



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Officers' Travel and Representation Expenses for Fiscal Year 2014

Audit Report

Report Number
FT-AR-15-003

February 11, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

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.

Background

The Postal Reorganization Act of 1970, as amended, requires annual audits of the U.S. Postal Service's financial statements. As part of these audits, 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 framework established by the Board of Governors. The Postal Service has classified these 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 audit objective was to determine whether the travel and representation expenses Postal Service officers requested during fiscal year 2014 were properly supported and complied with Postal Service policies and procedures. During fiscal year 2014, Postal Service officers filed 974 travel reimbursement requests totaling about \$901,000. We reviewed 67 requests, totaling about \$113,000. These included five from employees before they were identified as officers in the eTravel system.

What The OIG Found

Postal Service personnel generally complied with travel and

representation expense procedures. However, we identified a few issues for management's attention. Specifically:

- An acting officer did not obtain sufficient approval for international travel.
- Corporate accounting personnel did not timely assign a new officer to the officer group in the eTravel system to allow for proper review.
- Two electronic travel reimbursement requests were not properly reviewed for an MIT Sloan Fellows Program participant submitted before he was assigned to the officer group in the eTravel system.

Not following procedures increases the risk travel may occur that is not critical to the Postal Service's overall business purpose and that errors may occur in processing items that require additional documentation and specialized review.

What The OIG Recommended

We recommended management reiterate to officers and applicable corporate accounting personnel to timely obtain foreign travel approval letters and attach them to reimbursement requests. We also recommended management develop formal procedures and clarify MIT Sloan Fellow Program guidelines to ensure newly appointed officers are timely assigned as such.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

February 11, 2015

MEMORANDUM FOR: MAURAA. MCNERNEY
VICE PRESIDENT, CONTROLLER
JEFFREY WILLIAMSON
CHIEF HUMAN RESOURCES OFFICER

A rectangular box containing a handwritten signature in cursive, which appears to read "John E. Cihota".

FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Audit Report – Officers’ Travel and Representation Expenses
for Fiscal Year 2014 (Report Number FT-AR-15-003)

This report presents the results of our audit of the U.S. Postal Service Officers’ Travel and Representation Expenses for Fiscal Year 2014 (Project Number 14BG008FT000).

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: Julie S. Moore
Corporate Audit and Response Management

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Findings

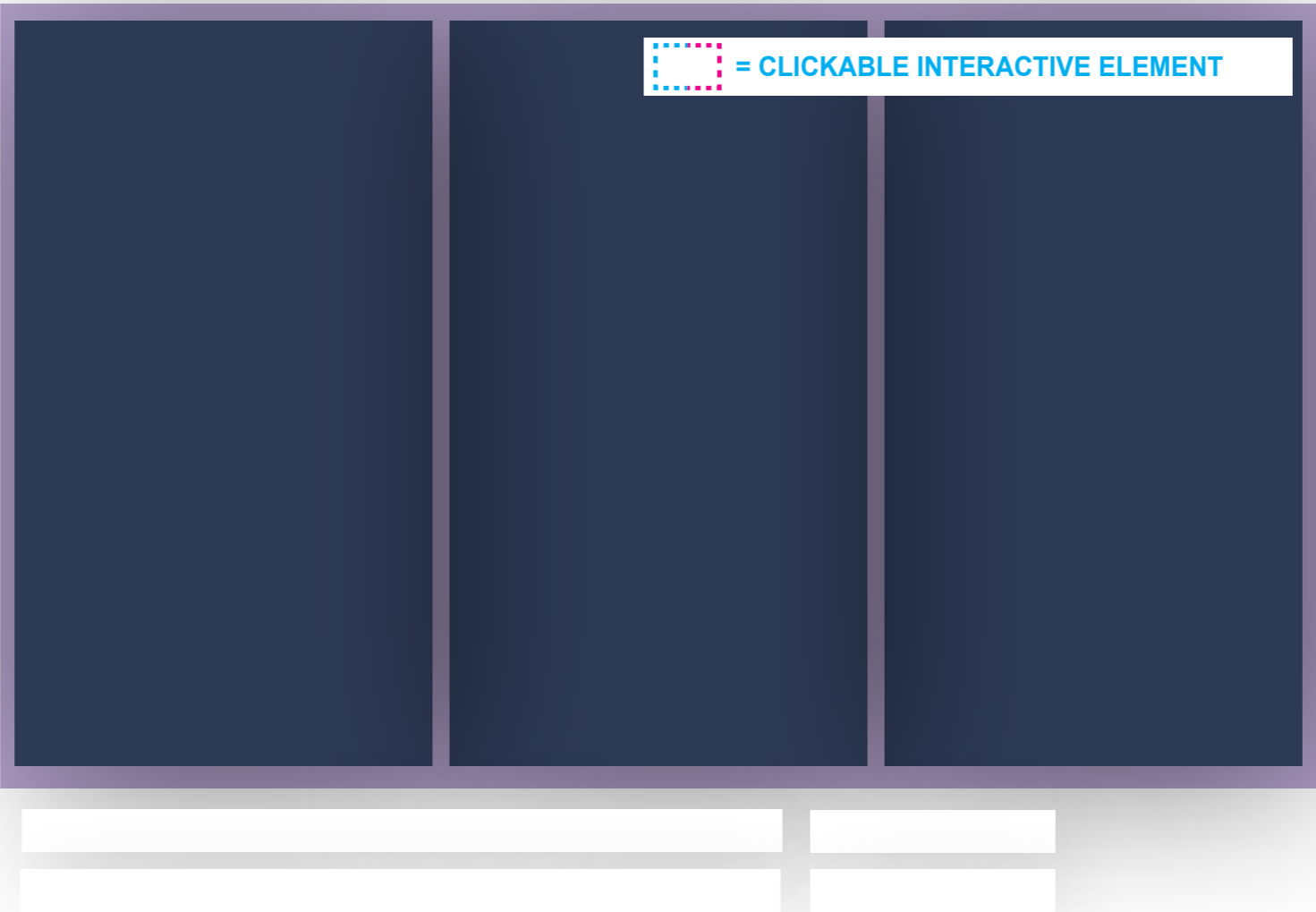
*During FY 2014,
Postal Service officers filed
974 travel reimbursement
requests totaling about \$901,000.*

