



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

**Fiscal
Year 2013
Conference
Costs**

Audit Report

Report Number
DP-AR-14-003-DR

April 29, 2014





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

We did not identify any inappropriate conference costs in FY 2013.

Background

Recent inspector general reports highlighted excessive conference spending by federal agencies, including the General Services Administration and the Department of Veteran Affairs. As a result, new laws were passed and the Office of Management and Budget issued guidance to create transparency in conference spending in the federal government. In response, federal agencies established programs to identify, track, reduce, and report conference spending. The U.S. Postal Service is not required to comply with these laws, but compliance is important to ensure conference expenditures are reasonable.

Our objective was to determine whether the Postal Service properly monitored and accounted for conference costs in fiscal year (FY) 2013.

What the OIG Found

The Postal Service should improve its monitoring of and accounting for conference costs. Specifically, the Postal Service was unable to immediately identify the number of FY 2013 conferences and their associated costs because management did not have a process to accurately identify conference costs.

The Postal Service reported \$4.2 million for FY 2013 in the expense account "Meetings and Conferences." However, the account does not identify which expenditures are associated with conferences rather than meetings. Therefore, the controller polled the Postal Service functional areas and identified two conferences costing in excess of \$100,000. This is the threshold the Office of Management and Budget set for public reporting of conference expenses. The two conferences totaled \$243,379, and we did not identify any inappropriate expenditures.

We reviewed detailed Postal Service accounting records, supporting documentation, journal vouchers, travel card transactions, and contracts and did not identify any additional conferences costing more than \$100,000 or any inappropriate conference costs in FY 2013. During our review of the various transactions we did identify \$17,318 of conference travel improperly classified as training expenses.

What the OIG Recommended

We recommended the Postal Service implement procedures to record, identify, and account for all conferences exceeding \$100,000, including associated travel. Also, it should clarify policies and procedures regarding proper recording of conference travel expenses and correct \$17,318 of misclassified expenses.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 29, 2014

MEMORANDUM FOR: SCOTT G. DAVIS
ACTING VICE PRESIDENT, CONTROLLER

E-Signed by Inspector General
VERIFY authenticity with eSign Desktop

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Planning and Operations

SUBJECT: Audit Report – Fiscal Year 2013 Conference Costs
(Report Number DP-AR-14-003)

This report presents the results of our audit of Fiscal Year 2013 Conference Costs (Project Number 13RG033DP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Kevin H. Ellenberger, director, Data Analysis and Performance, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

***Transparency in
Postal Service conference
spending is important
to ensure expenses are
reasonable, necessary,
and allowable.***

Introduction

This report presents the results of our audit of Fiscal Year (FY) 2013 Conference Costs (Project Number 13RG033DP000). Our objective was to determine whether the U.S. Postal Service properly monitored and accounted for conference costs in FY 2013. This audit was self-initiated. See [Appendix A](#) for additional information about this audit.

The Office of Management and Budget (OMB) issued a memorandum in 2012 requiring agencies to reduce travel and conference spending, strengthen internal controls for managing this activity, and report publicly all conferences that cost more than \$100,000. As a result, federal agencies have implemented programs to identify, track, reduce, and report conference spending.¹ The reports generally include:

- A description of the purpose for the conference.
- The number of attendees.
- A detailed statement of the costs to the U.S. government.

Subsequent law requires federal agencies to report all agency-held conferences that cost more than \$20,000 to their inspectors general within 15 days of the event. Although the Postal Service is not required to comply with this law or the OMB guidance, transparency in Postal Service conference spending is important to ensure expenses are reasonable, necessary, and allowable.

The Postal Service uses an account called “Meetings and Conferences” to record internal and external event-related expenses, including conferences.² The Postal Service reported \$4.2 million in “Meetings and Conferences” in FY 2013. An internal management instruction (MI) provides both policies and procedures for purchase and payment of official Postal Service internal and external business event-related expenses.³ The MI defines allowable expenses, required supporting documentation, approval authorities, and employee responsibilities.

The National Postal Forum is a not-for-profit educational corporation and its annual conference attracts more than 4,000 attendees. The Postal Service participates in this conference, but designates a separate General Ledger (GL) account for expenses associated with it.⁴ For that reason, we did not examine expenses related to the National Postal Forum during this audit.

¹ The Census Bureau, International Trade Administration, and U.S. Patent and Trademark Office are examples of agencies that report conferences.
² GL Account 56605.
³ MI FM 640-2008-1, *Expenses for Internal and External Events*, September 10, 2008.
⁴ GL Account 56603.

Management did not have a process to accurately identify conference costs.

We identified \$17,318 of conference travel improperly classified as training expenses.

