



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

Travel Expense Reimbursements and Travel Card Usage

Audit Report

September 27, 2012

Report Number FT-AR-12-014



HIGHLIGHTS

BACKGROUND:

U.S. Postal Service employees and approving officials use eTravel, a web-based system to electronically create, submit, and review travel expense reports. They may not use their official travel card for personal business or exceed cash advance limits. Also, when an employee is overpaid for travel expenses, the employee should repay the amount to the Postal Service. The Postal Service incurred \$95 million in total travel expenses in fiscal year 2011.

The objective was to determine whether Postal Service employees properly claimed air and rail expenses on their travel reimbursement requests and appropriately used their travel card according to policy.

WHAT THE OIG FOUND:

Postal Service employees improperly claimed expenses on their travel reimbursements and inappropriately used their travel card. We referred issues to the U.S. Postal Service Office of Inspector General's Office of Investigations as appropriate.

We found six cases in which employees canceled a higher-priced airfare, traveled on a lower-priced one, but claimed the higher-priced fare on the travel reimbursement request. We also found 39 cases in which employees claimed a canceled fare but did not reimburse the Postal Service.

In addition, eTravel allows employees to have their per diem reimbursements paid to the travel card rather than directly to their personal bank account, which can result in a credit balance and encourage employees to use it for personal purposes, which is prohibited. Our review of 10 employees who most frequently elected to have these reimbursements paid to the travel card disclosed six made multiple personal purchases or excessive cash withdrawals.

Although each instance is unique, overall, approving managers do not have a mechanism to adequately monitor travel card activity. Also, the Postal Service did not have clear instructions explaining how to handle canceled airfare. As a result, the Postal Service is exposed to inappropriate or fraudulent activity that could negatively affect its reputation.

WHAT THE OIG RECOMMENDED:

We recommended management provide additional mechanisms for approving managers to monitor employees travel card activity. We also recommended management develop clear procedures for employees on how to account for canceled airfares and remove the eTravel System provision that allows employees to apply personal reimbursements to their travel card.

[Link to review the entire report](#)



September 27, 2012

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

JOHN T. EDGAR
VICE PRESIDENT, INFORMATION TECHNOLOGY

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". A small yellow question mark icon is located in the top right corner of the box.

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

SUBJECT: Audit Report – Travel Expense Reimbursements and Travel
Card Usage (Report Number FT-AR-12-014)

This report presents the results of our audit of travel expense reimbursements and travel card usage (Project Number 12BM004FT001).

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
Stephen J. Masse
Ricardo L. Jackson
Steven R. Phelps
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of issues pertaining to travel expense reimbursements and travel card usage (Project Number 12BM004FT001). We identified these issues during our audit of the fiscal year (FY) 2012 U.S. Postal Service Financial Statements – St. Louis Accounting Services. Our objective was to determine whether Postal Service employees properly claimed air and rail expenses on their travel reimbursement requests and whether they used their travel card appropriately. This self-initiated audit addressed financial risk. See [Appendix A](#) for additional information about this audit.

The Postal Service established its own travel policies¹ for employees who travel for official business and associated approving officials. The Postal Service uses the General Services Administration (GSA) SmartPay Program² to administer its travel card program and offers a government travel card to designated employees for use while on official travel. Employees and approving officials use the eTravel System, a web-based system, to electronically manage their business travel expenses (create, submit, and review expense reports) and access policy information. As of August 27, 2012, there were 46,449 Postal Service travel cardholders. From FY 2011 through Quarter 2 of FY 2012, the Postal Service incurred \$52.8 million in travel expenses for airfare, rail fare, travel agent fees, and baggage fees.³

Conclusion

Postal Service employees improperly claimed air and rail expenses on their travel reimbursement requests and used their travel card inappropriately. We analyzed 2,016 air and rail transactions that had a corresponding full refund and found six instances in which employees canceled and received a full refund on a higher-priced airfare, used a lower-priced airfare for the official travel, but claimed the higher-priced airfare on the travel reimbursement request. In addition, we found 39 instances⁴ in which employees canceled a fare and included it in the travel reimbursement request but did not subsequently repay the fare amount to the Postal Service. These improper claims resulted in an overpayment of \$19,198 for travel expenses from October 1, 2010, through March 31, 2012.

