



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

---

**Officers' Travel and Representation  
Expenses for Fiscal Year 2013**

**Audit Report**

March 13, 2014

---

Report Number FT-AR-14-008



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

# HIGHLIGHTS

March 13, 2014

## Officers' Travel and Representation Expenses for Fiscal Year 2013

Report Number FT-AR-14-008

### **BACKGROUND:**

The Postal Reorganization Act of 1970, as amended, requires annual audits of the U.S. Postal Service's financial statements. As part of this process, the 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 Board of Governors' established framework. The Postal Service has classified these officer positions as Postal Career Executive Service II 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 the travel and representation expenses Postal Service officers claimed during fiscal year (FY) 2013 were properly supported and complied with Postal Service policies and procedures. During FY 2013, 41 Postal Service officers filed 964 travel reimbursements totaling about \$771,000.

### **WHAT THE OIG FOUND:**

Officers' travel and representation expenses totaling about \$771,000 were properly supported; however, the officers did not always comply with

Handbook F-15, *Travel and Relocation*, which requires that all employees, including officers, adhere to the General Services Administration's published lodging rates or justify why they chose lodging rates that exceeded the published rates. The *Officers' Travel and Representation Expense Guidelines* does not reference this portion of Handbook F-15 or otherwise make it clear that officers should adhere to the General Services Administration's rates. Rather, officers are directed to "shop around for the best possible rate."

We identified 13 of 60 travel reimbursements filed by 11 officers where lodging costs were between 108 and 239 percent of the published General Services Administration's lodging rate for the area, totaling about \$1,200 in extra costs.

### **WHAT THE OIG RECOMMENDED:**

We recommended management update officers' travel guidelines to include the requirements of Handbook F-15 to use published General Services Administration rates as the maximum amount for lodging or document a justification for exceeding the rate.

[Link to review the entire report](#)



March 13, 2014

**MEMORANDUM FOR:** SCOTT G. DAVIS  
ACTING VICE PRESIDENT, CONTROLLER

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 and Systems Accountability

**SUBJECT:** Audit Report – Officers’ Travel and Representation  
Expenses for Fiscal Year 2013  
(Report Number FT-AR-14-008)

This report presents the results of our audit of the U.S. Postal Service's Officers’ Travel and Representation Expenses for Fiscal Year 2013 (Project Number 13BG012FT000).

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

Attachment

cc: Julie S. Moore  
Corporate Audit and Response Management

## TABLE OF CONTENTS

Introduction .....	1
Conclusion .....	2
Officers' Government Lodging Rates .....	2
Recommendation .....	3
Management's Comments .....	3
Evaluation of Management's Comments .....	3
Appendix A: Additional Information .....	4
Background .....	4
Objective, Scope, and Methodology .....	4
Prior Audit Coverage .....	6
Appendix B: Officers' Government Lodging Rates .....	7
Appendix C: Management's Comments .....	8

## Introduction

This report presents the results of our audit of the U.S. Postal Service's Officers' Travel and Representation Expenses for fiscal year (FY) 2013 (Project Number 13BG012FT000). We conducted this audit in response to the Board of Governors' (Board) policies and procedures requiring annual audits of officers' travel and representation expenses.<sup>1</sup> Our objective was to determine whether the travel and representation expenses that officers claimed were properly supported and in compliance with Postal Service policies and procedures.<sup>2</sup> 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 Board-established framework. The Postal Service has classified officer positions as Postal Career Executive Service II and they include the Postmaster General, deputy postmaster general, and all vice presidents. The Board has authorized 50 Postal Service officer positions. At the end of FY 2013, 38 of these 50 positions were active, with 32 filled, four held by acting officers, and two vacant (no one occupied the positions but they remained open). During FY 2013, 41 Postal Service officers filed 964 travel reimbursements totaling about \$771,000.

