

September 21, 1999

JAMES GRUBIAK
VICE PRESIDENT, INTERNATIONAL BUSINESS UNIT

SUBJECT: Review of International Travel Process
(Report Number RG-MA-99-007)

We have completed the first phase of a two-phase review of Postal Service international travel. We initiated this review to determine whether international travel was authorized in accordance with Postal Service travel regulations. This report presents the results of our review. Appendix A of this report presents a list of Postal Service organizations requesting fiscal year 1999 international travel. Appendix B presents summary information on the cost of international travel for fiscal years 1995 through 1999. During the second phase of our review, we will examine whether international travel expenses incurred during fiscal year 1999 were allowable, reasonable, and accurately reported.

Results in Brief

Ninety-eight percent (567 of 577) of the international travel requests submitted, to the Vice President, International Business Unit, from September 12, 1998 through May 21, 1999 were incomplete. For example, 94 percent did not include supporting documents that initiated the trip and 88 percent of the requests did not include estimated travel costs. As a result, approving officials and the Vice President, International Business Unit approved international travel without complete information on whether the travel was cost-effective or directly related to Postal Service business. While we did not calculate the cost of the travel associated with the 577 travel requests, we noted that international travel costs were over \$2 million for the 1,111 international travel vouchers processed between September 12, 1998 and June 18, 1999. We recommended that the Vice President, International Business Unit ensure that international travel requests include all information required by Postal Service Handbook F-15 before deciding whether to approve the travel request. The Vice President,

International Business Unit, concurred with our suggestion and the actions taken or planned meet the intent of our suggestion.

Background

Title 39, section 410 of the United States Code, gives the Postal Service the authority to establish travel policy. Postal Service travel policies and procedures are outlined in Postal Service Handbook F-15, "Travel and Relocation," dated August 1997.

Appendix C, Handbook F-15, states that the postmaster general has delegated travel approval authority to certain management positions within the Postal Service. Management positions which have been delegated this authority include:

- Officers
- Postal Career Executive Service (PCES) executives
- Non-PCES managers who are direct reports to Vice Presidents or other PCES executives
- Plant Managers
- Postmasters of cost ascertainment grouping¹ A – G post offices.

Handbook F-15 states that Postal Service officers² may approve international travel to Canada and Mexico. However, the Vice President, International Business Unit approves all other international travel. An exception to this requirement is that the Chief Postal Inspector approves international travel for their respective staff on official audits/criminal investigations. In addition, the Inspector General approves international travel for staff of the OIG.

To obtain approval for international travel, the traveler had to write a letter to the Vice President, International Business Unit requesting travel approval. The letter was first reviewed and approved by an officer within the traveler's organization, then forwarded to the Vice President, International Business Unit. As part of the review process, approving officials must make certain that the travel is necessary and directly related to Postal Service business.

After international travel is completed, the appropriate approving official reviews the travel vouchers and certifies that the transportation and expenses are the most advantageous to the Postal Service. The vouchers are then

¹ Cost ascertainment grouping is a method that classifies post offices by volume of revenue generated.

² Top management positions within the Postal Service. As of September 1998, there were 45 officers.

submitted to the San Mateo Accounting Service Center for processing and payment. Accounting Service Center and International Business Unit officials advised us that the Accounting Service Center will not process international travel vouchers that do not have a copy of the approval letter signed by the Vice President, International Business Unit.

Objective, Scope, and Methodology

We conducted our review from July through August 1999 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. Our overall objective was to determine whether International travel was properly authorized and internal controls related to our objective was adequate. Specifically, we determined whether international travel requests were approved after a determination that they were cost effective and related to Postal Service business.

To accomplish our objectives, we reviewed 577 requests for international travel that were submitted to the International Business Unit from September 12, 1998 through May 21, 1999. We also used the 577 requests to compile information on the frequency of travel for various Postal Service organizations and travel destinations (See Appendix A).

We interviewed personnel from the International Business Unit and the San Mateo Accounting Service Center. The Accounting Service Center personnel provided us with computer-processed data on international travel costs for fiscal year 1995 through June 18, 1999 (See Appendix B). We used the computer-processed data for informational purposes only, and did not assess the reliability of the data.

We also reviewed the adequacy of Postal Service internal controls over international travel. Specifically, we reviewed the internal controls the Postal Service used to ensure international travel was properly authorized.

Prior Audit Coverage

United States Postal Service, "International Business Unit Study of Business Practices," March 1998. In February 1998, the Postal Service established a team to review the business practices of the International Business Unit. Their review focused on various activities within the management of the International Business Unit, including international travel. Their report concluded that "while a majority of [International Business Unit] travel vouchers

were submitted within a reasonable time and were accurate, others were not.” In addition, the team found that some International Business Unit employees were circumventing Postal Service travel policies³ in order to fly business class. Additionally, the team found instances of excessive hotel costs, questionable travel, and questionable items claimed on travel vouchers. The report recommended that the International Business Unit tighten travel controls. Specifically, they recommended that the International Business Unit (1) require employees to adhere to the 10-hour rule regarding business class travel, (2) scrutinize the number of employees traveling, and (3) obtain prior approval before excessive costs are incurred.