Conclusion

The Postal Service should improve its monitoring of and accounting for conference costs. Specifically, the Postal Service was unable to immediately identify the number of FY 2013 conferences and their associated costs because management did not have a process to accurately identify those costs. The controller polled the Postal Service functional areas and identified two conferences costing in excess of \$100,000. The two conferences totaled \$243,379, and expenditures for the conferences were appropriate.

We reviewed detailed Postal Service accounting records, supporting documentation, journal vouchers, travel card transactions, and contracts and did not identify any additional conferences costing in excess of \$100,000 or any inappropriate conference costs in FY 2013. However, we did identify expenditures for travel to conferences of \$17,318 improperly classified as training expenses.

Monitoring Conference Costs

Management did not have a process to fully monitor conference costs. The Postal Service reported \$4.2 million for FY 2013 in the expense account "Meetings and Conferences," which was established to record all expenditures related to both internal and external events. However, the Postal Service does not identify which expenditures in this account are specifically related to conferences. Other federal agencies have programs to identify, track, and report publicly on conference spending for events exceeding \$100,000. These reports include:

- A description of the purpose of the conference.
- The number of participants.
- A detailed statement of the costs of the conference.

Federal agencies also have procedures to report all agency-held conferences that cost more than \$20,000 to their inspectors general within 15 days of the event. Postal Service officials stated they did not feel it was necessary to specifically track conference costs because the agency conducts very few conferences, and has curtailed this activity in recent years. We think the Postal Service should track individual conference expenses in order to minimize the risk of excessive spending on these events.

Accounting for Travel to Conferences

U.S. Postal Inspection Service employees attending the Financial Industry Mail Security Initiative conference incorrectly used "travel for training" as the travel purpose for 17 of 83 electronic travel vouchers. Postal Service policy requires using "travel for meeting" as the purpose when attending a conference. This error occurred because Postal Inspection Service officials did not inform attendees about the proper procedures to account for their travel. Neither the meeting organizers nor the officials who approved their expenses ensured the \$17,318 in travel vouchers were properly completed.

Recommendations

We recommend management correct the misclassification of \$17,318 in travel expenses and clarify policies regarding the recording of conference travel expenses.

We recommend the acting vice president, Controller:

- Develop and implement procedures to identify and account for all conferences exceeding \$100,000, including associated travel.
- Clarify policies and procedures regarding the proper recording of conference travel expenses.
- Ensure the misclassification of \$17,318 in travel expenses is corrected.

Management's Comments

Management agreed with recommendation 1 and will develop and implement procedures to identify and account for all conferences exceeding \$100,000. Specifically, management will create a new GL account, and modify the eTravel system to identify conference costs by September 2014.

Management also agreed with recommendation 2 and will clarify policies and procedures regarding recording of conference travel expenses by updating MI FM 640-2008-1 by June 2014.

Regarding recommendation 3, management stated the misclassified expenses cannot be transferred because they occurred in the prior fiscal year.

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

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to recommendations 1 and 2, and corrective actions should resolve the issues identified in the report. Regarding management's response to recommendation 3, we confirmed the Postal Service cannot correct the misclassification of \$17,318 in travel expenses from the prior fiscal year and it is not material to the financial statements. Therefore, recommendation 3 will be closed with the issuance of this report.

Appendices

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Appendix A: Additional Information

Background

The OMB and other federal agencies issued guidance over the past few years to elevate transparency in conference spending in the federal government, including the following:

- The OMB issued Memorandum M-11-35, Eliminating Excess Conference Spending and Promoting Efficiency in Government, directing federal government agencies to eliminate wasteful and inefficient spending with respect to conference-related activities and expenses.
- The president issued Executive Order 13589, Promoting Efficient Spending, directing federal agencies to cut waste in several areas, including travel, publications and printing, federal fleet management, and extraneous promotional items.
- The OMB issued Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations, providing federal agencies with specific policies and practices to reduce costs and increase efficiency in conference-related activities. In particular, it directs agencies to report on its website all agency-sponsored conferences for the previous fiscal year that cost more than \$100,000.
- The president signed Public Law 113-6, the Consolidated and Further Continuing Appropriations Act of 2013, directing federal agencies to report all agency-held conferences that cost more than \$20,000 to their inspectors general within 15 days of the event.

The Postal Service uses an internal MI to provide policies and procedures for the purchase and payment of official internal and external event-related business expenses. This MI also references related policies and procedures contained in other Postal Service directives. It defines internal and external events as follows:

- Internal events include on- or off-site official and non-routine meetings, conferences, training sessions, town hall meetings, briefings, or information-sharing events; and Postal Service employee recognition and appreciation events and gatherings. Internal events are mainly attended by Postal Service employees, but may include individuals representing outside organizations, contractors, and, in limited circumstances, employees' immediate family members. Standing staff meetings and project meetings (those held on a set schedule for a set period of time, such as weekly or bi-weekly meetings) or short business meetings are not considered internal events in this MI. These routine meetings are considered business as usual.
- External events include on- and off-site official business events that benefit the Postal Service. While Postal Service employees (and contractors) may be required to participate, they are mainly intended for and attended by customers or other external stakeholders, such as representatives of industry or special interest groups, foreign postal administrations and visitors, and suppliers.

