



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Officers' Travel and Representation Expenses for Fiscal Year 2016

Audit Report

Report Number
FT-AR-17-005

February 9, 2017





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the U.S. Postal Service's financial statements. To comply with the law, the U.S. Postal Service Board of Governors adopted policies and procedures that require annual audits of officers' travel and representation expenses.

Postal Service officers shape the strategic direction of the agency by setting goals, targets, and indicators within the framework established by the Board of Governors. The Postal Service has classified these positions as Postal Career Executive Service, and they include the Postmaster General, deputy postmaster general, and all vice presidents. The Board of Governors has authorized 50 officer positions.

Our objective was to determine whether travel and representation expense reimbursements Postal Service officers requested during fiscal year 2016 were properly supported and complied with postal policies and procedures. During fiscal year 2016, these officers filed 1,006 travel reimbursement requests totaling about \$948,000. We reviewed 69 requests, totaling about \$165,000.

What the OIG Found

Postal Service officers generally complied with travel and representation expense policies and procedures. However, we identified three issues for management's attention. Specifically:

- Officers did not obtain preapproval for travel deviations.
- Travel card coordinators did not properly review credit card balance refunds.
- Corporate Accounting did not review the Sloan Fellows Program participant's electronic travel reimbursement requests before payment. In addition, there were no procedures to ensure the participant refunded the rental security deposit.

When policies and procedures are not followed, there is an increased risk the Postal Service will pay excessive or unauthorized officers' travel expenses.

What the OIG Recommended

We recommended management enforce or revise travel reimbursement requirements when officers deviate from travel policies and ensure these claims are properly approved. We also recommended management implement controls to ensure:

- Credit card balance refunds are timely reviewed.
- Sloan Fellows Program participants are placed in the eTravel officer group before any program expenses are incurred, particularly during employee transitions.
- Sloan Fellows Program participant security deposits are reimbursed as required.

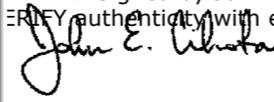
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 9, 2017

MEMORANDUM FOR: MAURAA. MCNERNEY
VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance, Pricing, and Investments

SUBJECT: Audit Report – Officers’ Travel and Representation
Expenses for Fiscal Year 2016
(Report Number FT-AR-17-005)

This report presents the results of our audit of the U.S. Postal Service Officers’ Travel and Representation Expenses for Fiscal Year 2016 (Project Number 16BM005FT000).

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

Attachment

cc: Megan J. Brennan
Julie S. Moore
Corporate Audit and Response Management

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Findings

During FY 2016, Postal Service officers filed 1,006 travel reimbursement requests totaling about \$948,000.

Introduction

This report presents the results of our audit of the U.S. Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2016 (Project Number 16BM005FT000). The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. We conducted this audit in response to the U.S. Postal Service Board of Governors' (Board) policies and procedures requiring annual audits of officers' travel and representation expenses.¹

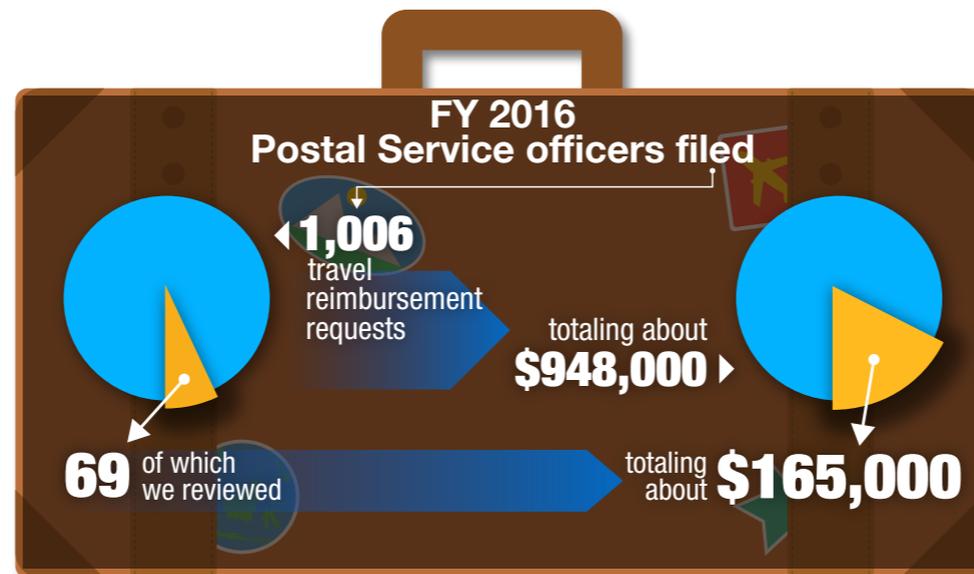
Our objective was to determine whether travel and representation expense reimbursements requested by Postal Service officers during fiscal year (FY) 2016 were properly supported and in compliance with Postal Service policies and procedures. As part of this audit, we reviewed 69 reimbursement requests, totaling about \$165,000. See [Appendix A](#) for additional information about this audit.

