

September 27, 1999

JOHN H. WARD
VICE PRESIDENT, FINANCE, CONTROLLER

Subject: Mementos and Other Items Provided at
Conferences, Meetings, and Training Sessions
(Report Number FR-MA-99-003)

This is our report on the United States Postal Services' (USPS) practice of giving mementos and other items at conferences, meetings, and training sessions. We initiated the review to evaluate the propriety of USPS officials giving such mementos and other items of value to employees. While this type of memento has become traditional at many USPS functions, it is a form of gift giving, so we refer to these types of gifts as mementos throughout this report.

Results in Brief

Our review identified that Federal statutes do not prevent USPS employees from giving mementos and other items at conferences, meetings, and training sessions. However, this practice subjects the USPS to potential criticism and the perception of improper use of postal revenue. Specifically, we identified that the USPS practices were inconsistent with those of the Fortune 500 Corporations surveyed. The average value of mementos given at USPS events was greater than the value of gifts reported by the companies participating in our comparison. USPS officials also provided mementos at more conferences, meetings, and training sessions than the corporate representatives surveyed. USPS officials provided mementos, valued at about \$300,000, to employees at 13 of the 22 events we reviewed. Among those 13, the average value of mementos ranged from \$22 to \$98 per person per event.

The USPS Executive and Administrative Schedule recognition awards program policy sets forth criteria for different levels of informal recognition. However, outside of

the awards program, there are no established criteria as to what may be given to employees at internal events. As a result, USPS officials are not restricted on the types, quantity, or value of mementos given at USPS sponsored events. This lack of policy subjects the USPS to the risk of potential criticism, adverse publicity, and embarrassment. The Office of Inspector General (OIG) is currently reviewing an allegation of excessive expenditures, including mementos at a fiscal year (FY) 1998 USPS national conference based on a hotline complaint alleging an abuse and waste of funds. USPS officials should establish a memento-giving policy to avoid conduct that may create the perception of improper use of postal revenue.

We suggest that the Vice President, Finance, Controller, establish appropriate policies and procedures for mementos to supplement the Executive and Administrative Schedule recognition awards program. Management concurred with our suggestion. Management's comment is included in the appendix of this report.

**Objective, Scope, and
Methodology**

The objective of our review was to evaluate the propriety of the USPS practices of giving mementos to employees during conferences, meetings, and training sessions. To accomplish this objective, we reviewed Federal statutes and ethics laws governing gift-giving practices to determine their applicability to the USPS. We also compared the USPS memento-giving practices with those of 10 Fortune 500 Corporations surveyed.¹ Our survey included data from FY 1997. Recent conversations with management officials confirmed that little has happened to change policy and practices concerning memento giving since our initial survey. We interviewed appropriate officials and reviewed relevant documentation within the USPS, Fortune 500 Corporations, and independent marketing organizations.²

¹ We selected 22 USPS conferences, meetings, and training sessions held during FY 1997 to determine the type, quantity, and cost of mementos given to USPS employees at these events. We judgmentally selected the conferences, meetings, and training sessions from a universe of events identified by officials from the Purchasing and Materials Office and numerous Headquarter Organizations. We also selected 25 Fortune 500 Corporations with the highest grossing revenues, to determine their memento-giving practices. Representatives from 10 of the corporations participated in the survey. The information provided by the representatives was self-reported and not independently verified.

² We interviewed officials and event coordinators from the Offices of the Chief Operating Officer and Executive Vice President, Diversity Development, Engineering, Finance, Human Resources, International Business, Labor Relations, Marketing, Purchasing and Materials, and Postal Inspection Service. We also interviewed officials from 10 of the top 25 Fortune 500 Corporations, the American Marketing Association, and the American Advertising Federation. We reviewed event listings; requisitions for supplies, services, or equipment; invoices and associated memorandums; general ledger accounts; Postal Inspection Service reports; the 1997 AC Nielsen Seventh Annual Survey of Trade Promotion Practices; and articles from Direct Marketing and Marketing News publications.

We conducted our review from February 1998 through August 1999 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections.

The scope of our review was limited to conferences, meetings, and training sessions sponsored by the USPS for USPS employees. We did not evaluate events that the USPS co-sponsored with private sector entities or events sponsored entirely by private sector entities. We did not address items given under the Executive and Administrative Schedule recognition awards program.

