



Office of Inspector General | United States Postal Service

Audit Report

Compensation, Benefits, and Bonus Authority in FY 2021

Report Number 22-126-R22 | September 29, 2022



Table of Contents

Cover	
Highlights.....	1
Background.....	1
What We Did.....	1
What We Found.....	1
Recommendations.....	1
Transmittal Letter	2
Results.....	3
Introduction/Objective	3
Background.....	3
Findings Summary	4
Finding #1: Comprehensive Statement Reporting.....	5
Recommendation #1.....	6
Recommendation #2.....	6
Management’s Comments.....	6
Evaluation of Management’s Comments	7
Appendices	8
Appendix A: Additional Information.....	9
Scope and Methodology.....	9
Prior Audit Coverage	10
Appendix B: Management’s Comments.....	11
Contact Information	13

Highlights

Background

Each year the U.S. Postal Service is required to report on compensation in the annual *Comprehensive Statement of Postal Operations*. For calendar year (CY) 2021, the annual salary of each Postal Service employee was limited to \$221,400. Two exceptions granted under the Postal Accountability and Enhancement Act of 2006 (PAEA) allow the Postal Service to exceed this limit. The first exception provides for bonuses or other rewards such that the employee's total compensation does not exceed \$255,800 (the salary of the U.S. Vice President). The second exception allows the Postal Service to exceed the salary of the U.S. Vice President by 20 percent (\$306,960) for up to 12 critical senior executives.

What We Did

Our objective was to determine whether the Postal Service complied with applicable maximum total compensation provisions of the PAEA and related Postal Service policies and guidelines for CY 2021. We reviewed Postal Service policies, procedures, and guidelines regarding compensation, benefits, and bonuses; payroll, bonus, and award information from Postal Service systems; and employment agreements applicable to the compensation limits for the project scope. We also conducted interviews with Postal Service employees.

What We Found

The Postal Service complied with applicable maximum total compensation provisions of the PAEA and related Postal Service policies and guidelines for CY 2021 with one exception. In the Fiscal Year 2021 *Comprehensive Statement of Postal Operations*, the Postal Service incorrectly reported, or failed to report, the amount by which 10 employees exceeded the Executive Schedule Level 1 compensation limit and the number of bonuses or other payments to seven employees. This occurred because the Postal Service did not include payroll adjustment data in the reported compensation information and because of clerical errors and typos.

Recommendations

We recommend the Deputy Postmaster General and Chief Human Resources Officer instruct the Executive Director, Compensation and Benefits, to develop and implement a procedure to obtain payroll adjustment data and examine the *Comprehensive Statement* executive compensation disclosure review process and implement improvements to ensure completeness and accuracy.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 29, 2022

MEMORANDUM FOR: DOUGLAS A. TULINO
DEPUTY POSTMASTER GENERAL AND CHIEF HUMAN
RESOURCES OFFICER

A handwritten signature in black ink, reading "Alan MacMullin", is positioned above the typed name.

FROM: Alan MacMullin
Deputy Assistant Inspector General
for Finance and Pricing

SUBJECT: Audit Report – Compensation, Benefit, and Bonus Authority in
Calendar Year 2021 (Report Number 22-126-R22)

This report presents the results of our audit of the U.S. Postal Service's Compensation, Benefit, and Bonus Authority in Calendar Year 2021 granted through the Postal Accountability and Enhancement Act of 2006.

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: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service’s calendar year (CY) 2021 compensation, benefit, and bonus authority granted through the Postal Accountability and Enhancement Act of 2006 (PAEA) (Project Number 22-126). The objective of this audit was to determine whether the Postal Service complied with applicable maximum total compensation provisions of the PAEA¹ and related Postal Service policies and guidelines for CY 2021. See [Appendix A](#) for additional information about this audit.