Postal Service officers shape the strategic direction of the agency by setting goals, targets, and indicators within the framework established by the Board. The Postal Service has classified officer positions as Postal Career Executive Service, and they include the Postmaster General (PMG), deputy postmaster general, and all vice presidents. The Board has authorized 50 officer positions. Of these 50 positions, 37 were active and filled at the end of FY 2016, including one of an officer on extended leave and two held by acting officers. During FY 2016, Postal Service officers filed 1,006 travel reimbursement requests totaling about \$948,000. In comparison, Table 1 shows the reimbursement requests from FYs 2015 and 2014.

Table 1. Reimbursement Requests and Associated Expenses

	FY 2016	FY 2015	FY 2014
Reimbursement Requests	1,006	862	974
Travel & Miscellaneous Expenses	\$948,000	\$832,000	\$901,000

Source: Postal Service Enterprise Data Warehouse (EDW).²



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 EDW is the data repository and central source for information on retail, financial, and operational performance.

Officers use the *Revised Officers' Travel and Representation Expense Guidelines* when traveling. The policy requires officers to be familiar with Handbook F-15, *Travel and Relocation*, Section 2-1, Your Responsibilities as a Traveler. This section requires employees (including officers) to comply with the policies stated in the handbook.

Summary

Postal Service officers generally supported travel reimbursement requests and complied with policies and procedures. However, we identified three issues for management's attention. Specifically:

- Officers did not obtain preapproval when deviating from policy by exceeding the published General Services Administration (GSA) lodging rates³ or by traveling home while on a detail assignment.
- Travel card coordinators did not properly review credit balance refunds.
- Corporate Accounting did not review five electronic travel reimbursement requests for a Sloan Fellows Program⁴ participant prior to payment, as required by policy. In addition, the Postal Service did not have procedures in place to ensure the participant refunded the rental security deposit.



When policies and procedures are not followed, there is an increased risk the Postal Service will pay excessive or unauthorized officers' travel expenses.

Preapproval for Deviations

Officers did not obtain preapproval to deviate from the policy by exceeding the GSA lodging rates or taking additional trips home while on extended detail. Postal Service policy⁵ requires preapproval in writing by the vice president, Controller, for any deviations greater than \$250 or preapproval in writing by the manager, Travel and Relocation, if the deviation is less than \$250.

General Services Administration Lodging Rates

The U.S. Postal Service Office of Inspector General (OIG) previously reported that officers exceeded the GSA lodging rate without obtaining preapproval.⁶ During FY 2016, 12⁷ of 42 lodging travel reimbursement requests we reviewed had lodging claims that exceeded the GSA lodging rate. For all 12, we found officers did not have preapproval to exceed the rate. Instead, they documented the higher lodging rates in the comment section of their travel reimbursement claims. Lodging rates claimed were between \$21 and \$187 greater than the published daily GSA lodging rate, totaling \$2,509 in excess costs. See [Appendix B](#) for additional information about the officers' lodging rates.

³ Government rate is synonymous with GSA rate. However, the State Department determines foreign lodging rates.

⁴ The Sloan Fellows Program is a 12-month, full-time executive Masters of Business Administration program designed to prepare an elite group of global mid-career managers to magnify their impact as leaders.

⁵ *Officers' Travel and Representation Expense Guidelines*, December 8, 2015.

⁶ *Officers' Travel and Representation Expenses for Fiscal Year 2015*, Report Number [FT-AR-16-003](#), dated February 10, 2016.

⁷ Included review of 19 daily lodging rates, as officers claimed lodging at different locations or the daily rate changed on the same travel reimbursement request.

In response to our [FY 2015 report](#), management stated they would revise the policy to require comments in the travel reimbursement requests when officers exceed the published GSA rate. However, they did not revise the policy. Instead, the chief financial officer sent a reminder to officers to follow the existing policy of obtaining preapproval if the actual lodging rate exceeded the GSA lodging rate, adding that claims would be rejected if deviation documentation was not submitted.⁸ Based on our review, management did not enforce this policy or reject claims, as three of the 12 travel reimbursement claims we reviewed were submitted after the memorandum was issued and were paid without documented preapproval to exceed the GSA lodging rate.