Finally, of 10 employees who frequently elected to have their per diem reimbursement paid to the travel card instead of their personal bank account, we found six employees used the available balance on their card to make multiple personal purchases or

¹ Handbook F-15, *Travel and Relocation*, dated May 2011.

² The GSA SmartPay Program manages a set of master contracts through which agencies and organizations, including the Postal Service, can obtain charge (credit) cards for employees to accomplish their mission.

³ This does not include other travel expenses, such as hotel, car rental, and mileage.

⁴ This includes: (1) 16 instances in which employees either received a credit balance refund check from the travel card company or used the credit balance for personal purposes, and (2) 23 instances in which employees maintained a credit balance on their travel card.

excessive cash withdrawals. We referred the issues we identified regarding air and rail reimbursements and travel card use to the U.S. Postal Service Office of Inspector General (OIG) Office of Investigations for further review.

Although each individual instance is unique, overall, approving managers do not have a mechanism to adequately monitor travel card activity. Also, the Postal Service did not have clear instructions explaining how to account for a canceled fare. In addition, the eTravel System allows employees to apply their per diem reimbursements to the travel card, which can result in a credit balance and encourage employees to use it for personal purposes. As a result, the Postal Service is exposed to inappropriate or fraudulent activity that could negatively affect the reputation of the Postal Service.

Air and Rail Expense Reimbursements

Employees improperly claimed air and rail expenses on their travel reimbursement requests. Of 2,016 air and rail transactions that had a corresponding full refund, we found 56⁵ instances in which employees claimed incorrect fare amounts or the canceled, refunded fare.⁶ Specifically, we found:

- Six instances in which employees claimed an incorrect fare in their travel reimbursement request. Employees purchased two airfares at different prices, canceled and received a full refund on the higher-priced airfare, and used the lower-priced airfare for the official travel. However, they claimed the higher-priced airfare on the travel reimbursement request.⁷

For example, an employee purchased two roundtrip airfares departing two different airports on the same date. The first fare, leaving Dulles International Airport in Washington, D.C. to Bradley International Airport in Connecticut, was \$661.40. The second fare, leaving Baltimore-Washington International Airport (BWI) in Maryland to Bradley International Airport, was \$234.40. The employee canceled the higher-priced airfare, received a refund of \$661.40, and actually flew from BWI to Bradley International Airport. However, the employee claimed the higher-priced fare for reimbursement and was subsequently paid that amount, creating a credit balance of \$427 on the employee's account. The employee then made a number of cash withdrawals to exhaust the credit amount. In total, the Postal Service overpaid \$2,829 for these six transactions.

Although we are not aware of the specific causes for the cases cited, approving managers do not have a mechanism to see all employees' charges to the travel card, including fare refunds, to monitor travel card activity.

- Fifty instances in which employees claimed a canceled airfare on the travel reimbursement request and were subsequently paid for the amount claimed. An

⁵ Of 56 instances, one was a rail transaction.

⁶ We analyzed airfare and rail transactions for the period of October 1, 2010, through March 31, 2012.

⁷ These six instances were incurred by two employees. In one of these instances, an employee claimed the higher airfare and the lower airfare.

employee is permitted to claim a canceled airfare while waiting for the airline to issue a refund provided the employee later returns the overpaid amount to the Postal Service. In seven instances, employees took the required action to reimburse the Postal Service for the paid amount after the airline issued a credit refund for the cancellation. The remaining 43 employees did not reimburse the Postal Service for the paid amount after the airline issued a credit refund for the cancellation.⁸ In four of those cases, the activities occurred in March 2012 or later; as such, the employees did not have sufficient time to take the required action to reimburse the Postal Service for the overpaid amount. We do not consider these as exceptions at this time. However, in the remaining 39 instances, we found:

- Sixteen instances in which employees either received a refund check from the travel card company for the credit balance or used the credit balance for personal purposes. For example, one employee used the travel card to charge a personal hotel stay in Las Vegas, NV, and another used the travel card at the Atlantis Casino Resort in Reno, NV. For these 16 transactions, the Postal Service overpaid \$8,548.
- Twenty-three instances in which employees maintained a credit amount on their travel card. These credit amounts are either temporarily offset by new travel transactions or remain outstanding on the travel card⁹ for up to 17 months.¹⁰ For these 23 transactions, the Postal Service overpaid \$7,821.

Postal Service policy¹¹ states that in situations in which an employee is overpaid for travel expense, the employee should complete Postal Service (PS) Form 1018, eTravel Repayment of Overpayments or Cash Advances, to repay the amount to the Postal Service. We did not expand our audit procedures to identify specific causes for the individual instances cited. However, although there are instructions on what to do with an overpayment, there are no instructions explaining how to handle different situations involving a canceled fare.

Overall, the Postal Service overpaid \$19,198 in travel expenses for air and rail transactions improperly claimed.¹² Without a method to ensure canceled tickets are not claimed in eTravel, the Postal Service is at risk of overpaying travel expenses by \$913,803 for the 2,016 air and rail transactions that had a full refund. See [Appendix B](#) for other impact.

⁸ Both the Postal Service payment and the airline refund are applied to the employee's travel card. The refund that the airline issues will offset the fare amount it previously charged. Therefore, when the Postal Service pays for the canceled airfare, this results in a credit balance in the employee's travel card. Employees are required to reimburse the Postal Service for the overpayment. We did not find any travel repayment data in the receivable system as of our review date, July 2012.

⁹ As of June 18, 2012, the date of the latest travel card statement reviewed.

¹⁰ These outstanding amounts range from \$28 to \$1,866.

¹¹ Handbook F-15, dated May 2011.

¹² This amount is related to the six instances in which employees claimed the higher airfare and the 39 instances in which employees claimed the canceled airfare and did not return the fare amount to the Postal Service. It did not include the four transactions that occurred in March or later, as we do not consider those as exceptions at this time.

Management's requirements for the next eTravel System upgrade include a how-to guide for credits and refunds. Because of funding limitations, management does not have a target implementation date for this upgrade.

Travel Card Use

Postal Service employees inappropriately used their travel card. Specifically, employees used their travel card for personal purposes. During an 18-month period,¹³ 1,280 employees elected to have their per diem reimbursement paid to the travel card instead of their personal bank account one or more times, for a total of 6,634 transactions valued at \$1.3 million. While policy does not prohibit this practice, we reviewed spending activities of 10 employees who applied their per diem reimbursement to their travel cards most frequently.¹⁴ We found six of those 10 employees used the available balance on their card to make multiple personal purchases or excessive cash withdrawals, or both.¹⁵ Specifically:

- Five employees had either multiple gas charges or a hotel charge on their travel card not related to business travel. For example, during a 4-month period, two employees purchased gas 25 times for personal use.
- Three employees took multiple cash advances from their travel card greater than the allowable amount. For example, for 3 consecutive months, an employee withdrew more than \$3,000 each month, which is more than double the allowable amount for cash withdrawals.¹⁶

Postal Service policy¹⁷ states that employees may not use their official government travel card for personal business. It also states cash advances are limited to \$50 per day of official travel. These situations occurred because the eTravel System allows employees to apply their reimbursements, such as per diem and mileage, to the travel card.¹⁸ This may result in a credit balance in employees' accounts and, therefore, encourage employees to use the excess balance for personal purposes. In addition, approving managers do not have a mechanism to see all employees' charges to the travel card. By providing the approving manager a method to review travel card activity, such as a report of credit card transactions incurred by employees during the month, this would help identify misuse, such as personal charges and cash withdrawals while not in travel status.