During our audit, the Postal Service controller polled each of the functional areas to obtain a list of all conference activity that exceeded \$100,000, the threshold OMB set for reporting on its website (see [Table 1](#)). We detected no transactions during our review of accounting records, contracts, and travel expenses that would lead us to believe there were additional conferences over \$100,000.

Table 1. FY 2013 Postal Service Conferences

Event Name	Date	Location	Cost
 Financial Industry Mail Security Initiative, and National Leadership Team Meeting	April 2013	Phoenix, AZ	\$106,873
 25th Universal Postal Congress Doha	September 2013	Doha, Qatar	\$136,506
Total			\$243,379

Objective, Scope, and Methodology

Our objective was to determine whether the Postal Service properly managed and accounted for conference costs in FY 2013. We did not review expenses related to the National Postal Forum.⁵

Specifically, we:

- Reviewed Postal Service and federal agency policies and procedures regarding conference spending oversight to determine whether those policies and procedures are satisfactory.
- Obtained a list of conferences held by the Postal Service in FY 2013,⁶ and evaluated supporting data and documentation.
- Obtained and reviewed supporting documentation for 60 judgmentally selected journal voucher transactions and interviewed credit card holders to determine whether any of the expenditures resulted from an unreported FY 2013 Postal Service conference.
- Reviewed documentation supporting management's July 2013 validation of Postal Service meetings and conferences expenditures.
- Obtained a list of 23 contracts for FY 2013 conference-related expenses from the Denver Category Management Center and reviewed related detail reports from the Contract Management Authorizing System to determine whether any of the expenditures resulted from an unreported FY 2013 Postal Service conference.
- Conducted a site visit to the St. Louis Accounting Service Center to identify the procedures and controls in place when processing a travel voucher.

⁵ The Postal Service uses GL 56603 to record National Postal Forum-related expenses.

⁶ For this audit, we defined a conference as a meeting, retreat, seminar, symposium, or event that involves attendee travel in which expenses exceeded \$100,000.

We conducted this performance audit from August 2013 through April 2014 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 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 March 26, 2014, and included their comments where appropriate.

We assessed the reliability of Enterprise Data Warehouse (EDW)⁷ computer-processed data. We traced sampled data to source documentation as a part of our review to determine whether we can rely on those systems. We also interviewed officials knowledgeable about the data and concluded that the EDW data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

⁷ A central, enterprise-wide database that contains information extracted from operational systems.

Appendix B: Management's Comments

SCOTT G. DAVIS
A/ VICE PRESIDENT, CONTROLLER



April 15, 2014

JUDITH LEONHART
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Fiscal Year 2013 Conference Costs
(Report Number DP-AP-14-DRAFT)

This provides Postal Service management's response to the subject draft audit report issued April 4, 2014. Management agrees with the findings in the report. We appreciate the opportunity to review and provide comments

Recommendation 1:

Develop and implement procedures to identify and account for all conferences exceeding \$100,000, including associated travel.

Management Response/Action Plan:

Management agrees with this recommendation and will change the current Meeting & Conferences general ledger (GL) account number to meetings only and will create a new GL account number for conferences. Management will also implement changes within the eTravel system to add conferences and meeting as separate selections for the Purpose of Travel and to map both selections to their GL account numbers.

Responsible Official:

Ricardo Jackson

Target Implementation Date:

September 2014

Recommendation 2:

Clarify policies and procedures regarding the proper recording of conference travel expenses.

Management Response/Action Plan:

Management agrees with this recommendation. The current policies for internal and external events are detailed in the Management Instruction (MI), FM-640-2008, Expenses for Internal and External Events. This Management Instruction defines Internal and External Events, provides purchase and payment methods and instruction on travel expenses charges for Postal employees attending internal and external events. Management will update this MI to include separate sections on conferences and meetings and include policies and procedures on how to record travel related expenses in eTravel.

Responsible Official:

Ricardo Jackson

Target Implementation Date:

June 2014

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Recommendation 3:

Ensure the misclassification of the \$17,318 in travel expenses is corrected.

Management Response/Action Plan:

Management does not agree with this recommendation. Since these costs were incurred during FY2013, we are not able to do a journal voucher transfer at this time. This was also stated by management during the exit conference on this draft audit.

Responsible Official:

Jack Meyer

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



Scott G. Davis
(A) Vice President, Controller

cc; Joseph Corbett
Corporate Audit Response Management



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