



February 2, 2010

VINCENT H. DEVITO JR.  
VICE PRESIDENT, CONTROLLER

SUBJECT: Audit Report – Postal Service Officers’ Travel and Representation  
Expenses for Fiscal Year 2009 (Report Number FT-AR-10-007)

This report presents the results of our audit of the U.S. Postal Service officers’ travel and representation expenses for fiscal year (FY) 2009 (Project Number 09BG002FT000). We conducted the audit in response to the Board of Governors’ policies and procedures requiring annual audits of officers’ travel and representation expenses.<sup>1</sup> Our audit objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures.<sup>2</sup> This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

## Conclusion

Officers’ travel and representation expenses totaling approximately \$567,000 were supported. From 706 total travel reimbursements, we reviewed a sample of 135 reimbursements, totaling \$173,626, and found support for expenses claimed.<sup>3</sup> We also noted the Postal Service has significantly reduced these expenses, from a high of approximately \$1.3 million in FY 2005.

During FY 2009, the Postal Service made changes to the guidelines for officers’ travel and representation expenses, and conducted training on these changes. A memorandum from the Postmaster General (PMG) dated April 13, 2009, notified officers that management revised the Postal Service *Officers’ Travel and Representation Expense Guidelines*<sup>4</sup> (Guidelines) and included a copy. In addition, management provided training on the revised Guidelines to the officers’ secretaries on March 31, May 29, and June 17, 2009. Further, Postal Service Corporate Accounting

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<sup>1</sup> Representation expenses nearly always involve one or more non-Postal Service employee (suppliers, customers, and foreign postal administrators) and a Postal Service officer. In addition, they include officers’ expenses when local employees participate in official business meetings with officers in travel status and the local employees are not reimbursed for these costs.

<sup>2</sup> We limited the audit universe to reimbursements processed through the eTravel System.

<sup>3</sup> The 135 travel reimbursements reviewed included 124 from a random sample and 11 from a census stratum.

<sup>4</sup> Issued on September 13, 2006, and revised April 13, 2009.

personnel provided one-on-one training on an ongoing basis to newly appointed secretaries, clarified the Guidelines for them, and corrected travel issues identified during compliance reviews.

However, officers did not always comply with Guidelines when claiming expenses incurred during official travel and for representation. Although the instances were relatively minor, we will continue to monitor compliance with guidelines in future audits.

### **Travel and Representation Expense Reimbursement Deviations**

Officers did not always conduct their travel or request reimbursements in accordance with Postal Service Guidelines. Specifically, we reviewed 135 of the 706 reimbursements and found:

- On five separate occasions, officers did not use the government travel card for hotel or representation expenses.
- On eight separate occasions, officers did not submit claims for travel and representation reimbursement in a timely manner.

This occurred because officers inadvertently used their personal credit cards, did not carry their government travel cards, or were unfamiliar with Guideline requirements.

When employees do not follow guidance, the Postal Service is at increased risk that errors or omissions may occur without detection. Furthermore, employees could improperly accrue personal benefits and rewards or conceal details of unauthorized purchases. See [Appendix B](#) for our detailed analysis of this topic.

Because these issues were not material and management conducted training during FY 2009, we are not making a recommendation at this time. However, we will continue to monitor this area as part of our ongoing financial statement audit work.

### **Observations**

#### [Approval Letters for International Trips](#)

Approval letters for two international trips were not attached to the expense reports due to an oversight by Corporate Accounting personnel to attach the letters that were on file. Handbook F-15<sup>5</sup> states that a copy of the approval for international travel must be attached to expense reports. When we discussed this issue with accounting personnel, they attached the letters to the expense reports.

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<sup>5</sup> *Travel and Relocation*, Section 4-1.3.1, dated February 2004.

### Exclusive Use of Government Travel Card

We observed an inconsistency between the cover letter of the April 13, 2009, revised Guidelines, and the Guidelines themselves regarding mandatory use of the individually billed government-issued travel card. The cover letter states, "The GSA SmartPay 2 Travel Charge Card is to be used for all travel expenditures."<sup>6</sup> The Guidelines state "All charges for airline tickets, railroad travel, hotels, and rental cars must be paid for using the officer's government-issued travel card. All other expenses that are chargeable should be on the officer's government-issued travel card (unless an emergency)."