Introduction

This report presents the results of our audit of the U.S. Postal Service Officers’ Travel and Representation Expenses for Fiscal Year (FY) 2014 (Project Number 14BG012FT000). We conducted this audit in response to the Board of Governors’ (Board) policies and procedures requiring annual audits of officers’ travel and representation expenses.¹ 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 II and they include the Postmaster General (PMG), deputy PMG, and all vice presidents. The Board has authorized 50 officer positions. Of these 50 positions, 38 were active and filled at the end of FY 2014, including two held by acting officers. During FY 2014, Postal Service officers filed 974 travel reimbursement requests totaling about \$901,000. In comparison, Postal Service officers filed 964 travel reimbursement requests in FY 2013, totaling about \$771,000, and 851 in FY 2012, totaling about \$806,000, as shown in Figure 1.

Figure 1. Reimbursement Requests and Associated Expenses



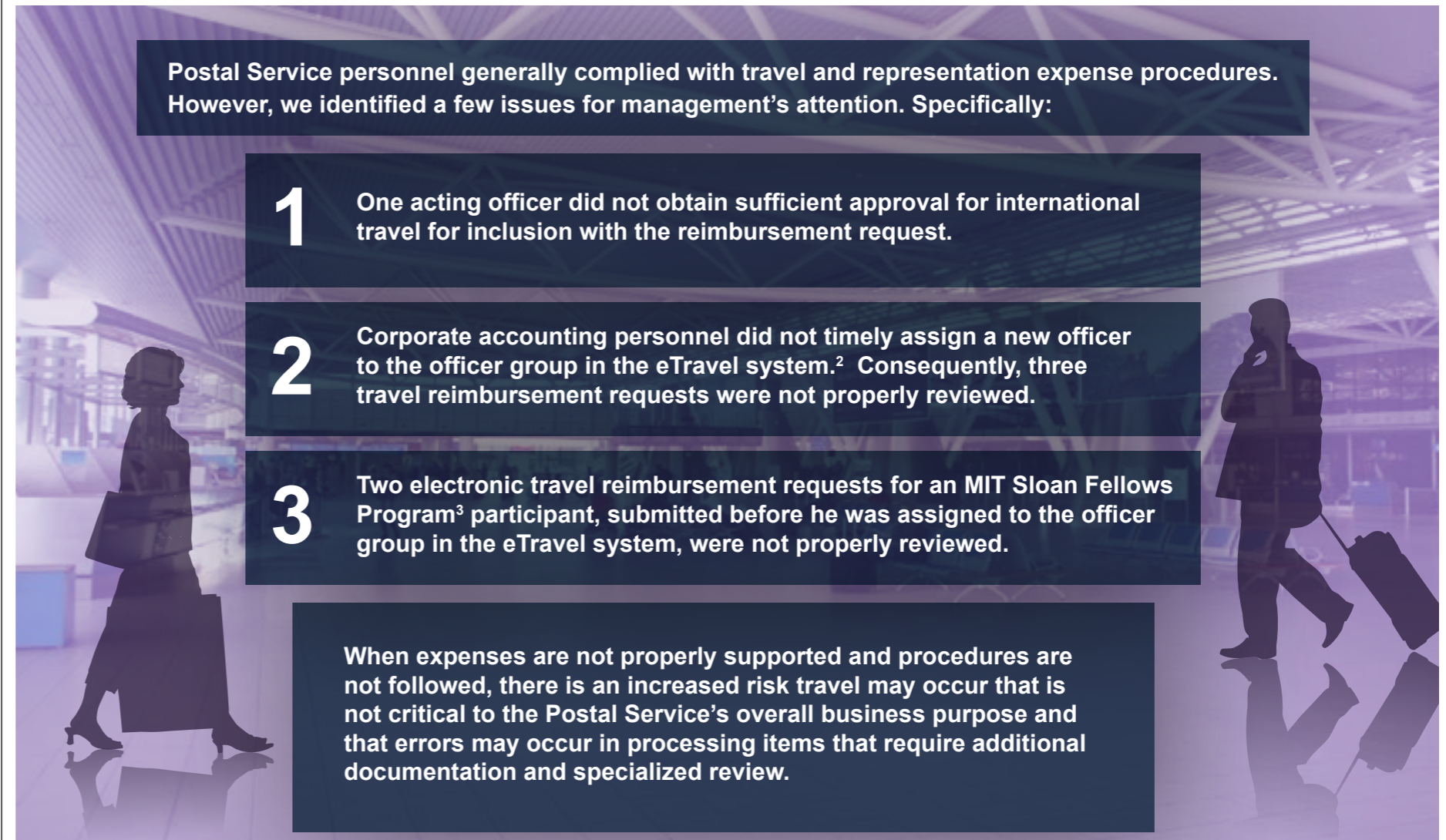
Source: Postal Service Electronic Data Warehouse.

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

Postal Service personnel generally complied with travel and representation expense procedures. However, we identified a few issues for management's attention.

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 use the *Revised Officers' Travel and Representation Expense Guidelines* (Guidelines) when traveling. The Guidelines require 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.

Conclusion



Postal Service personnel generally complied with travel and representation expense procedures. However, we identified a few issues for management's attention. Specifically:

- 1** One acting officer did not obtain sufficient approval for international travel for inclusion with the reimbursement request.
