



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

## Officers' Travel and Representation Expenses for Fiscal Year 2015

### Audit Report

Report Number  
FT-AR-16-003

February 10, 2016





# 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. As part of these audits, 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 audit objective was to determine whether the travel and representation expenses Postal Service officers requested during fiscal year 2015 were properly supported and complied with Postal Service policies and procedures. During fiscal year 2015, Postal Service officers filed 862 travel reimbursement requests totaling about \$832,000. We reviewed 74 requests, totaling about \$218,000.

### What the OIG Found

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

- Officers did not always obtain preapproval to exceed the General Services Administration lodging rate.
- An officer did not properly reduce the amount for meals provided from his travel reimbursement request.

### What the OIG Recommended

We recommended management enforce or revise Officers' Travel and Representation Expense Guidelines requiring officers to obtain preapproval when they exceed published General Services Administration rates. We also recommended management reiterate to accounting and Travel and Relocation personnel that they should ensure per diem amounts adhere to Postal Service policies when reviewing officers' travel reimbursement requests.

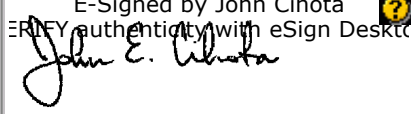
# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

February 10, 2016

**MEMORANDUM FOR:** RICHARD ROSSOFF  
ACTING VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota  
VERIFY authenticity with eSign Desktop  


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

**SUBJECT:** Audit Report – Officers’ Travel and Representation  
Expenses for Fiscal Year 2015  
(Report Number FT-AR-16-003)

This report presents the results of our audit of the U.S. Postal Service Officers’ Travel and Representation Expenses for Fiscal Year 2015 (Project Number 15BG010FT000).

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 2015,  
Postal Service officers filed  
862 travel reimbursement  
requests totaling  
about \$832,200.**

## Introduction

This report presents the results of our audit of the U.S. Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2015 (Project Number 15BG010FT000). We conducted this audit in response to the U.S. Postal Service Board of Governors' (Board's) policies and procedures requiring annual audits of officers' travel and representation expenses.<sup>1</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 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 fiscal year (FY) 2015, including six held by acting officers. During FY 2015, Postal Service officers filed 862 travel reimbursement requests totaling about \$832,000. In comparison, Postal Service officers filed 974 travel reimbursement requests in FY 2014, totaling about \$901,000, and 964 in FY 2013, totaling about \$771,000, as shown in Figure 1.

**Figure 1. Reimbursement Requests and Associated Expenses**



Source: Postal Service Enterprise Data Warehouse (EDW).<sup>2</sup>

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.

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

<sup>2</sup> EDW is the data repository and central source for information on retail, financial, and operational performance.

## Summary

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

- Officers did not always obtain preapproval to exceed the General Services Administration (GSA) lodging rate.<sup>3</sup>
- An officer did not properly reduce the amount for meals provided from his travel reimbursement request.

When policies and procedures are not followed, there is an increased risk the Postal Service may incur excessive costs.

## General Services Administration Lodging Rate Deviations

We found officers did not always obtain preapproval to exceed the GSA lodging rate as required. In 14 of 74 travel reimbursement requests we reviewed,<sup>4</sup> officers exceeded the GSA lodging rate. For those 14 travel reimbursement requests, we did not find any instances where officers obtained preapproval.<sup>5</sup> In 13 of 14 instances, officers documented the reason for exceeding the GSA rate in the comment section of the request. Actual nightly lodging rates were between \$2 and \$184 above the published GSA lodging rate. Specifically we found:

- Two instances where officers exceeded the rate by more than \$150.
- Two instances where officers exceeded the rate by between \$100 and \$150.
- Four instances where officers exceeded the rate by between \$50 and \$99.
- Six instances where officers exceeded the rate by less than \$50 per night.

Officers' guidelines<sup>6</sup> advise them to use the published GSA rates when possible and practical, or document via deviation justification. Deviations from the policy must be preapproved in writing, by the vice president, Controller, if the deviation is at least \$250, or by the manager, Travel and Relocation, if it is less than \$250.<sup>7</sup>

Management stated it was their understanding from previous discussions with U.S. Postal Service Office of the Inspector General (OIG) representatives that officers did not need preapproval, but, instead would document the reason for exceeding the GSA rates on their travel reimbursement requests. However, when management subsequently revised the officers' Guidelines, they did not include this discussion item. When officers do not comply with established guidelines, the risk of incurring excessive lodging rates increases.

## Per Diem Claim

An officer did not properly reduce the amount of meals provided from his travel reimbursement request. Specifically, the officer did not reduce his per diem for two lunches provided at a conference. In addition the officer did not reduce his per diem for a

<sup>3</sup> Government rate is synonymous with GSA rate.

<sup>4</sup> Executive vice presidents submitted five claims, vice presidents submitted eight claims, and the chief postal inspector submitted one claim.

<sup>5</sup> The 74 travel reimbursement requests reviewed totaled about \$218,000.

<sup>6</sup> *Officers Travel and Representation Expense Guidelines*, dated August 28, 2014, page 5, Lodging, item 2.

<sup>7</sup> *Officers Travel and Representation Expense Guidelines*, page 2, *Deviations*, item 1. The \$250 deviation approval guideline applies to any travel deviation, including lodging rates.

representation dinner paid for and properly claimed by another officer attending the same conference. Postal Service travel policy<sup>8</sup> states if free meals are provided, the traveler must reduce the per diem by an appropriate amount. Upon OIG inquiry, the officer stated this was an oversight and reimbursed the Postal Service \$135 for overstated per diem amounts, including an additional dinner not reported here.