Trip Home During Extended Detail

We identified that one of two officers on an extended detailed assignment did not obtain preapproval for an additional trip home. In addition, the cost comparison did not include the cost of the trip home. Due to Corporate Accounting oversight, the claim was not rejected as required. Postal Service travel policy⁹ allows travelers on details longer than 12 weeks to take one trip home every 3 weeks. The policy also allows travelers on extended duty assignments to return home every weekend, if the total cost of the trip home is less than the cost of staying at the temporary duty station for the weekend. Trips home must be approved in advance, and a cost comparison must be included with the request for reimbursement.

After the OIG inquired, the officer reimbursed the Postal Service about \$675 for the additional trip home.

Credit Card Balance Refunds

Seven officers received credit card refunds from the credit card company. Of the seven refunds, three required that the officers repay the Postal Service, while one was appropriately due the officer. We could not determine the proper disposition for three refunds. Specifically, we identified:

- One officer received a refund of \$19, which was originally overpaid by the Postal Service. After the OIG inquired, it was determined the refund was due to a hotel billing error and the officer subsequently repaid it.
- Two officers received refunds of \$195 and \$4,489, respectively, for canceled flights, which they voluntarily repaid to the Postal Service.
- One officer received a refund of \$706. The OIG determined the officer had prepaid the credit card bill, resulting in a valid refund.
- Three officers received refunds of \$393, \$457, and \$860, respectively. The OIG could not determine whether the refunds were appropriately sent to the officers since the officers were separated from the Postal Service or on extended leave.

These issues occurred because the travel card coordinators did not timely review or inquire about the credit balances. Postal Service procedures¹⁰ require travel card program coordinators to review account balances and request a refund within 90 days of a credit balance. If the Postal Service does not make a request, after 90 days, the credit card company sends a check to the employee.

⁸ Memorandum from Chief Financial Officer, dated March 24, 2016.

⁹ Handbook F-15, Section 8-1.9.3, During Extended Duty Assignments Or Details, dated September 2015.

¹⁰ Standard Operating Procedures for Travel Card Program Coordinators, page 2, Miscellaneous, dated August 21, 2015.

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Sloan Fellows Program Participant Reimbursements

Postal Service Finance personnel did not review five of nine electronic travel reimbursement requests totaling \$1,655 for a Sloan Fellows Program participant prior to payment. In addition, the Postal Service did not create an account receivable for the Sloan Fellows Program participant's rental security deposit.

Postal Service Finance personnel are required to perform a detailed review of all officers' travel reimbursement requests, including the Sloan Fellows Program participants. In this case, the participant was an officer who transitioned into the Sloan Fellows Program. The officer was removed from the officers' group in the eTravel system;¹¹ therefore, the reimbursement requests were not selected for detailed review and were processed under non-officer procedures prior to payment. Finance personnel advised there were multiple personnel changes during the officer's transition.

In addition, the Sloan Fellows Program participant guide¹² states the rental security deposit should be entered in the eTravel system and, upon completion of the program, the participant must complete the proper form¹³ to repay the security deposit. However, the program guidelines do not clearly state how the deposit should be monitored by the Postal Service. The Sloan Fellows Program participant paid \$4,250 for a rental security deposit and filed a travel reimbursement request. After the OIG inquired, the Postal Service established an account receivable in the amount of \$4,250. The participant is due to complete the program in June 2017, and must repay the security deposit by October 2017.

¹¹ eTravel is an automated web based system used to report travel expenses and process payments.

¹² MIT/Sloan Fellows Program Guide, page 8, Reimbursable Expense Matrix Summary, dated January 5, 2016.

¹³ Postal Service Form 1018 –eTravel Repayment for Overpayments or Cash Advances.

Recommendations

The OIG considers management's comments responsive to all of the recommendations and corrective actions should resolve the issues identified in the report.

We recommend the vice president, Controller:

1. Enforce or revise existing travel policy requirements for submitting travel reimbursement claims when officers deviate from travel policies and ensure these claims are properly approved.
2. Implement controls to ensure the manager, Travel and Relocation, timely reviews credit card balance refunds.

We recommend the vice president, Controller, in coordination with the chief human resources officer:

3. Implement controls to ensure Sloan Fellows Program participants are placed in the eTravel officer group before any program expenses are incurred, particularly during employee transitions.
4. Implement a control to ensure security deposits for Sloan Fellow Program participants are reimbursed as required.