Background

The USPS traditionally gives gifts, or mementos, to employees attending conferences, meetings, and training sessions held throughout the year. These mementos are generally given to all persons attending the events and are not provided in recognition or as an award for specific achievements. The types of mementos range from candy to leather portfolios and have included food items, tote bags, commemorative pins, travel clocks, and shirts.

USPS officials do not track the total amount of funds spent on mementos given to employees at USPS events. Officials stated that it would be impossible to determine the total value of mementos given since mementos are purchased by many offices and are paid through various accounts. USPS officials can also purchase mementos locally using a government credit card. USPS officials estimated that government credit cards are used to purchase as many as 99 percent of the mementos given to employees at USPS events.

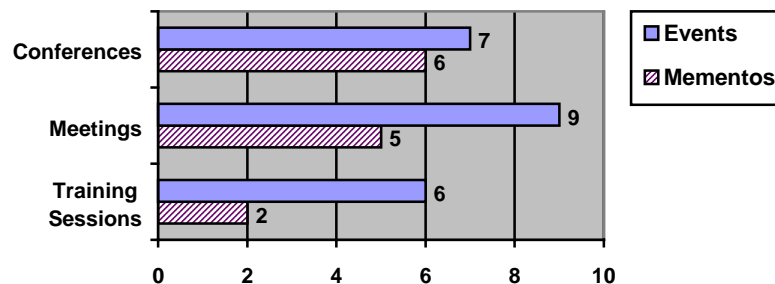
Observations

The USPS memento-giving practices were inconsistent with those of the Fortune 500 Corporations surveyed. Specifically, USPS officials provided higher value mementos or a collection of mementos that in total had a higher value from more departments than did their corporate counterparts. USPS officials provided mementos - valued at about - \$300,000, to employees at 13 of the 22 events reviewed. The average value of mementos ranged from \$22 to \$98 per person per event.

Federal statutes do not prevent USPS employees from engaging in memento-giving practices. However, the USPS should avoid conduct that may create the public perception that USPS revenues are used inappropriately. The USPS memento-giving practices appeared high when compared to the self-reported practices of the Fortune 500 Corporations. As a result, the USPS needs to establish policies to ensure memento giving is reasonable.

USPS Memento Giving Practices

Frequency of Giving Mementos. USPS officials gave mementos to employees at 13 of the 22 events we reviewed. The officials told us that the mementos motivated employees and fostered team spirit. Officials also stated that mementos served marketing and educational purposes, such as clothing containing the USPS logo and books. Other officials stated that they provided mementos that could be used as supplies at the event or in the workplace. Graph A summarizes the number of USPS conferences, meetings, and training sessions reviewed during which mementos were given.



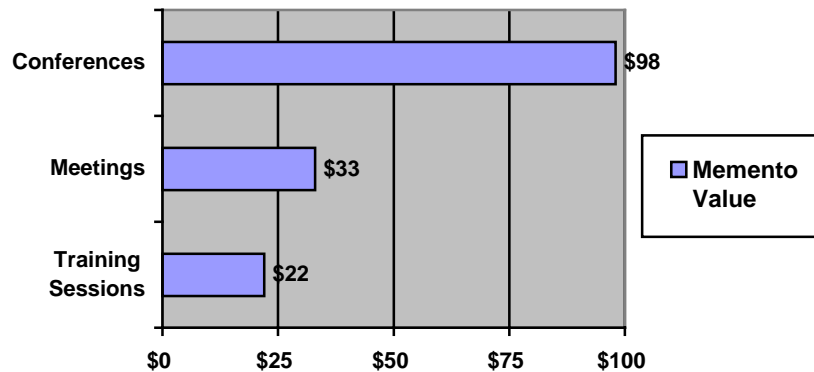
Graph A. Mementos at USPS Events

The frequency and quantity of mementos varied by USPS department. For example, of the events reviewed, one Headquarters department sponsored more events and gave more mementos per event than other Headquarters departments. Although the frequency and quantity of mementos given varied by department, memento-giving practices were spread throughout the USPS.

Value of Mementos Given. USPS officials provided mementos, valued at about \$300,000, to employees at 13 of the 22 events reviewed. The average value of mementos ranged from \$22 to \$98 per person per event. These values do not include mementos given as grab bag items,

prizes, or as part of an event workshop. Graph B summarizes the average value of mementos given to each employee at the USPS conferences, meetings, and training sessions we reviewed. The average values are based on

the total value of all mementos given to each employee at each event reviewed.