- 2** Corporate accounting personnel did not timely assign a new officer to the officer group in the eTravel system.² Consequently, three travel reimbursement requests were not properly reviewed.
- 3** Two electronic travel reimbursement requests for an MIT Sloan Fellows Program³ participant, submitted before he was assigned to the officer group in the eTravel system, were not properly reviewed.

When expenses are not properly supported and procedures are not followed, there is an increased risk travel may occur that is not critical to the Postal Service's overall business purpose and that errors may occur in processing items that require additional documentation and specialized review.

International Travel Approval Letters

For one of three international travel reimbursement requests reviewed, an acting officer did not obtain sufficient approval for international travel. Foreign travel authorization procedures issued by the PMG⁴ require approval letters 21 days in advance

² eTravel is an automated web based system used to report travel expenses and process payments.

³ The MIT 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. The Postal Service annually selects an employee to participate in this program.

⁴ *Update to Foreign Travel Procedures*, June 6, 2011.

of foreign travel dates that include attendees, purpose, and estimated cost. The PMG's executive administrator sent an email requesting that the acting officer travel internationally. However, the request did not contain the travel dates, attendees, purpose, and estimated cost of the travel, as required. In addition, the approved international travel authorization was not attached to the foreign travel reimbursement request.⁵ Following international travel authorization procedures reduces the risk of travel that is not critical to the overall business purpose of the agency.