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. To comply with this law, the Board adopted policies and procedures that require annual audits of officers' travel and representation expenses. Officers use the *Revised Officers' Travel and Representation Expense Guidelines* (Guidelines) when traveling. The Guidelines require officers to be familiar with the "Your Responsibilities as a Traveler" section of Handbook F-15.<sup>3</sup> This section requires employees, including officers, to comply with the policies stated in the handbook.

The Postal Service is not bound by Federal Travel Regulations.<sup>4</sup> Title 39, Section 410, of the United States Code authorizes the Postal Service to establish its own travel policy. But since the Postal Service has chosen to use the General Services Administration's (GSA) lodging rates, as detailed in Handbook F-15, officers must use those rates when on travel.

---

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

<sup>2</sup> We limited the audit universe to reimbursements processed through the Postal Service's Electronic Travel Voucher System (eTravel). The eTravel system is the online application used to create work travel expense reports, electronically submit expense reports to authorized approvers, and track reimbursement status.

<sup>3</sup> *Travel and Relocation*, Section 2-1, updated through September 2013.

<sup>4</sup> Federal Travel Regulations (41 C.F.R. Chapters 300 through 304) state that an employee is an individual employed by an agency, regardless of status or rank.

## Conclusion

Officers' travel and representation expenses totaling about \$771,000 were properly supported; however, the officers did not always comply with Handbook F-15, which requires all employees, including officers, to adhere to GSA-published lodging rates. This requirement was not clearly included in the officers' Guidelines.

We identified 13 of 60 travel reimbursements filed by 11 officers where lodging costs were between 108 and 239 percent of the published GSA lodging rate for the location, totaling about \$1,200 in extra costs.

## Officers' Government Lodging Rates

Our review of officers' electronic travel reimbursements found instances where officers did not obtain the GSA lodging rate<sup>5</sup> when traveling or, at a minimum, document the rationale for not obtaining this rate, as required by Handbook F-15. Specifically, we identified 13 of 60 travel reimbursements where lodging costs were between 108 and 239 percent of the published GSA lodging rate, totaling about \$1,200 in excessive costs. See [Appendix B](#) for additional information about the officers' government lodging rates.

We also found the officers' travel Guidelines vague and open to interpretation in reference to lodging. The Guidelines say officers should be familiar with Section 2-1 of Handbook F-15, which discusses travelers' responsibilities and requires employees, including officers, to comply with all of the handbook policies.<sup>6</sup> However, the lodging section of the Guidelines only advises officers to shop around for the best possible lodging rate,<sup>7</sup> and refers officers to Section 6 of Handbook F-15, which states a diligent effort must be made to obtain lodging at a reasonable rate. The Guidelines do not include or reference Sections 4 and 5 of Handbook F-15, which require travelers to obtain the government rate for lodging, and obtain prior approval from an approving official and document justification for nightly rates over the GSA rate.<sup>8</sup>

The Postal Service's travel management specialists provided current GSA rates to all officers and their administrative assistants at the beginning of the fiscal year, and the eTravel home page on the Postal Service's intranet directs travelers, including officers, to the GSA lodging rates.

Additionally, for comparison purposes only, we evaluated federal government travel policy – including the policy for senior executive-level employees – to determine lodging requirements. We found that, regardless of status or rank, all federal employees must adhere to the GSA rates for lodging. Although the Postal Service is not bound by federal

---

<sup>5</sup> Government rate is synonymous with GSA rate.

<sup>6</sup> Section 2-1, "Your Responsibilities as a Traveler."

<sup>7</sup> Revised *Officers' Travel and Representation Expense Guidelines*, Lodging (page 5), dated July 2011.

<sup>8</sup> Sections 4-1.1.2 and 5-1.1.3.2, respectively, dated September 2013.

travel regulations, it has chosen to follow the GSA rates by incorporating that requirement in Handbook F-15.

