

# Compensation, Benefit, and Bonus Authority in Calendar Year 2022

## AUDIT REPORT

Report Number 23-084-R23 | August 7, 2023



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# Highlights

## Background

Each year the U.S. Postal Service is required to report on compensation in the annual *Comprehensive Statement of Postal Operations* (Comprehensive Statement). For calendar year (CY) 2022, the annual salary of each Postal Service employee was limited to \$226,300. 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 the salary of the U.S. Vice President (\$261,400). The second exception allows the Postal Service to exceed the salary of the U.S. Vice President by 20 percent (\$313,680) 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 2022. We reviewed significant provisions of PAEA; 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

Postal Service complied with the applicable compensation provisions of the PAEA and its policies and guidelines related to benefits, bonuses, and awards to employees in CY 2022. We reviewed 98 employees who earned more than \$226,300 in CY 2022 and found their compensation did not exceed the PAEA limits. In addition, the Postal Service has policies and procedures to monitor employee benefits, bonuses, and awards to adhere to the compensation limits.

## Recommendation

Based on the audit results, we did not offer any recommendations.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

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August 7, 2023

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

A handwritten signature in black ink, reading "Lazerick C. Poland", is centered below the memorandum header.

**FROM:** Lazerick Poland  
Acting Deputy Assistant Inspector General  
for Finance, Pricing & Human Capital

**SUBJECT:** Audit Report – Compensation, Benefit, and Bonus Authority in Calendar  
Year 2022 (Report Number 23-084-R23)

This report presents the results of our audit of the U.S. Postal Service's Compensation, Benefit, and Bonus Authority in Calendar Year 2022 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 Christa Owens, 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) 2022 compensation, benefit, and bonus authority granted through the Postal Accountability and Enhancement Act of 2006 (PAEA) (Project Number 23-084). The objective of this audit was to determine whether the Postal Service complied with applicable maximum total compensation provisions of the PAEA<sup>1</sup> and related Postal Service policies and

guidelines for CY 2022. See [Appendix A](#) for additional information about this audit.

## Background

The PAEA amended portions of Title 39 of the U.S. Code (U.S.C.) 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 and Vice President of the U.S.<sup>2</sup> Table 1 explains the authority and salary limits for CY 2022.

**Table 1. Statutory Limits for CY 2022**

Limit	Description (Authority)	Eligibility/Conditions	Amount for CY 2022
Basic Annual Salary Limit	No officer or employee may be paid compensation at a rate in excess of the rate for Executive Schedule Level 1 (39 U.S.C. § 1003(a)).	Every officer and employee.	\$226,300
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"> <li>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.<sup>3</sup>)</li> <li>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</i> (Comprehensive Statement) (39 U.S.C. § 3686(d)).</li> </ul>	\$261,400
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"> <li>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)).</li> <li>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.<sup>4</sup></li> </ul>	\$313,680

Source: 39 U.S.C. §1003(a) and 3686(a) through (d) and Executive Order No. 14061.

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

<sup>2</sup> Executive Order No. 14061 established the limits effective the first day of the first applicable pay period beginning on or after January 1, 2022.

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

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

“The Postal Service complied with the applicable compensation provisions of the PAEA and its policies and guidelines related to benefits, bonuses, and awards to employees in CY 2022.”

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,<sup>5</sup> 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, and premium pay; and the cash value of benefits like health benefits, life insurance, increased annual leave exchange hours, free financial counseling, wellness benefits, parking, and other perquisites not subject to PAEA compensation guidelines.

The Board designated these 12 positions as critical, senior executive or equivalent positions for CY 2022:

1. Postmaster General and Chief Executive Officer
2. Deputy Postmaster General and Chief Human Resources Officer
3. Chief Commerce and Business Solutions Officer and Executive VP
4. Chief Customer and Marketing Officer and Executive VP
5. Chief Financial Officer and Executive VP
6. Chief Information Officer and Executive VP
7. Chief Processing and Distribution Operations Officer and Executive VP
8. Chief Retail and Delivery Officer and Executive VP
9. Chief Technology Officer and Executive VP

10. General Counsel and Executive VP
11. Senior VP Finance and Strategy
12. Chief Logistics Officer and Executive VP<sup>6</sup>

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

### Finding #1: Postal Service Complied With Compensation Statutory Provisions

The Postal Service complied with the applicable compensation provisions of the PAEA<sup>7</sup> and its policies and guidelines related to benefits, bonuses, and awards to employees in CY 2022. We identified 98 employees who earned<sup>8</sup> more than \$226,300 during CY 2022 and found:

- Basic annual salary for 87 of these employees did not exceed the Executive Schedule Level 1 salary of \$226,300. In addition, their total compensation did not exceed the U.S. Vice President’s total annual compensation of \$261,400.
- Total compensation for 11 of 12 critical employees did not exceed 120 percent of the U.S. Vice President’s compensation, which is \$313,680, with the twelfth critical employee not earning a full year of compensation due to a June 2022 start date.