Officer Status in the eTravel System

Corporate accounting personnel did not assign the acting vice president, Corporate Communications, to the officer group in the eTravel system for almost 4 months after the announcement of the officer status. This occurred because there are no formal written procedures stating when an officer assignment should go into the eTravel system. Corporate accounting personnel rely on announcements from either the PMG or the Postal Service News Link⁶ and update the officer assignment based on the effective date in the announcement. As a result, corporate accounting personnel did not review three travel reimbursement requests for the officer, as required.⁷

Officers may request representation expenses and other items requiring specialized review. When officers are not timely identified in eTravel, corporate accounting may not review representation and other officer expenses that may require additional documentation.

MIT Sloan Fellows Program Participant Reimbursement Request Review

Two electronic travel reimbursement requests were not properly reviewed for an MIT Sloan Fellows Program participant. The participant submitted these requests for program-related expenses incurred as early as February 2014, before he was assigned to the officer group in the eTravel system in July 2014. The requests were processed in accordance with procedures for processing non-officer reimbursement requests and were not selected for detailed review prior to payment.

MIT Sloan Fellows Program policy requires corporate accounting personnel to review all participant travel reimbursement requests, but these were omitted because the participant was not yet assigned to the officer group in the eTravel system. This occurred because program guidelines were vague, stating that participants are assigned to the officer group in the eTravel system in May or June.⁸ This timeframe does not include initial participant expenses.

As a result, a rental security deposit of about \$4,600 was classified as rent expense instead of a cash advance using Postal Service Form 1011, Travel Advance Request.⁹ Also, the participant did not submit a cost comparison to justify the use of a privately owned vehicle, for his convenience, to attend a 5-day orientation.¹⁰ During the same trip, the participant exceeded the General Services Administration (GSA) lodging rate by about \$1,200, without documenting prior approval as required.¹¹

⁵ Handbook F-15, Section 4-1.3.1, May 2014.

⁶ A daily email newsletter transmitted to employee work computers that provides current information and updates on business, customers, and employees.

⁷ *Revised Officer's Travel & Representation Expense Guidelines*, July 29, 2011, and updated August 28, 2014.

⁸ *Sloan Fellowship Guide*, March 2014, page 3.

⁹ *Fellowship Guide*, March 2014, page 8, Reimbursable Expense Matrix.

¹⁰ Handbook F-15, Section 5-1.4.

¹¹ Handbook F-15, Section 2-1.

Recommendations

We recommend management reiterate to officers and applicable corporate accounting personnel to timely obtain foreign travel approval letters and attach them to reimbursement requests.

We also recommend management develop formal procedures and clarify MIT Sloan Fellow Program guidelines to ensure newly appointed officers are timely assigned as such.

We recommend the vice president, Controller:

1. Reiterate to officers the requirement to timely obtain foreign travel approval letters and attach them to travel reimbursement requests.
2. Reiterate to corporate accounting personnel reviewing officers' travel reimbursement requests to ensure foreign travel approval letters are included with the requests, as appropriate.
3. Direct the manager, Travel & Relocation, to develop formal procedures to ensure appropriate personnel, including newly appointed officers and MIT Sloan Fellows Program participants, are timely assigned to the officer group in the eTravel system.

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

4. Clarify MIT Sloan Fellows Program guidelines to ensure personnel assign participants to the officer group in the eTravel system before any program expenses are incurred.

Management's Comments

Management agreed with our findings and recommendations. In addition, corrective actions have been taken on all recommendations.

- Regarding recommendation 1, an email was issued on January 27, 2015, to officers reiterating to obtain foreign travel approval letters and attach them to their travel reimbursement requests.
- Regarding recommendation 2, management discussed staff reviewing officers' travel reimbursement requests with corporate accounting to ensure foreign travel approval letters are included with the requests. This occurred on January 8, 2015.
- Regarding recommendation 3, an email was issued on January 27, 2015, to executive administrative assistants instructing them to include Travel and Relocation personnel on correspondence regarding newly appointed officers.
- Regarding recommendation 4, formal procedures were implemented and MIT Sloan guidelines were updated on January 28, 2015, to ensure Travel and Relocation personnel are notified promptly when a MIT Sloan Fellow participant is selected.

Also, see [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendations in the report and corrective actions taken should resolve the issues identified in the report.

Appendices

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Appendix A: Additional Information

***Postal Service policy
requires officers to request
reimbursement for all travel
and representation expenses
through the eTravel system.***

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.

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 II and they include the PMG, 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, 2014.

