 2011, page 7.

¹⁴ The official tool for ordering goods and services and requesting certain payments.

Appendix A: Additional Information

Background

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

Officers shape the strategic direction of the Postal Service by setting goals, targets, and indicators within the framework established by the Board. Their positions are classified as Postal Career Executive Service II and include the PMG, deputy PMG and all vice presidents. The Board has authorized 50 Postal Service officer positions.

During FY 2011, the Postal Service made changes to the Guidelines for officers' travel and representation expenses. A PMG memorandum dated July 29, 2011, notified officers of revised Guidelines, and included a copy of the document. The revisions incorporated eight major changes, including reimbursements based on GSA per diem rates rather than actual expenses.

Officers are also reimbursed for representation expenses incurred with customer, industry, or employee groups with whom the Postal Service conducts official business. Postal Service policy requires officers to claim reimbursement for all travel and representation expenses through the eTravel system.¹⁵

Objective, Scope, and Methodology

Our audit objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures. In support of this objective, we judgmentally sampled and reviewed 68 reimbursements totaling about \$138,000,¹⁶ a minimum of 15 each quarter, out of a universe of 972, totaling about \$700,000. The universe of reimbursements was from October 1, 2010, through September 30, 2011. We used the following as our criteria in evaluating reported expenses:

- Postal Service Guidelines issued by the PMG on April 13, 2009, and revised on July 29, 2011.
- Handbook F-15, *Travel & Relocation*, updated with *Postal Bulletin* revisions through March 24, 2011.
- Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.

¹⁵ Online application used to create work travel expenses reports, electronically submit expense reports to authorized approvers, and track reimbursement status.

¹⁶ We included at least one reimbursement for each officer and all reimbursements of \$7,000 and above.

We conducted this performance audit from January through December 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We provided a draft of this report to management on December 6, 2011, and because we made no recommendations, management chose not to respond formally.

Our tests of controls were limited to those necessary to achieve our audit objective. Our procedures were not designed to provide assurance on internal controls. Consequently, we do not provide an opinion on such controls. Also, our audit does not provide absolute assurance of the absence of fraud or illegal acts, due to the nature of evidence and the characteristics of such activities.

We relied on computer-generated data from the Accounting Data Mart (ADM) and eTravel systems. We assessed the reliability of these system's data by tracing the 68 travel reimbursement amounts claimed in eTravel to data in the ADM system. Moreover, we verified the travel reimbursement amounts were posted to the appropriate GL accounts in ADM. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2010</i>	FT-AR-11-003	12/6/2010	None	Based on the sample results, officers' travel and representation expenses totaling about \$628,000 were properly supported and complied with Postal Service policies and procedures. We made no recommendations.
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2009</i>	FT-AR-10-007	2/2/2010	None	Based on the sample results, officers' travel and representation expenses totaling about \$567,000 were supported. We also noted the Postal Service significantly reduced its expenses, from a high of about \$1.3 million in FY 2005. We made no recommendations.
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2008</i>	FT-AR-09-006	1/20/2009	None	Based on the sample results, officers' travel and representation expenses totaling about \$1.2 million were generally supported. However, we found written preauthorizations were not always obtained for domestic First-Class™ airfare or for attendance of spouses at official events and spousal expenses were sometimes claimed in eTravel. Also, officers did not always use government travel cards or submit timely claims. Management agreed with our recommendation and conducted refresher training on proper travel procedures. Accordingly, this recommendation was closed.