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8 Handbook F-15, *Travel and Relocation*, Section 7-3.2.2, dated May 2014.

# Recommendations

***We recommend management enforce or revise Officers' Travel and Representation Expense Guidelines; and reiterate to accounting and Travel and Relocation personnel that they should ensure per diem amounts adhere to Postal Service policies when reviewing officers' travel reimbursement requests.***

We recommend the vice president, Controller:

1. Enforce or revise *Officers' Travel and Representation Expense Guidelines* requiring officers to obtain preapproval when they exceed published General Services Administration rates.
2. Reiterate to accounting and Travel and Relocation personnel to ensure per diem amounts adhere to Postal Service policies when they are reviewing officers' travel reimbursement requests.

## Management's Comments

Management disagreed with recommendation 1 and agreed with recommendation 2. Although they disagreed with recommendation 1, management stated they will revise the *Officers' Travel and Representation Expense Guidelines* to require comments when exceeding GSA's published rate. During subsequent discussions, management verified the revision will no longer require officers to obtain preapproval when they exceed published GSA lodging rates.

Regarding recommendation 2, management stated they will send a reminder to Officers and their delegates to submit the correct amount of meals provided to ensure correct per diem is given.

Management stated they will complete corrective action on both recommendations by March 31, 2016.

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

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. We will continue to monitor the GSA lodging rate deviations as part of our ongoing Officer's work.

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 II, and they include the PMG, deputy postmaster general, and all vice presidents.***

### 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, and they include the PMG, deputy postmaster general, and all vice presidents. The Board authorized 50 Postal Service officer positions; however, only 37 officer positions were active as of September 30, 2015.

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.<sup>9</sup> Officers are also reimbursed for representation expenses<sup>10</sup> 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.<sup>11</sup>

### Objective, Scope, and Methodology

Our audit objective was 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. To achieve this objective, we judgmentally sampled and reviewed 74 reimbursements, totaling about \$218,000.<sup>12</sup> We reviewed a minimum of 15 travel reimbursements each quarter for existing or acting officers, and an MIT Sloan Fellows Program participant<sup>13</sup> from a universe of 862 requests, totaling about \$832,000. 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.
- Handbook F-15, updated with *Postal Bulletin* revisions through May 15, 2014.
- Management Instruction FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008.

We conducted this performance audit from January 2015 through February 2016 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 7, 2016, and included its comments where appropriate.

<sup>9</sup> Per diem covers all meals, dry cleaning, skycap/bellhop tips, newspapers, and other incidentals.

<sup>10</sup> Usually cost of meals.

<sup>11</sup> eTravel is an automated web-based system used to report and process payments for travel expenses.

<sup>12</sup> We included at least one reimbursement for each officer and all reimbursements of \$7,000 and above.

<sup>13</sup> The MIT Sloan Fellows Program is a 12-month, full-time executive Master of Business Administration program designed to prepare an elite group of global mid-career managers to magnify their impact as leaders.

We relied on computer-generated data from the EDW and eTravel. We assessed the reliability of these systems' data by tracing 74 travel reimbursement request amounts in eTravel to the data in the 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	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Officers' Travel and Representation Expenses for Fiscal Year 2014</i>	FT-AR-15-003	02/11/15	None
<p><b>Report Results:</b> During FY 2014, Postal Service officers filed 974 travel reimbursement requests totaling about \$901,000. Postal Service personnel generally complied with travel and representation expense procedures. However, we identified a few issues for management's attention. 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. Also, two electronic travel reimbursement requests for an MIT Sloan Fellows Program participant submitted before he was assigned to the officer group in the eTravel system were not properly reviewed. Management agreed with our findings and recommendations.</p>			
<i>Officers' Travel and Representation Expenses for Fiscal Year 2013</i>	FT-AR-14-008	03/13/14	None
<p><b>Report Results:</b> 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. Management agreed with our findings and the intent of the recommendation.</p>			

## Appendix B: Management's Comments

RICHARD B. ROSOFF  
A/ VICE PRESIDENT, CONTROLLER



January 27, 2016

TO: Lori Lau Dillard  
Director, Audit Operations

SUBJECT: Draft Audit Report – Officers' Travel and Representation Expenses for Fiscal Year 2015 (Report Number FT-AR-16-DRAFT)

### **Recommendation #1**

We recommend the Vice President, Controller:

1. Enforce or revise *Officers' Travel and Representation Expense Guidelines* requiring officers to obtain preapproval when they exceed published General Services Administration rates.

### **Management Response/Action Plan**

Management disagrees with the recommendation. However, management will revise the language in the Officers Policy to require comments when exceeding the GSA published rates. The revision will be completed by March 31, 2016.

### **Recommendation #2**

We recommend the Vice President, Controller:

2. Reiterate to accounting and Travel and Relocation personnel to ensure per diem amounts adhere to Postal Service policies when they are reviewing officers' travel reimbursement requests.

### **Management Response/Action Plan**

Management agrees with the recommendation. Management will send a reminder to officers and their delegates to submit the correct amount of meals that have been provided to ensure correct per diem is given. This reminder will be completed by March 31, 2016.

A handwritten signature in blue ink that reads "Richard Rosoff".

Richard Rosoff  
A/Vice President, Controller



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