In addition, the Postal Service has policies and procedures to monitor employee benefits, bonuses, and awards to adhere to the compensation limits. Based on the audit results, we did not offer any recommendations.

### Management’s Comments

Management agreed with the finding that the Postal Service complied with the applicable compensation provisions of the PAEA and its policies and guidelines related to benefits, bonuses, and awards to employees in CY 2022. See [Appendix B](#) for management’s comments in their entirety.

### Evaluation of Management’s Comments

The U.S. Postal Service Office of Inspector General considers management’s comments responsive to the finding in the report.

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

<sup>6</sup> The Chief Logistics Officer and Executive VP started with the Postal Service in June 2022; compensation did not reach PAEA threshold and was not reported to the Office of Personnel Management and Congress.

<sup>7</sup> Including requirements for reporting compensation in the annual *Comprehensive Statement of Postal Operations*.

<sup>8</sup> Earnings include basic salary and other compensation, such as awards and bonuses.

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# Appendix A: Additional Information

## Scope and Methodology

The scope of this audit was total annual compensation paid to Postal Service employees in CY 2022. 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 CY.

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 benefits, 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 the USPS Office of Inspector General and the Postal Regulatory Commission employees from our analysis. Compensation of the Office of Inspector General is designated under the Inspector General Act of 1978, while the Postal Regulatory Commission is an independent establishment of the executive branch of the U.S. government.<sup>9</sup> Postal Regulatory Commission 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.

In addition, the Postal Service is required to report executive compensation information in the Comprehensive Statement annually. The information should include recipient's name, amount of bonus or reward, and amount over limit due to the bonus or reward. We reviewed the Postal Service *Fiscal Year 2022 Comprehensive Statement of Postal Operations*<sup>10</sup> and verified whether the Postal Service correctly reported compensation paid in CY 2021.

To accomplish our audit objective, we:

- Reviewed payroll, bonus, and award information from Postal Service systems.
- Determined whether the employees exceeded compensation limits defined by PAEA.
- Reviewed employment agreements related to compensation, such as recruitment and retention awards.
- Reviewed Postal Service policies, procedures, and guidelines regarding compensation, benefits, and bonuses.
- Interviewed Postal Service personnel in the Compensation and Benefits area.

We conducted this performance audit from April through August 2023 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 July 24, 2023, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the internal control structure for compensation, benefit, and bonus authority to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following

<sup>9</sup> 39 U.S.C. §501 and 39 Code of Federal Regulations §3000.110.

<sup>10</sup> Included in the *Fiscal Year 2022 Annual Report to Congress*.



three components were significant to our audit objective:

- Control Environment
- Control Activities
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we did

not identify any internal control deficiencies that were significant within the context of our objectives.

We assessed the reliability of Eagan Accounts Payable System<sup>11</sup> data by tracing amounts and other information to payroll data. We assessed the reliability of payroll data by tracing a sample of payment transactions to Payroll Journal reports<sup>12</sup> in the mainframe. We determined that the data were sufficiently reliable for the purposes of this report.

## Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Compensation, Benefit, and Bonus Authority in Calendar Year 2021</i>	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.	22-126-R22	9/29/2022	None
<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

<sup>11</sup> The Eagan Accounts Payable System provides the capability of making non-traditional accounts payable payments.

<sup>12</sup> The Payroll Journal shows the details of payments, deductions, and adjustments applicable to Postal Service employees each pay period.

# Appendix B: Management's Comments

DOUG A. TULINO  
DEPUTY POSTMASTER GENERAL AND  
CHIEF HUMAN RESOURCES OFFICER



August 1, 2023

JOHN CIHOTA  
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response Compensation, Benefit, and Bonus Authority in Calendar Year 2022 (23-084-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on the in the draft audit report, *Compensation, Benefit, and Bonus Authority in Calendar Year 2022*.

The following is in response to Finding No. 1: Postal Service Complied with Compensation Statutory Provisions:

Management agrees with the finding that the Postal Service complied with the applicable compensation provisions of the PAEA8 and its policies and guidelines related to benefits, bonuses, and awards to employees in Calendar Year 2022. Based on the audit results, there were no recommendations.

A handwritten signature in black ink, appearing to read "D. Tulino".

Doug A. Tulino

cc: Corporate Audit and Response Management

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-4000  
WWW.USPS.COM

# OFFICE OF INSPECTOR GENERAL

UNITED STATES



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

For media inquiries, please email [press@uspsig.gov](mailto:press@uspsig.gov) or call (703) 248-2100