Incomplete Travel Requests	<p>Ninety-eight percent (567 of 577) of the international travel requests that were submitted to the Vice President, International Business Unit, from September 12, 1998 through May 21, 1999 for the first three-quarters of were incomplete. For example, 94 percent did not include supporting documents that initiated the trip and 88 percent of the requests did not include an estimate of travel costs. As a result, approving officials and the Vice President, International Business Unit approved international travel without complete information on whether the travel was cost-effective or directly related to Postal Service business.</p> <p>Handbook F-15 states that the international travel request must include:</p> <ul style="list-style-type: none"> • A copy of the supporting documents that initiated the trip, such as an invitation or announcement; • A statement of justification; • The expected benefit to the Postal Service; • An estimate of cost; and • A proposed travel schedule.
Supporting Documentation	<p>Ninety-four percent (543 of 577) of the international travel requests approved by the Vice President, International Business Unit did not include supporting documentation.</p>
Estimate of Travel Costs	<p>Eighty-eight percent (508 of 577) of the international travel requests approved by the Vice President, International Business Unit did not include an estimate of travel costs.</p>

³ Travelers are allowed to fly the more expensive business class if the duration of the overseas flight exceeds 10 hours. Travelers circumvent the 10-hour rule by scheduling indirect flights to their overseas destination.

While we did not calculate the cost of the travel associated with the 577 travel requests, we noted that international travel costs were over \$2 million for the 1,111 international travel vouchers processed between September 12, 1998 through June 18, 1999.

The 577 international travel requests did include a statement of the purpose for the trip, the expected benefit to the Postal Service, and a travel schedule.

Suggestion

We suggest that the Vice President, International Business Unit ensure that international travel requests include all information required by Postal Service Handbook F-15 before deciding whether to approve the travel requests.

Summary of Management's Comments

The Vice President, International Business Unit, concurred with our suggestion. The Vice President stated they would reinforce the existing international travel requirements. Additionally, they plan to work with USPS Finance to ensure that the travel regulations and guidelines meet the current needs of the Postal Service. The full text of the comments is at Appendix C.

Evaluation of Management's Comments

The actions implemented and planned, by the International Business Unit, meet the intent of our suggestion.

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

Sylvia L. Owens
Assistant Inspector General
for Revenue/Cost Containment

cc: Allen R. Kane
Alan B. Kiel
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Appendix A

Table 1 shows the Postal Service organizations that have requested travel from September 12, 1998 through June 18, 1999. One-third of the requests were from the International Business Unit. Table 1 does not include Postal Service international travel to Mexico and Canada. The table also does not include audit/investigative travel by the Inspection Service.

Table 1. USPS Organizations Requesting Travel

USPS Organization	Travel Requests	Percentage
International Business Unit	192	33.3%
Inspection Service	132	22.9%
Marketing	103	17.9%
Engineering	43	7.5%
Finance	26	4.5%
Information Systems	16	2.8%
Operations Planning	15	2.6%
Consumer Advocate	10	1.7%
Purchasing	9	1.6%
General Counsel	6	1.0%
Great Lakes Area Office	5	0.9%
Operations Support	5	0.9%
Other	4	0.7%
Facilities	3	0.5%
Human Resources	3	0.5%
Operations	2	0.3%
Customer Relations	1	0.2%
Field Operations Support	1	0.2%
Strategic Planning	1	0.2%
Totals:	577	

Table 2 shows the fiscal year 1999 travel destinations by country or region. Overall, European countries were the top travel destination representing 402, or 68 percent, of the 577 requests. South and Central American countries were second with 74 requests, followed by Asia (60 requests), Australia and Pacific area (50 requests), and Africa with seven requests.

Table 2. Travel Destinations

Destination	Number of Requests
Germany	86
Switzerland	72
Belgium	63
France	51
England	51
Caribbean	31
Japan	22
Brazil	20
China	19
Italy	16
Australia	16
Ireland	14
Palua	11
Denmark	11
Thailand	9
Portugal	9
New Zealand	8
Micronesia	8
Central America	8
Pacific Theater*	7
Finland	6
Sweden	5
South Africa	5
Peru	5
Hungary	5
Europe*	5
Argentina	5
Korea	4
Austria	3

Table 2. Travel Destinations (Cont'd)

Uruguay	2
Spain	2
South America*	2
Singapore	2
Russia	2
Philippines	2
Vietnam	1
Venezuela	1
Poland	1
Malaysia	1
Ghana	1
Cote D'Ivoire	1
Total Number Requests**	593

* Multiple destinations to one area

** Exceeds 577 because of instances where one trip was to multiple destinations.

Appendix B

Table 3 shows the Postal Service international travel costs from fiscal years 1995 to 1999. The international travel costs for fiscal year 1999 do not include accounting costs for the period June 19 through September 10, 1999. However, postal officials estimated international travel costs for those periods would not exceed \$500,000. If so, fiscal year 1999 international travel costs will have declined by about \$1.5 million from fiscal year 1998. Personnel at the International Business Unit attribute this decline to overall cost savings efforts within the Postal Service.

Table 3. USPS International Travel Costs Fiscal Year 95 – 99*

Fiscal Year	International Travel	Dollar Change	Percent Change
1995	\$874,357	-	-
1996	2,075,572	\$1,201,215	137%
1997	3,071,045	995,473	48%
1998	4,216,254	1,145,209	37%
1999*	2,186,423	-	-

Fiscal year 1999 costs are through June 18, 1999

JAMES F. GRUBIAK
VICE PRESIDENT, INTERNATIONAL BUSINESS



September 16, 1999

SYLVIA L. OWENS
ASSISTANT INSPECTOR GENERAL

SUBJECT: International Travel Process

This responds to your September 2 memorandum concerning the Draft Management Advisory Report on International Travel Process (Report Number RG-MA-99-DRAFT).

We will reinforce the international travel requirements currently defined in Section 4-1.3 of Handbook F-15 by disseminating instructions to all USPS Officers which will reaffirm their role in the authorization and approval process for international travel.

In addition, I have asked Louis Honore, who is the Manager of International Finance in our department, to work with Jayne Schwarz, Manager of Corporate Accounting, to review the regulations and guidelines for international travel as stated in Handbook F-15 to assure that the current requirements meet the current needs of the Postal Service.


James F. Grubiak

cc: Mr. Kane
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**Major Contributors to
This Report**

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