Background

The PAEA amended portions of Title 39 of the U.S. Code regarding maximum salary and total compensation limits for employees, executives, and officers of the Postal Service. An annual Executive Order, *Adjustments of Certain Rates of Pay*, establishes salary limits for the Executive Schedule (ES) and Vice President of the U.S.² Table 1 explains the authority and salary limits for CY 2021.

Table 1. Statutory Limits for CY 2021

Limit	Description (Authority)	Eligibility/Conditions	Amount for CY 2021
Basic Annual Salary Limit	No officer or employee may be paid compensation at a rate in excess of the rate for ES Level 1 (39 U.S.C. § 1003(a)).	Every officer and employee.	\$221,400
Bonus Exception	The Postal Service may establish a program to award an officer or employee in senior executive or equivalent positions a bonus or other reward up to the total annual compensation payable to the Vice President of the U.S. (39 U.S.C. §3686(a) and (b)).	<p>Any officer or employee in a senior executive or equivalent position.</p> <ul style="list-style-type: none"> ■ The Board of Governors (Board) must approve and certify for the annual period that the bonus and reward program makes meaningful distinctions based on relative performance (however, the bonus or reward itself may be for purposes other than performance such as recruitment or retention).³ ■ Recipient’s name, amount of bonus or reward, and amount over limit as a result of the bonus or reward must be included in the annual <i>Comprehensive Statement of Postal Operations (Comprehensive Statement)</i> (39 U.S.C. §3686(d)). 	\$255,800

¹ Including requirements for reporting compensation in the annual *Comprehensive Statement of Postal Operations*.

² Executive Order No. 13970 established the limits effective the first day of the first applicable pay period beginning on or after January 1, 2021.

³ Per guidance from the U.S Department of Justice, Office of Legal Counsel, dated May 15, 2013.

Limit	Description (Authority)	Eligibility/Conditions	Amount for CY 2021
Critical Positions Exception	The Board may allow up to 12 officers or employees of the Postal Service in critical senior executive or equivalent positions to be paid total annual compensation up to 120 percent of the total annual compensation for the Vice President of the U.S. (39 U.S.C. §3686(c)).	<p>Any officer or employee in one of no more than 12 critical senior executive or equivalent positions.</p> <ul style="list-style-type: none"> Recipient's name, amount of bonus or reward, and amount over limit as a result of the bonus or reward must be included in the annual <i>Comprehensive Statement</i> (39 U.S.C. §3686(d)). Recipient's name, nature of duties, and basis for payment must be reported to the Office of Personnel Management and Congress within 30 days of payment.⁴ 	\$306,960

Source: 39 U.S.C. §1003(a) and 3686(a) through (d) and Executive Order No. 13970.

For purposes of the basic annual salary limit noted in Table 1, compensation includes the cumulative portion of annual compensation received during the year that is attributable to salary plus any federal annuity received. For the limits established under the two exceptions above, compensation also includes merit lump sum,⁵ incentive and recruitment bonuses, and executive detail bonus payments; as well as the value of non-cash awards such as gift certificates or stamp yearbooks. Excluded from total compensation is the value of grievance payments, overtime, premium pay; and the cash value of benefits like health benefits, life insurance, increased annual leave exchange hours, free financial counseling, wellness benefit, parking, and other perquisites not subject to PAEA compensation guidelines.

The Board designated these eleven positions as critical, senior executive or equivalent positions for CY 2021:

1. Postmaster General and Chief Executive Officer
2. Deputy Postmaster General and Chief Human Resources Officer
3. Chief Retail and Delivery Officer and Executive VP
4. Chief Logistics and Processing Operations Officer and Executive VP

5. Chief Commerce and Business Solutions Officer and Executive VP
6. Chief Technology Officer and Executive VP
7. Chief Information Officer and Executive VP
8. Chief Customer and Marketing Officer and Executive VP
9. Chief Financial Officer and Executive VP
10. Senior Vice President Finance and Strategy
11. General Counsel and Executive VP

In addition to limits established in Title 39 of the U.S.C., the Postal Service has internal policies and procedures regarding compensation, benefits, and bonuses.