The U.S. Postal Service Office of Inspector General (OIG) reported a similar issue regarding all Postal Service employees, including officers, in FY 2011<sup>9</sup> and FY 2009.<sup>10</sup> The OIG recommended incorporating requirements to flag lodging rates that exceed prevailing government rates and requiring advance approval for those rates and documentation of that approval. Management agreed with the recommendation and planned to incorporate changes into its requirements for the new eTravel system.<sup>11</sup>

## Recommendation

We recommend the vice president, Controller:

1. Update the *Officers' Travel and Representation Expense Guidelines* to clarify that officers must adhere to the requirements of Handbook F-15, *Travel and Relocation*, by:
  - Using the published U.S. General Services Administration (GSA) rates as the maximum amount for lodging for all employees.
  - When applicable, documenting justifications for exceeding the GSA lodging rates.

## Management's Comments

Management agreed with our findings and the intent of the recommendation. Management will update the *Officers' Travel and Representation Expense Guidelines* to instruct officers to follow published GSA rates as the maximum for lodging and provide justification when exceeding the rate. Completion of the update is expected by May 31, 2014.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and their actions should resolve the issues identified in the report.

---

<sup>9</sup> *Compliance With Travel Policies and Opportunities for Cost Savings* (Report Number [FF-AR-11-007](#), dated February 9, 2011).

<sup>10</sup> *Electronic Travel Voucher System Controls* (Report Number [IS-AR-09-001](#), dated October 8, 2008).

<sup>11</sup> The last update to eTravel was July 25, 2012 (after we issued Report Number [FF-AR-11-007](#)). The update states that receipts must be submitted electronically.

## Appendix A: Additional Information

### Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the Postal Service's financial statements. To comply with this law, the Board 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 Board-established framework. The Postal Service has classified officer positions as Postal Career Executive Service II, and they include the Postmaster General, deputy postmaster general, and all vice presidents. The Board authorized 50 Postal Service officer positions; however, only 38 officer positions were active as of September 30, 2013.

Officers are reimbursed for actual transportation and lodging expenses incurred while on official travel. In addition, they receive a per diem amount based on GSA per diem rates.<sup>12</sup> Officers are also reimbursed for representation expenses<sup>13</sup> incurred when they conduct official business with customers, industries, or employee groups that work with the Postal Service. Agency policy requires officers to claim reimbursement for all travel and representation expenses through the eTravel system.

### Objective, Scope, and Methodology

Our objective was to determine whether travel and representation expenses claimed by Postal Service officers during FY 2013 were properly supported and in compliance with Postal Service policies and procedures. To achieve this objective, we judgmentally sampled and reviewed 60 reimbursements, totaling about \$84,000.<sup>14</sup> We reviewed a minimum of 15 travel reimbursements each quarter for existing or acting officers (out of a universe of 964 claims) totaling about \$771,000. We used the following as our criteria to evaluate reported expenses:

- Revised *Officers' Travel and Representation Expense Guidelines* issued by the Postmaster General on April 13, 2009, and revised on July 29, 2011.
- Handbook F-15, updated with *Postal Bulletin* revisions through September 2013.
- Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.

---

<sup>12</sup> Per diem covers all meals, dry cleaning, skycap/bellhop tips, newspapers, and other incidentals.

<sup>13</sup> Cost of meals.

<sup>14</sup> We included at least one reimbursement for each officer and all reimbursements of \$7,000 and above.

We conducted this performance audit from December 2012 through March 2014 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 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 February 4, 2014, and included its comments where appropriate.