Management's Comments

Management agreed with the recommendations. Management agreed to revise existing travel requirements and will continue to enforce policy. Management is also working on reporting to allow review of officers' credit balances monthly and to identify solutions to reduce the activity that causes credit balances. Further, upon notification of new Sloan Fellow Program participants, management will verify that the participant is in the eTravel Officer Group. Finally, management will establish a receivable for Sloan Fellow Program participant security deposit expenses claimed in eTravel, to be due within 90 days of completion of the program (already completed for the current Sloan Fellow Program participant). Management plans to implement these actions by March 1, 2017.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to all of the recommendations and corrective actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

The Postal Service has classified officer positions as Postal Career Executive Service, and they include the PMG, deputy postmaster general, and all vice presidents.

Background

The Board adopted policies and procedures that require annual audits of officers' travel and representation expenses, as part of the Postal Reorganization Act of 1970. The Postal Service has classified officer positions as Postal Career Executive Service, and they include the PMG, deputy postmaster general, and all vice presidents. As of September 30, 2016, 37 officers were active, including an officer on extended leave.

Officers are reimbursed for actual transportation and lodging expenses incurred while on official travel, provided they followed the policy. In addition, they receive a per diem amount based on GSA rates.¹⁴ Officers are also reimbursed for representation expenses¹⁵ incurred with customer, industry, or employee groups with whom the Postal Service conducts official business. Postal Service policy¹⁶ requires officers to request reimbursement for all travel and representation expenses through the eTravel system.

Objective, Scope, and Methodology

Our audit objective was to determine whether travel and representation expense reimbursements requested by Postal Service officers during FY 2016 were properly supported and in compliance with Postal Service policies and procedures. To achieve this objective, we judgmentally sampled and reviewed 69 reimbursements, totaling about \$165,000.¹⁷ We reviewed claims from each active officer at least once, except for two acting officers who did not travel as officers during the fiscal year. We reviewed a minimum of 15 travel reimbursements each quarter for existing or acting officers, and for a Sloan Fellows Program participant, from a universe of 1,006 requests, totaling about \$948,000. We reviewed travel reimbursement requests for lodging, airfare, train, local transportation, training, per diem, meetings, and security deposits. We used the following as our criteria to evaluate reported expenses:

- Revised *Officers' Travel and Representation Expense Guidelines* issued by the PMG, August 28, 2014, and December 8, 2015.
- Handbook F-15, *Travel and Relocation*, dated September 2015.
- Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.
- *The MIT/Sloan Fellows Program Guide*, Learning and Development, United States Postal Service, dated January 5, 2016.
- *Standard Operating Procedures for Travel Card Program Coordinators*, dated August 21, 2015.

We conducted this performance audit from December 2015 through February 2017 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our tests of controls were limited to those necessary to achieve our audit objective. Our procedures were not designed to provide assurance on internal controls. Consequently, we do not provide an

¹⁴ Per diem covers all meals and other incidentals.

¹⁵ Usually cost of meals.

¹⁶ *Officers' Travel and Representation Expense Guidelines*, December 8, 2015.

¹⁷ We included at least one reimbursement for each officer and all reimbursements of \$7,000 and above.

opinion on such controls. Also, our audit does not provide absolute assurance of the absence of fraud or illegal acts, due to the nature of evidence and the characteristics of such activities. We discussed our observations and conclusions with management on January 12, 2017, and included their comments where appropriate.

We relied on computer-generated data from the EDW and eTravel. We assessed the reliability of these systems' data by tracing 69 travel reimbursement request amounts in eTravel to the data in EDW. Moreover, we verified the travel reimbursement request amounts were posted to the appropriate general ledger accounts in EDW. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Officers' Travel and Representation Expenses for Fiscal Year 2015</i>	To determine whether travel and representation expenses requested by Postal Service officers during FY 2015 were properly supported and in compliance with Postal Service policies and procedures.	FT-AR-16-003	2/10/16	None
<i>Officers' Travel and Representation Expenses for Fiscal Year 2014</i>	To determine whether travel and representation expenses requested by Postal Service officers during FY 2014 were properly supported and in compliance with Postal Service policies and procedures.	FT-AR-15-003	02/11/15	None