Findings Summary

The Postal Service complied with applicable maximum total compensation provisions of the

“In addition to limits established in Title 39 of the U.S.C., the Postal Service has internal policies and procedures regarding compensation, benefits, and bonuses.”

⁴ Postal Service management interpreted the 30 day timeframe to begin after the last paycheck of the calendar year.

⁵ Performance based lump sum payments are a component of the Postal Career Executive Service compensation program.

PAEA and related Postal Service policies and guidelines in CY 2021 with one exception. Compensation information required to be in the *Comprehensive Statement* was, in some cases, incomplete and inaccurate.

Finding #1: Comprehensive Statement Reporting

In its Fiscal Year (FY) 2021 *Comprehensive Statement*, the Postal Service did not accurately report the compensation of 10 of 27 employees receiving compensation in excess of established limits during CY 2020.⁶ As shown in

Table 2, the Postal Service incorrectly reported, or failed to report, the amount by which 10 employees exceeded the ES Level 1 compensation limit and the number of bonuses or other payments to seven employees. This includes seven employees who were not identified, but should have been, as receiving bonuses or other payments, which caused their compensation to exceed the CY 2020 compensation limit.

Table 2. Errors in the Reporting of Compensation for CY 2020

Employee	CY 2020 Reportable Excess Earnings ⁷			CY 2020 Bonus or Other Payment		
	Reported	OIG Calculated	Difference	Reported	OIG Calculated	Difference
Cronkhite, Isaac S.	\$82,231	\$82,321	\$(90)	\$31,452	\$31,452	\$0
Elston, Michael J.	\$22,838	\$23,392	\$(554)	\$30,831	\$30,831	\$0
Coleman, Dane A.	\$5,640	\$6,514	\$(874)	\$23,422	\$23,422	\$0
Webster Jr, Vernal D.	–	\$3,476	\$(3,476)	–	\$24,330	\$(24,330)
Graves, Gregory G.	–	\$1,029	\$(1,029)	–	\$1,452	\$(1,452)
Munoz Jr, Abelardo P.	–	\$1,029	\$(1,029)	–	\$1,452	\$(1,452)
Samra, Tom A.	–	\$1,029	\$(1,029)	–	\$1,452	\$(1,452)
Cintron, Robert	–	\$1,029	\$(1,029)	–	\$1,452	\$(1,452)
Malone, Linda M.	–	\$1,029	\$(1,029)	–	\$1,452	\$(1,452)
Mossman, Shaun E.	–	\$265	\$(265)	–	\$688	\$(688)
Gross Total Difference			\$10,404			\$32,278

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of CY 2020 payroll data and the FY 2021 *Comprehensive Statement*.

⁶ The Postal Service reports employee compensation as part of its Annual Report, released several months after the end of the compensation year. Because of this timing, we reviewed the report of CY 2020 employee compensation with the ES Level 1 compensation limit of \$219,200 as contained in the FY 2021 *Comprehensive Statement*.

⁷ The amount by which earnings exceed level 1 of the Executive Schedule, \$219,200 for CY 2020.

These 10 employees were subject to Title 39 of the U.S. Code, which requires certain elements of compensation to be reported whenever bonus or critical position exceptions are used to compensate employees in excess of established limits. The elements are:

- The name of each person receiving a bonus or other payment that would not be allowable but for the exception.
- The amount of the bonus or other payment.
- The amount by which ES Level 1 was exceeded as a result of such bonus or other payment.

Postal Service management provided the following explanations for the errors in reporting of compensation for CY 2020:

- One employee's compensation was incorrectly reported due to a typo that was not identified during final review of the *Comprehensive Statement*.
- Two employees' compensation were incorrectly reported due to payroll adjustments that were erroneously omitted.
- Seven employees were excluded due to an error in formulas in an electronic workbook.