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 rates.¹² Officers are also reimbursed for representation expenses¹³ incurred with customer, industry, or employee groups with whom the Postal Service conducts official business. Postal Service policy 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 expenses requested by Postal Service officers during FY 2014 were properly supported and in compliance with Postal Service policies and procedures. To achieve this objective, we judgmentally sampled and reviewed 62 reimbursements, totaling about \$102,000.¹⁴ We reviewed a minimum of 15 travel reimbursements each quarter for existing or acting officers from a universe of 974 requests, totaling about \$901,000. Based on our initial review, we expanded our universe to include three requests by an acting officer and two for an MIT Sloan Fellows Program participant, totaling about \$2,500 and \$8,700 respectively. We used the following as our criteria to evaluate reported expenses:

- Revised *Officers' Travel and Representation Expense Guidelines* issued by the PMG, revised on July 29, 2011, and updated August 28, 2014.
- Handbook F-15, updated with *Postal Bulletin* revisions through September 2013 and May 2014.
- Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.

We conducted this performance audit from March 2014 through February 2015 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 January 8, 2015, and included its comments where appropriate.

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

¹³ Usually cost of meals.

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

We relied on computer-generated data from the Accounting Data Mart (ADM)¹⁵ and eTravel. We assessed the reliability of these systems' data by tracing 62 travel reimbursement request amounts in eTravel to the data in the ADM. Moreover, we verified the travel reimbursement request 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 (in millions)
<i>Officers' Travel and Representation Expenses for Fiscal Year 2013</i>	FT-AR-14-008	03/13/14	None
Report Results: Officers' travel and representation expenses totaling about \$771,000 were properly supported; however, the officers did not always comply with Handbook F-15 that 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.			
<i>Officers' Travel and Representation Expenses for Fiscal Year 2012</i>	FT-AR-13-004	12/11/2012	None
Report Results: 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.			

¹⁵ Postal Service's data repository and central source for mission-critical accounting and financial information.

Appendix B: Management's Comments

MAURA A. MCNERNEY
Vice President, Controller



February 2, 2015

To: LORI LAU DILLARD

SUBJECT: Draft Officers' Travel and Representation Expenses for Fiscal Year 2014
(Report Number FT-AR-15-DRAFT)

Management agrees with the findings and recommendations in the report.

Recommendation #1

We recommend the Vice President, Controller:

Reiterate to officers the requirement to timely obtain foreign travel approval letters and attach them to travel reimbursement requests.

Management Response/Action Plan

1. Management sent an email communication to all officers reiterating obtaining foreign travel approval letters and attaching them to travel reimbursement requests.

Target Implementation Date

Completed January 27, 2015

Recommendation #2

We recommend the Vice President, Controller:

Reiterate to Corporate Accounting personnel reviewing officers' travel reimbursement requests to ensure foreign travel approval letters are included with the requests, as appropriate.

Management Response/Action Plan

2. Management has discussed reviewing officer's travel reimbursement requests with Corporate Accounting staff to ensure foreign travel approval letters are included with the travel reimbursement requests for all officers.

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WASHINGTON DC 20260-5200
202-268-2296
FAX: 202-268-8104
WWW.USPS.COM

Target Implementation Date

Completed January 8, 2015

Recommendation #3

We recommend the Vice President, Controller:

Direct the manager, Travel & Relocation, to develop formal procedures to ensure appropriate personnel, including newly appointed officers and MIT Sloan Fellows Program participants, are timely assigned to the officer group in the eTravel system.

Management Response/Action Plan

3. Management has sent email communication to Executive Administrative Assistants to ensure Travel and Relocation is copied on all newly appointed officer communication sent out to ensure newly appointed officers get assigned to the eTravel officer hierarchy once appointed.

Target Implementation Date

Completed January 27, 2015

Recommendation #4

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

Clarify MIT Sloan Fellows Program guidelines to ensure personnel assign participants to the officer group in the eTravel system before any program expenses are incurred.

Management Response/Action Plan

4. Management has communicated formal procedures that have been put into place and Sloan guidelines were updated which will ensure Travel and Relocation is notified as soon as a Sloan Fellow participant is selected.

Target Implementation Date

Completed January 28, 2015

Responsible Official

Ricardo Jackson, Manager Travel and Relocation Management, will be responsible for the implementation of the agreed upon action.

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



Maura A. McNerney
Vice President, Controller

cc: Sally Haring
Manager, Corporate Audit and Response Management



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