Although the credit balance belongs to the employees, the travel card program is not designed for personal use. When employees misuse their travel cards, there is an

¹³ From October 1, 2010, through March 31, 2012.

¹⁴ The frequency ranged from 46 to 81 times.

¹⁵ Four employees had one violation, and two employees had both violations.

¹⁶ We calculated \$1,500 as the maximum allowable cash withdrawal per month (\$50 per day at 30 days per month).

¹⁷ Handbook F-15, dated May 2011.

¹⁸ In eTravel, the employee can select the payment type for per diem reimbursement to be applied to the government travel card, which is sent electronically to the VISA card account, or 'Other,' which is sent electronically to the employee's personal bank account.

increased risk of delinquency and write-offs, which could negatively impact the Postal Service's contractual relationship with Citibank[®]. Further, the amount of money rebated to the Postal Service is reduced when Citibank forgives delinquent accounts.

Recommendations

We recommend the vice president, controller, in coordination, with the vice president, Information Technology:

1. Generate an instant notification to the approver when employees cancel a fare.
2. Develop written procedures to guide travelers and approving officials on the appropriate way to handle canceled fares.
3. Remove the eTravel System provision that allows employees to apply reimbursements due to them to the travel card.
4. Provide a mechanism for approving managers to monitor their employees' travel card activity.

Management's Comments

Management agreed, in principle, with all four recommendations. For Recommendation 1, management does not find it prudent to provide instant notifications to approvers for every cancelled airfare transaction. However, they will conduct an assessment of the eTravel system to determine whether it can remove an original cancelled airfare transaction from being included in the eTravel report. In addition, management will use current reporting to monitor airfares booked for the same day. Regarding Recommendation 2, management advised that Handbook F-15 and the Travelhelp webpage have instructions on how to handle canceled fares and refunds. For both Recommendations 1 and 2, management will issue a policy reminder through the Postal Service's Postal Link and a letter from the vice president, controller, to all officers, to be completed by January 31, 2014, and November 30, 2012, respectively.

Further, for Recommendation 3, management will remove the ability to select the travel card as the payment method for per diem, mileage, and tolls, and will communicate the policy change through Postal Link and a letter from the vice president, controller by January 31, 2014. Finally, for Recommendation 4, management will require travel card coordinators to continue to report misuse to appropriate managers as part of their monthly reviews and will retrain them by January 31, 2013, to ensure all potential abuse is reported to the appropriate approving manager. Management is developing a report that highlights potential abuses to be shared as part of that training.

See [Appendix C](#) for management's comments, in their entirety.

Evaluation of Management's Comments

Except for procedures on handling canceled airfares, the OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report. The OIG continues to believe the instructions in the Handbook F-15 and the Travelhelp webpage should be enhanced to provide better guidance on how to handle a canceled fare, including what the employee does if they claimed the fare. However, the intent of the recommendation is to assist employees with proper handling of canceled airfares. Management's action to issue a policy reminder will increase awareness and is a first step to help correct the issues identified in the report. Therefore, we will not pursue the issue further at this time but will continue to monitor canceled airfares as part of our ongoing oversight of employee travel.

Appendix A: Additional Information

Background

The Postal Service established its own travel policies¹⁹ for employees who travel for official business and associated approving officials. The Postal Service uses the GSA SmartPay Program to administer its travel card program. Citibank, provider of the travel card for the Postal Service, issues VISA[®]-branded travel cards to Postal Service employees for use while on official travel. As of August 27, 2012, there were 46,449 Postal Service travel cardholders. VISA offers a web-based application called VISA Intellilink, used for reporting and data analysis of card activity. Employees and approving officials use eTravel, a web-based system, to electronically manage their business travel expenses (create, submit, and review expense reports) and access policy information. Over the 18-month period from October 1, 2010, through March 31, 2012, Postal Service employees incurred 213,218 air and rail transactions,²⁰ totaling \$52.8 million. During FY 2011, the Postal Service incurred \$95 million in total travel expenses.