As a result of the Postal Service not including payroll adjustment data in the reported compensation information and because of clerical errors and typos, \$32,278 (gross) was excluded from the Bonus or Other Payments column, and \$10,404 (gross) was excluded from the Reportable Excess Earnings column of the *Comprehensive Statement*.

The OIG reviewed the desk instructions and reference materials used to create the compensation table for the annual *Comprehensive Statement* and confirmed that they indicate payroll adjustments of the types that were erroneously omitted should be included in the *Comprehensive Statement*. However, the compensation team that is responsible for the disclosure in the *Comprehensive Statement* was not aware of these adjustments. They receive payroll reports every two weeks that they use as the basis for the reporting. If an adjustment is made retroactive

to a prior pay period, the payroll team does not reissue a corrected report to the compensation team for that period. Therefore, the compensation team was not aware if adjustments occurred. During our audit, the compensation team began coordinating with the finance and payroll teams to determine how to obtain adjustment data and as a result of our audit submitted an updated executive compensation table to be published online.

“During our audit, the compensation team began coordinating with the finance and payroll teams to determine how to obtain adjustment data.”

Recommendation #1

We recommend the **Deputy Postmaster General and Chief Human Resources Officer** instruct the **Executive Director, Compensation and Benefits**, to develop and implement a procedure to obtain payroll adjustment data.

Recommendation #2

We recommend the **Deputy Postmaster General and Chief Human Resources Officer** instruct the **Executive Director, Compensation and Benefits**, to examine the *Comprehensive Statement* executive compensation disclosure review process, and implement improvements to ensure completeness and accuracy.

Management's Comments

Management agreed with the finding and recommendations. Regarding recommendation 1, management stated that in August 2022, the compensation, finance, and payroll teams began coordinating to establish reports that include all payroll adjustments. Additionally, management incorporated using these new reports into their compliance reporting processes going forward. Regarding recommendation 2, management updated the Compensation Statement Instructions, added quality check reviews to the process, and are updating their

Standard Operating Procedures. The target implementation date for these actions is October 31, 2022.

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, and the corrective actions should resolve the issues identified in this report.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 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

Click on the appendix title below to navigate to the section content.

Appendix A: Additional Information	9
Scope and Methodology	9
Prior Audit Coverage	10
Appendix B: Management’s Comments	11

Appendix A: Additional Information

Scope and Methodology

The scope of this audit was total annual compensation paid to Postal Service employees in CY 2021. The three statutory limits established by PAEA include one or more of the following in determining an individual's compensation – basic annual salary, federal annuity, merit lump sum payments, incentive and recruitment payments, executive detail bonus payments, other cash awards, and the value of non-cash awards distributed to the individual during the calendar year.

Each year the Postal Service is required to report on compensation in an annual comprehensive statement. We reviewed the Postal Service's compliance with these reporting requirements for CY 2020 compensation as it appeared in the *Fiscal Year 2021 Comprehensive Statement of Postal Operations*.

Our scope excluded certain additional payments such as grievance payments, overtime, premium pay, or the cash value of benefits like free financial counseling, parking, life insurance, health benefits, Postal Career Executive Service wellness benefit, increased annual leave exchange hours and other perquisites that are not subject to the compensation guidelines defined in the PAEA.

Although the Postal Service provides the payroll processing function for these organizations, we excluded OIG and Postal Regulatory Commission (PRC) employees from our analysis. Compensation of the OIG is designated under the Inspector General Act of 1978, while the PRC is an independent establishment of the executive branch of the U.S. government.⁸ PRC employees are not considered to be Postal Service employees or subject to the same statutory compensation caps, and do not participate in Postal Service award and bonus programs.

To accomplish our audit objective, we:

- Reviewed Postal Service policies, procedures, and guidelines regarding compensation, benefits, and bonuses.
- Reviewed payroll, bonus, and award information from Postal Service systems.
- Reviewed employment agreements applicable to the compensation limits for the project scope.
- Conducted interviews with Postal Service representatives in the Compensation and Benefits area and accounting specialists at the Eagan Accounting Service Center, as appropriate.