We relied on computer-generated data from the Accounting Data Mart (ADM) and eTravel. We assessed the reliability of these systems' data by tracing the 60 travel reimbursement amounts claimed in eTravel to the data in the ADM. Moreover, we verified the travel reimbursement amounts were posted to the appropriate general ledger 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
<i>Officers' Travel and Representation Expenses for Fiscal Year 2012</i>	FT-AR-13-004	12/11/2012	None
<p><b>Report Results:</b> Based on the sample results, officers' travel and representation expenses totaling about \$806,000 were properly supported and complied with Postal Service policies and procedures. We made no recommendations.</p>			
<i>Officers' Travel and Representation Expenses for Fiscal Year 2011</i>	FT-AR-12-008	12/19/2011	None
<p><b>Report Results:</b> Officers' travel and representation expenses totaling about \$700,000 were supported; however, officers did not always comply with <i>Officers' Travel and Representation Expense Guidelines</i> when claiming expenses incurred during official travel and representation. Due to several staff changes management made that impacted the oversight of the officers' reimbursement process through FY 2011, revision of the Guidelines in July 2011, and management's plan to train officers and their administrative assistants on the new Guidelines by the end of FY 2012, we made no recommendations.</p>			

**Appendix B: Officers' Government Lodging Rates**

Quarter <sup>15</sup>	Officer	City	State	Hotel Rate	Days	Month/Year	GSA Rate	\$ Difference <sup>16</sup>	% of Overage
1	A	New York	NY	\$379	2	Oct. 2012	\$295	\$168	128%
1	B	Palo Alto	CA	\$289	1	Oct. 2012	\$121	\$168	239%
1	B	San Francisco	CA	\$229	1	Oct. 2012	\$184	\$45	124%
1	C	San Diego	CA	\$169	6	Nov. 2012	\$133	\$216	127%
2	D	Tampa	FL	\$140	2	Jan. 2013	\$112	\$56	125%
2	E	Clearwater	FL	\$195	1	Feb. 2013	\$112	\$83	174%
3	F	Tampa	FL	\$179	1	Feb. 2013	\$112	\$67	160%
3	F	Clearwater	FL	\$195	1	Feb. 2013	\$112	\$83	174%
4	G	Greensboro	NC	\$86	2	Sept. 2013	\$77	\$18	112%
4	H	Addison	IL	\$99	1	Aug. 2013	\$92	\$7	108%
4	I	Philadelphia	PA	\$189	2	July 2013	\$137	\$104	138%
4	J	Sterling	AK	\$130	3	July 2013	\$110	\$60	118%
4	K	New York	NY	\$239	2	July 2013	\$216	\$46	111%

Source: OIG review based on officers' travel reimbursements for FY 2013.

<sup>15</sup> This column represents the actual quarter the travel reimbursement was processed.

<sup>16</sup> This column represents the difference between the "Hotel Rate" and "GSA Rate," multiplied by the "Days."

## Appendix C: Management's Comments

SCOTT G. DAVIS  
(A)VICE PRESIDENT, CONTROLLER



March 5, 2014

To: JUDITH LEONHARDT

SUBJECT: Draft Audit Report – Officers' Travel and Representation Expense for Fiscal Year 2013  
(Report Number FT-AR-14-Draft)

Management agrees with the findings in the report.

### Recommendation

We recommend the Vice President, Controller:

Update the *Officers' Travel and Representation Expense Guidelines* to clarify that officers must adhere to the requirements of Handbook F-15, *Travel and Relocation*, by:

- Using the published U.S. General Services Administration (GSA) rates as the maximum amount for lodging, as required for all employees.
- When applicable, documenting exceptions for exceeding the GSA lodging rates.

### Management Response/Action Plan

Management agrees with the intent of the recommendation to direct Officers to follow the same travel policies as all other travelers but recognizes that circumstances may arise that makes that either impossible or impractical.

Thus, Management will update the *Officers' Travel and Representation Expense Guidelines* and instruct Officers to use the published U.S. General Services Administration (GSA) rates when possible and practical or document via deviation justification as part of the traveler's voucher prior to submission.

### Target Implementation Date

Completion of update will be no later than May 2014.

### Responsible Official

Travel and Relocation Management team will be responsible for the implementation of the agreed upon action.

A handwritten signature in blue ink that reads "Scott G. Davis".

Scott G. Davis  
(A)Vice President, Controller

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-5200  
FAX: 202-268-8104  
WWW.USPS.COM

- 2 -

cc: Julie S. Moore  
Corporate Audit Response Management