Graph B. Value of Mementos for Each Employee

Memento-Giving Approval Process. The approval process for giving mementos varied by the type of event reviewed. For example, committees established to organize national conferences made memento-giving recommendations to an approving official. The approving official decided whether or not mementos would be given, as well as the types of mementos given. Mementos given at meetings and training sessions were normally approved at the local level. Specifically, event coordinators generally approved the mementos and purchased them with the government credit card or through the Finance Office.

Corporate Memento-Giving Practices

The reported memento-giving practices differed among the corporations surveyed. Memento-giving practices varied by the type of corporation surveyed. Retail and oil corporations surveyed generally did not give mementos to employees at conferences, meetings, or training sessions. If mementos were given, they were primarily valued at around \$10 to \$15 per person. Technology-focused corporations also did not normally give mementos to employees at events. If mementos were given, they were valued under \$25 per person.

Memento giving at the majority of corporations surveyed was closely tied to a corporate department's operations and budget. Specifically, memento-giving practices varied by

department and each department determined how much they could spend on mementos. We also identified that some corporate representatives were more likely to give mementos if customers were attending an event rather than giving mementos at events attended only by employees. A representative from one corporation stated that they had items available for sale at an event rather than giving the items to the employees.

Comparison of USPS and Corporate Memento Giving Practices	USPS officials provided higher-valued mementos than the corporate representatives surveyed. Specifically, the average value of mementos given at the USPS events reviewed ranged from \$22 to \$98 per person, depending on the event type. The majority of corporate representatives surveyed, when providing mementos, only provided items valued from \$10 to \$25 per person. Although representatives from marketing-focused corporations provided higher-valued mementos, the items given were generally lower in value than mementos provided by USPS officials.
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Propriety of USPS Memento Giving Practices	Memento giving practices expose the USPS to potential criticism, adverse publicity, and embarrassment. Although Federal statutes do not prevent USPS officials from giving mementos to employees, the USPS should avoid the appearance of using postal funds inappropriately. USPS officials should establish a memento-giving policy to avoid the appearance of improper use of postal revenue and to ensure that mementos are reasonable.
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The USPS Executive and Administrative Schedule recognition awards program policy sets forth criteria for different levels of informal recognition. However, outside of the awards program, there are no established criteria as to what may be given to employees at internal events. This lack of policy for giving mementos outside the awards program subjects the USPS to the risk of potential criticism, adverse publicity, and embarrassment. The OIG is currently reviewing a hotline allegation of abuse and waste of funds, including mementos at a FY 1998 USPS national conference.

Suggestion	We suggest that the Vice President, Finance, Controller, establish policies and procedures for mementos to supplement the Executive and Administrative Schedule recognition awards program.
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Management's	Management concurred with the suggestion and plans to
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Comment

issue a management instruction by the end of Postal quarter 1, FY 2000.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our suggestion.

We appreciated the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact [REDACTED], or me at (703) 248-2300.

Richard F. Chambers
Assistant Inspector General
for Performance

cc: M. Richard Porras
Alan B. Kiel
John R. Gunnels

JOHN H. WARD
VICE PRESIDENT, FINANCE CONTROLLER



September 24, 1999

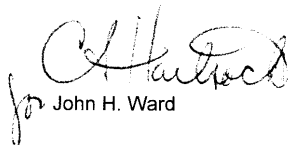
KARLA CORCORAN

SUBJECT: Draft Management Advisory Report – Mementos and Other Items Provided
at Conferences, Meetings, and Training Sessions

We have reviewed your Draft Management Advisory Report dated September 15 on the above subject. In addition, a working exit conference was held with your staff, along with the managers, Corporate Accounting and Compensation and the Chief Counsel, Ethics and Federal Regulations. This working exit conference was extremely valuable to both the auditees and your evaluators. We believe that this activity should be incorporated in your process for all audit reports and advisories.

You suggested that my office establish policies on the above subject. We concur with the recommendation. My corporate accounting staff will issue a management instruction containing the policy for mementos and employer tax reporting responsibilities. The management instruction will be issued by the end of Postal Quarter I, Fiscal Year 2000.

Please contact me with any questions you may have concerning this response.


for John H. Ward

**Major Contributors to
This Report**

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