We conducted this performance audit from April through September 2022 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(s). 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 30, 2022, and included their comments where appropriate.

We assessed the reliability of Payroll Systems,⁹ Eagan Accounts Payable System,¹⁰ and Electronic Awards System¹¹ data by tracing a sample of data to source documents and applying logical tests to electronic data files. We determined that the data were sufficiently reliable for the purposes of this report.

⁸ 39 U.S.C. §501 and 39 CFR §3000.110.

⁹ The Payroll Systems include programming for Postal Service payroll. All pay rules necessary for compensating Postal Service employees are incorporated into this system.

¹⁰ The Eagan Accounts Payable System provides the capability of making non-traditional accounts payable payments.

¹¹ The Electronic Awards System allows Postal Service employees to complete employee award-related data online and submit them through the workflow approval process.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Compensation, Benefit, and Bonus Authority in Calendar Year 2020</i>	Determine whether the Postal Service complied with applicable maximum total compensation provisions of the PAEA and related Postal Service policies and guidelines in CY 2020.	21-183-R21	9/23/2021	\$5,833
<i>Compensation, Benefit, and Bonus Authority in Calendar Year 2018</i>	Determine whether the Postal Service complied with applicable maximum total compensation provisions of the PAEA, related Postal Service policies and guidelines, and related U.S. Postal Internal Revenue Service regulations in CY 2018.	19BG009FT000-R20	12/11/2019	None
<i>Compensation, Benefit, and Bonus Authority in Calendar Year 2017</i>	Determine whether the Postal Service complied with the applicable maximum total compensation provisions of the PAEA, related Postal Service policies and guidelines, and Internal Revenue Service regulations in CY 2017.	FT-AR-18-008	7/23/2018	None

Appendix B: Management's Comments

STEVEN A. DARRAGH
EXECUTIVE DIRECTOR, COMPENSATION AND BENEFITS



September 22, 2022

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Compensation, Benefit, and Bonus Authority in
Calendar Year 2021 (#22-126)

Thank you for providing the Postal Service with an opportunity to review and comment on the finding and recommendation contained in the draft audit report, Compensation, Benefit, and Bonus Authority in Calendar Year 2021.

Finding #1: Management agrees with Finding #1.

Recommendation [1]:

We recommend the Deputy Postmaster General and Chief Human Resources Officer instruct the Executive Director, Compensation and Benefits, to develop and implement a procedure to obtain payroll adjustment data.

Management Response/Action Plan:

Management agrees with this recommendation. Compensation team began coordinating in August 2022 with the finance and payroll teams to set up regular cadence reports that include all payroll adjustments. Compensation has incorporated using these new reports into their compliance reporting processes going forward.

Target Implementation Date: 10/31/2022

Responsible Official:

Executive Director, Compensation and Benefits

Recommendation [2]:

We recommend the Deputy Postmaster General and Chief Human Resources Officer instruct the Executive Director, Compensation and Benefits, to examine the Comprehensive Statement executive compensation disclosure review process and implement improvements to ensure completeness and accuracy.

Management Response/Action Plan:

Management agrees with this recommendation. We have updated the Compensation Statement Instructions and have added two quality check reviews to the process. We are also in the process of updating our Standard Operating Procedures (SOPs) to meet the target implementation date of 10/31/2022.

MAILING ADDRESS:
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260

- 2 -

Recommendation [2] cont.:

Target Implementation Date: 10/31/2022

Responsible Official:
Executive Director, Compensation and Benefits



Steven Darragh
Executive Director Compensation & Benefits

cc: Manager, Corporate Audit Response Management

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

Contact us via our [Hotline](#) and [FOIA](#) forms.
Follow us on social networks.
Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100

For media inquiries, please email
press@uspsoig.gov or call 703-248-2100