Postal Service policy states that employees may not use their official government travel card for personal business and limits cash advances to \$50 per day of official travel. Policy also states that in situations in which an employee is overpaid for travel expenses, the employee should complete PS Form 1018, eTravel Repayment of Overpayments or Cash Advances, to repay the amount to the Postal Service. The employee mails the form, along with a payment, to the Disbursing Office at Eagan, MN, Accounting Services.²¹ Disbursing office personnel enter repayment data from PS Form 1018 into the receivable system.²²

Objective, Scope, and Methodology

Our objective was to determine whether Postal Service employees properly claimed air and rail expenses on their travel reimbursement requests and used their travel card appropriately. To accomplish our objective, we:

- Obtained 213,218 air and rail transactions from VISA IntelliLink reports²³ for the period from October 1, 2010, through March 31, 2012.²⁴ We extracted the transactions that had an associated credit for the full amount,²⁵ which represents fares later canceled (2,016 transactions). We matched these transactions against

¹⁹ Handbook F-15, dated May 2011.

²⁰ This includes air and rail fare, as well as travel agent fees and baggage fees.

²¹ Eagan Accounting Services, formerly referred to as an accounting service center, is one of three Postal Service-wide and functions as a large, centralized accounting and disbursement center. Its employees are responsible for processing payroll, maintaining the general ledger, reconciling financial data, and maintaining cash and receivable accounts. Other Accounting Services are located in St. Louis, MO, and San Mateo, CA.

²² ORACLE Receivable system.

²³ We extracted airfare transactions from the standard reports, *All City Pair Tickets* and *Non City Pair Tickets*. In addition, we created a custom report to extract rail transactions.

²⁴ We eliminated transactions equal to or less than \$50, which were mainly travel agent fees and baggage fees.

²⁵ We did not test transactions that were partially refunded.

the eTravel file for the same period based on traveler name, transaction date, and ticket amount. This resulted in 113 air transactions and eight rail transactions.

- For the 121 transactions, we reviewed associated travel reimbursement requests in the eTravel System and the Citibank monthly statements from the travel date forward to June 18, 2012.²⁶ We confirmed that 56 of them were canceled fares that were claimed on travel reimbursement requests. For these 56 items, we searched for the repayment data in the ORACLE Receivable system to determine whether employees returned the over-claimed amount to the Postal Service.

Our initial scope included review of air and rail transactions; however, based on observations during our initial testing, we expanded it to include review of per diem charged to the travel cards. Specifically:

- We extracted per diem records using eTravel data for an 18-month period from October 1, 2010, through March 31, 2012, in which the employee selected government travel card as the reimbursement method. The result produced 6,634 records associated with 1,280 employees.
- From that result, we then selected 10 employees who most frequently elected to have their per diem reimbursement paid to the travel card instead of their personal bank account. We reviewed reimbursement requests from the eTravel System and Citibank monthly statements to identify misuse of the travel card.

We conducted this performance audit from March through September 2012 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 on August 27, 2012, and included their comments where appropriate.

We assessed the reliability of eTravel data by tracing a sample of transactions to the Citibank electronic statements. We determined that the data were sufficiently reliable for the purposes of this report.

²⁶ The June 18, 2012, Citibank statement was the most recent one available during our audit.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Compliance With Travel Policies and Opportunities for Cost Savings</i>	FF-AR-11-007	2/9/2012	\$1,210,114
<p>Report Results: Employees did not comply 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. We recommended management develop training for travelers and approving officials. We also recommended they incorporate requirements to flag lodging that exceeds prevailing government rates and require itemization of lodging and tax in the new electronic travel system. Further, we recommended they require advance approval for lodging rates that exceed prescribed government rates, document that approval, and develop procedures to document approval. Management did not agree with our recommendations on training and procedures to document approval due to cost constraints but proposed to re-emphasize the importance of adhering to travel policy and remind travelers of the availability of the web page. Management agreed with the remaining recommendations and stated they incorporated language into the requirements document to address the issues.</p>			

Appendix B: Other Impact

Recommendation	Impact Category	Amount
1	Disbursements at Risk ²⁷	\$913,803

For the period from October 1, 2010, through March 31, 2012, there were 2,016 air and rail transactions that were fully refunded (tickets purchased and then canceled), totaling \$913,803.