We found some officers were using their cards for all expenses, while others were not. In a prior audit report,<sup>7</sup> we recommended the Postal Service require employees to use the government-issued travel card for paying all customary travel expenses and representation expenses. We defined "customary" travel expenses as those related to common carrier transportation, hotel, and car rental. We continue to believe requiring the government-issued travel card be used for all customary travel expenses is reasonable, but requiring the card to be used for all expenses may be difficult to achieve. We discussed the issue with management on December 22, 2009, and they stated their intent is to enforce the Guidelines themselves, not what is stated in the cover letter. The Postal Service should consider revising the cover letter and communicating to all officers the Guidelines requirements to resolve the inconsistency and reduce future discrepancies.

These observations were not material to the overall officers' travel and representation expenses and did not affect the overall adequacy of internal controls. We offer this information to assist with the management and control of these expenditures.

### **Progress on Prior Year Observation**

Our audit report titled *Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2008* (Report Number FT-AR-09-006, dated January 20, 2009) identified opportunities to strengthen internal controls.

We observed that employees incorrectly categorized expenses for seven travel reimbursements in the eTravel system. After we discussed this issue with management, they provided a list of expense classifications to the officers and area vice presidents' secretaries and emphasized the importance of correctly categorizing expenses. We continued monitoring this issue as part of our ongoing oversight of officers' travel and representation expenses and observed that management diligently

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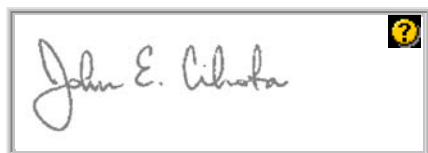
<sup>6</sup> GSA is the General Services Administration.

<sup>7</sup> *Postal Service Officers Travel Expense Guidelines* (Report Number FT-WP-06-001, dated September 29, 2006).

reviewed expense reports and sent them back for correction when expenses were incorrectly categorized. We did not identify any travel reimbursements incorrectly categorized in the eTravel system during our audit. Accordingly, we consider this observation closed.

We are not making any recommendations in this report. As a result, management chose not to respond formally to this report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Nelson, Director, Financial Reporting, or me at (703) 248-2100.

A rectangular box containing a handwritten signature in cursive that reads "John E. Cihota". In the top right corner of the box, there is a small yellow square icon with a black question mark.

John E. Cihota  
Deputy Assistant Inspector General  
for Financial Accountability

cc: Joseph Corbett  
Julie S. Moore  
Stephen J. Nickerson  
Steven R. Phelps  
Sally K. Haring

## APPENDIX A: ADDITIONAL INFORMATION

### 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 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 Postal Service by setting goals, targets, and indicators within the framework established by the Postal Service's Board of Governors. Their positions are classified as Postal Career Executive Service II and include the PMG, deputy PMG, and all vice presidents. The Board of Governors has authorized 50 Postal Service officer positions.

Postal Service officers are reimbursed for actual expenses incurred on official travel. They are also reimbursed for representation expenses incurred with customer, industry, or employee groups with whom the Postal Service conducts official business. Postal Service policy requires officers to claim reimbursement for all travel and representation expenses through the eTravel system.

### OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether travel and representation expenses claimed by Postal Service officers were properly supported and complied with Postal Service policies and procedures. In support of this objective, we applied a statistical methodology to divide the universe of 706 officer travel reimbursements into four strata, one stratum for each quarter of the fiscal year. For each stratum, we took a simple random sample of 30 travel reimbursements. In addition to this sample, we created a census stratum<sup>8</sup> to ensure every officer was sampled at least once and all travel reimbursements \$7,000 and over were selected. The universe included reimbursements in eTravel from October 1, 2008, through September 30, 2009. In addition, we reviewed at least one reimbursement for each officer not selected in the original random sample. We conducted fieldwork from January through October 2009.

We used the following as our criteria in evaluating reported expenses:

- Postal Service Guidelines the PMG issued on September 13, 2006, and revised on April 13, 2009.

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<sup>8</sup> Census is a stratum in which every population member is measured or evaluated. There is no sampling from a census stratum.

- Handbook F-15, dated February 2004, updated with Postal Bulletin revisions through December 20, 2007.
- Various management instructions.<sup>9</sup>

We conducted this audit from December 2008 through January 2010 in accordance with generally accepted government auditing standards. 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. We limited our tests of controls 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 conclusions and observations with management officials on December 22, 2009.

We relied on computer-generated data from the Accounting Data Mart (ADM) and eTravel systems. We performed specific internal control and transaction tests on these systems' data to include tracing selected information to supporting source records. For example, we traced all hard copy travel reimbursements through the eTravel and ADM systems.

## PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2008</i>	FT-AR-09-006	01/20/2009	See <a href="#">Progress On Prior Year Observations</a> in the body of the report for information.
<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2007</i>	FT-AR-08-004	12/20/2007	Based on the sample results, travel and representation expenses totaling approximately \$880,000 incurred by officers for the year ended September 30, 2007, were properly supported and complied with Postal Service policies and procedures. We made no recommendations.

<sup>9</sup> Management Instructions include (1) FM-640-2004-1, *Government Issued, Individually Billed Travel Charge Cards*, dated June 1, 2004; (2) FM-640-2008-1, *Expenses for Internal and External Events*, dated September 10, 2008; and (3) FM-640-1999-3, *Travel Expense Charges for Meetings*, dated April 9, 1999.

<i>Postal Service Officers' Travel and Representation Expenses for Fiscal Year 2006</i>	FT-AR-07-005	12/7/2006	Based on the sample results, travel and representation expenses totaling approximately \$1 million incurred by officers for the year ended September 30, 2006, were properly supported and complied with Postal Service policies and procedures. We made no recommendations.
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## APPENDIX B: DETAILED ANALYSIS

Based on the sample and census results, officers' travel and representation expenses totaling approximately \$567,000 were generally supported. However, officers did not always comply with Postal Service Guidelines when claiming expenses incurred during official travel and for representation.

### **Use of Government Travel Card**

Officers did not always use their government travel cards for hotel, representation, and officer expenses.<sup>10</sup> Specifically, we reviewed 135 of the total 706 reimbursements and found:

- One officer did not use the government travel card for hotel expenses.
- On four separate occasions, officers did not use their government travel cards for representation expenses.<sup>11</sup>

This occurred because officers inadvertently used their personal credit cards, did not carry their government travel cards, or were unfamiliar with the Guidelines.<sup>12</sup> Those Guidelines require officers to use their government travel cards for all airline tickets, railroad travel, hotels, and rental car expenditures as well as representation expenses.

When employees do not use their government travel cards for customary expenses such as transportation, hotel, and rental cars, the Postal Service is at increased risk that errors or omissions will occur without detection. In addition, employees could improperly accrue personal benefits and rewards or conceal details of unauthorized purchases.

### **Submission of Travel Reimbursements**

Officers did not submit eight out of 135 travel reimbursement requests in a timely manner. According to the Guidelines,<sup>13</sup> officers must submit claims for reimbursements

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<sup>10</sup> Guidelines, dated September 13, 2006, page 3, Reimbursable Items, and revised Guidelines, dated April 13, 2009, page 1.

<sup>11</sup> Two representation expenses for \$42.75 and \$78.50 were for business meals held to discuss information technology, knowledge management, and other business options with non-Postal Service guests. Another representation expense for \$44 was for a business meal held to conduct an external recruitment interview. Finally, a representation expense for \$142.10 was for an officer in travel status that conducted an official business meeting with Postal Service employees.

<sup>12</sup> One officer was new to the Postal Service in FY 2009.

<sup>13</sup> Guidelines, dated September 13, 2006, page 2, Approval of Travel Vouchers; and revised Guidelines, dated April 13, 2009, pages 2 and 6.



within 1 month of the event or activity for which reimbursement is sought. The travel reimbursements were not timely for several reasons:

- One secretary inadvertently overlooked an expense report.
- One secretary was on leave and submitted the expense report when she returned.
- Relocation of one officer caused his two expense reports to be late.
- One secretary was waiting for a response from the hotel for refund of an overcharge.
- One officer inadvertently misplaced the expense receipts and submitted the expense report when he located them.
- One secretary was waiting for car rental information to complete the expense report.
- One officer was not aware expense reports must be submitted within 1 month of travel.

The table below summarizes the eight reimbursement requests that officers did not submit in a timely manner.

Number	Trip Ending Date	Submission Date	Days Late
1	November 19, 2008	March 3, 2009	74
2	November 5, 2008	February 4, 2009	61
3	June 24, 2009	September 17, 2009	55
4	September 19, 2008	November 20, 2008	32
5	April 15, 2009	June 11, 2009	27
6	May 4, 2009	June 24, 2009	20
7	February 26, 2009	April 2, 2009	7
8	January 7, 2009	February 9, 2009	2

When employees do not submit reimbursements timely, there is increased risk the Postal Service's monthly financial reports will not accurately reflect period expenses.