Appendix B: Lodging Rate Differences

Quarter ¹⁸	Month/ Year	Officer	City	State or Country	Actual Lodging Rate	Days	Daily GSA Rate	Overage Per Day	Total Difference ¹⁹
1	Sep-15	A	Portland	OR	\$229	1	\$151	\$78	\$78
1	Oct-15	B	Bern	Switzerland	323	1	285	38	38
1	Oct-15	C	Boca Raton	FL	150	1	101	49	49
1	Oct-15	D*	Boca Raton	FL	135	1	101	34	34
1	Oct-15	D*	Boca Raton	FL	150	1	101	49	49
1	Oct-15	D*	Boca Raton	FL	123	1	101	22	22
1	Oct-15	E*	Washington	DC	349	1	222	127	127
1	Oct-15	E*	Washington	DC	369	2	222	147	294
1	Oct-15	E*	Washington	DC	409	2	222	187	374
1	Nov-15	F	Memphis	TN	188	2	106	82	164
2	Jan-16	A	Las Vegas	NV	190	1	108	82	82
2	Jan-16	G	Las Vegas	NV	190	2	108	82	164
2	Feb-16	H	San Francisco	CA	271	1	250	21	21
3	May-16	A*	Brussels	Belgium	238	1	173	65	65
3	May-16	A*	Brussels	Belgium	265	2	173	92	184
3	May-16	C*	Brussels	Belgium	293	1	173	120	120
3	May-16	C*	Brussels	Belgium	315	2	173	142	283
4	Aug-16	I*	Fort Worth	TX	179	2	149	30	60
4	Aug-16	I*	Seattle	WA	352	2	202	150	300
Total									\$2,509

*Indicates claims with multiple daily rates.

Source: OIG review based on officers' travel reimbursements for FY 2016

¹⁸ This column represents the actual quarter the travel reimbursement was processed.

¹⁹ This column represents the difference between the "Hotel Rate" and "GSA Rate," multiplied by the "Days."

Appendix C: Management's Comments

MAURA A. MCNERNEY
VICE PRESIDENT, CONTROLLER



January 27, 2017

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Officers' Travel and Representation Expenses for Fiscal Year 2016
Report Number FT-AR-17-DRAFT

Recommendation #1

We recommend the Vice President, Controller:

Enforce or revise existing travel policy requirements for submitting travel reimbursement claims when officers deviate from travel policies and ensure these claims are properly approved.

Management Response/Action Plan:

Management agrees with the recommendation to revise existing travel policy requirements in order to provide clarity in sections that were ambiguous. Management will continue to enforce the travel policy.

Target Implementation Date:

March 1, 2017

Responsible Official:

Maura McNerney, Vice President, Controller

Recommendation #2

We recommend the Vice President, Controller:

Implement controls to ensure the Manager, Travel and Relocation timely reviews credit card balance refunds.

475 L'Enfant Plaza SW
Washington, DC 20260-5200
WWW.USPS.COM

Management Response/Action Plan:

Management agrees with the recommendation to review credit balances in a timely manner. Management is working with the USPS travel card issuer to develop reporting that will allow the Officers' Back Office Travel Management Specialist to review Officers' credit balances on a monthly basis. In addition, management will identify solutions to reduce the activity that causes credit balances to be created.

Target Implementation Date:

March 1, 2017

Responsible Official:

Cara Greene, Manager, Corporate Accounting

Recommendation #3

We recommend the Vice President, Controller, in coordination with the Chief Human Resources Officer:

Implement controls to ensure Sloan Fellow Program participants are placed in the eTravel Officer Group before any program expenses are incurred, particularly during employee transitions.

Management Response/Action Plan:

Management agrees with the recommendation to place Sloan Fellow Program participants in the eTravel Officer Group prior to incurring expenses and in particular, during employee transitions. Upon notification that a new Sloan Fellow Program participant is selected, Travel and Relocation Management will inform the National eTravel Coordinator to verify that the participant is placed in the eTravel Officer Group correctly.

Target Implementation Date:

March 1, 2017

Responsible Official:

Cara Greene, Manager, Corporate Accounting

Recommendation #4

We recommend the Vice President, Controller, in coordination with the Chief Human Resources Officer:

Implement a control to ensure security deposits for Sloan Fellow Program are reimbursed as required.

Management Response/Action Plan:

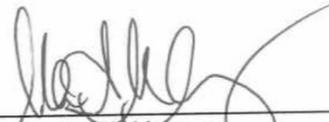
Management agrees with the recommendation that Sloan Fellow Program participant security deposits are reimbursed to the Postal Service as required. Once the expense is claimed in eTravel, Corporate Accounting Management will notify the Manager, Accounting Services, to create a receivable for the amount. The receivable will be due within 90 days of completion of the Program. This action plan has already been implemented for the current Sloan Fellow Program participant.

Target Implementation Date:

March 1, 2017

Responsible Official:

Cara Greene, Manager, Corporate Accounting



Maura A. McNerney
Vice President, Controller

cc: *John E. Cihota*
Deputy Assistant Inspector General for Finance, Pricing and Investments

Sally Haring
Manager, Corporate Audit Response Management



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