²⁷ Disbursements made in which proper Postal Service internal controls and processes were not followed.

Appendix C: Management's Comments

U. S. POSTAL SERVICE



September 21, 2012

LUCINE M. WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT Travel Expense Reimbursements and Travel Card Usage (Report Number FT-AR-12-DRAFT)

This is in response to the subject audit report and recommendations by the Office of Inspector General (OIG).

Recommendation 1:

Generate an instant notification to the approver when employees cancel a fare.

Management Response/Action Plan:

Management agrees with this recommendation in principle, however, management does not find it prudent to provide instant notifications to approvers for every cancelled airfare transaction. Management will conduct an assessment of the eTravel system to determine if a systems change can remove an original cancelled airfare transaction from being included in the eTravel report. Management will use current reporting to monitor airfares booked for the same day. Management will issue a reminder of policy through the Postal Link with a link to the instructions and issue a letter from the Vice President, Controller to all officers.

Target Implementation Date:

January 2014

Responsible Official:

Ricardo Jackson, Manager, Travel and Relocation

Recommendation 2:

Develop written procedures to guide travelers and approving officials on the appropriate way to handle canceled fares.

Management Response/Action Plan:

Management agrees in principle, however, the current Handbook F-15, Travel and Relocation, contains instruction on how to handle canceled fares under section 8-3.5.1.3, Obtaining a Refund for Unused Ticket. Instructions are also provided on the *Travelhelp* webpage under Frequently Asked Questions, Expense Reports and Expense Types, How do I report a credit (refund) on my individually-billed travel card. Management will issue a reminder of policy through the Postal Link with a link to the instructions and issue a letter from the Vice President, Controller to all officers.

Target Implementation Date:

November 2012

Responsible Official:

Ricardo Jackson, Manager, Travel and Relocation

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Recommendation 3:

Remove the eTravel System provision that allows employees to apply reimbursements due to them to the travel card.

Management Response/Action Plan:

Management agrees with this recommendation. The ability to select New Govt Travel Card as the Payment Method for Per Diem, Privately Owned Automobile Mileage, and Toll expenses will be removed as an option for the traveler when completing an eTravel report. Management will distribute notification of this system change through the Postal Link and letter to all officers from the Vice President, Controller.

Target Implementation Date:

January 2014

Responsible Official:

Ricardo Jackson, Manager, Travel and Relocation

Recommendation 4:

Provide a mechanism for approving managers to monitor their employees' travel card activity

Management Response/Action Plan:

Management agrees with this recommendation in principle. Travel Card Coordinators currently review Citibank card transactions on a monthly basis for validity. Management will require Travel Card Coordinators to continue to report any employee travel card activity that is identified as misuse such as double airfares, cancelled airfares and cash advances without related travel expenses to the appropriate manager. Management will retrain all Travel Card Coordinators to ensure any potential abuses are communicated to the approving manager. Management has been developing a report that highlights potential abuses that will be shared with the approving official as part of the national retraining effort of the Travel Card coordinators.

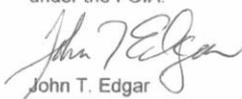
Target Implementation Date:

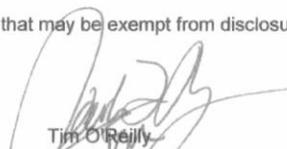
January 2013

Responsible Official:

Ricardo Jackson, Manager, Travel and Relocation

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.


John T. Edgar
Vice President
Information Technology


Tim O'Reilly
Vice President
Controller

cc: Mr. Corbett
Mr. Masse
Mr. Jackson
Mr. Phelps
Ms. Haring