

**POSTAL REGULATORY COMMISSION  
OFFICE OF INSPECTOR GENERAL**



**FINAL AUDIT REPORT**

**PRC TRAVEL POLICY AND PRACTICES**

**Audit Report 0901A02**

**May 26, 2009**

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# *Introduction*

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## **Background**

This report represents the results of a self-initiated audit of the Postal Regulatory Commission (PRC) travel expenses. The PRC consists of approximately 70 staff members including one chairman, four commissioners, and various professional and administrative staff. The PRC incurred \$162,704 in travel expenses for 25 travelers between October 1, 2007 and December 31, 2008.

PRC travelers are required to adhere to the PRC Travel Policy, issued on June 15, 2007. Under the policy, travelers must use available cost-effective services, within reason, balancing the need for efficiency in conducting business against convenience, safety, and comfort. Government rates and discount contract fares arranged by General Services Administration (GSA) should be used when available and practical. If a more expensive service is used, travelers must obtain prior approval from the Office of Secretary and Administration (OSA) and include a statement on the travel voucher explaining why a more expensive service was used and how the higher cost service was beneficial to the agency.

Travel coordinators prepare all travel requests including making arrangements and processing travel reimbursements. The traveler provides a tentative itinerary to the travel coordinator. Upon receipt of the tentative itinerary, the coordinators prepare a *Postal Service (PS) Form 1011, Travel Advance Request and Itinerary Schedule*, by researching and estimating the costs of travel. Once preliminary estimates of the trip are made on *PS Form 1011*, the coordinators discuss the details with the traveler, who reviews and approves the form. The traveler then submits the form to OSA and the Chairman for approval.

Upon returning from the trip, the traveler provides all receipts to the travel coordinators. Travel expense reports must be submitted no later than the end of the month in which travel is completed. The coordinators submit the expenses for processing on behalf of the traveler through the United States Postal Service's eTravel system.<sup>1</sup> Once expenses are recorded in eTravel, the coordinators provide the traveler with a copy of the expense report to review for accuracy and approval. However, there is often no physical evidence, such as a signature, that the traveler approved the expense report. The expense report is forwarded by the eTravel system to OSA for approval. Once OSA electronically approves, the expense report is submitted through the eTravel system, and a physical copy of the expense report, along with the appropriate receipts, are mailed to the Postal Service's Information Technology/Accounting Service Center for reimbursement.

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<sup>1</sup> The eTravel system processes business travel expenses and invoices the PRC's accounts within the Postal Service accounts payable system for reimbursement.

## **Objective, Scope and Methodology**

The objective of our audit was to evaluate the key management controls over travel policies and practices within the PRC. Specifically, we evaluated the adequacy of travel policies and practices and determined if travel expenses were properly supported and complied with PRC policies and procedures. We statistically selected 40 travel expense reports from a universe of 117, dated from October 1, 2007 through December 31, 2008.

To evaluate the adequacy of travel policies and practices, we compared PRC travel policy to the Postal Services Board of Governors and Officers' travel policies and guidelines. We also considered suggested changes to the Board of Governors and Officers' guidelines made by the Postal Service OIG, which were based on benchmarking travel guidelines prescribed by other federal agencies and local government entities, private corporations, and not-for-profit organizations.

To determine if travel expenses were properly supported and complied with PRC policies and procedures, we examined expense reports within our sample and supporting documentation to analyze:

- Adequate preparation and proper authorization of travel.
- Whether the trip was for official business purpose.
- The reasonableness of airfare, lodging, per diem and car rental expenses.
- Whether travel exceptions, deviations, and international travel were properly authorized.

We conducted this review between January and April 2009 in accordance with generally accepted government auditing standards and included tests of internal controls that were 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 the Director of OSA on April 23, 2009.

## ***Results***

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### **Adequacy of Travel Policy and Practices**

Based on benchmark analysis of the PRC's Travel Policy, we identified opportunities to strengthen the policy. We offer the following suggestions to assist with the overall management of these expenditures:

- Require government-issued travel card use for all customary travel expenses.
- Establish specific criteria on the spousal travel provisions.
- Prohibit reimbursement for alcoholic beverages.

- Incorporate a 50-mile rule for overnight travel.
- Establish specific criteria for allowable laundry and dry cleaning, health club and business center expenses.
- Require coach class for air travel, with specific exceptions (for reasons such as length of flight or medical needs).

## **Compliance with PRC Policies and Practices**

Based on the sample results, the compliance of PRC travelers' expenses with PRC policy was not always properly supported. We found 24 occurrences on 17 travel expense reports<sup>2</sup> where travelers (1) did not provide written justifications for travel costs less advantageous to the PRC; (2) did not use the state tax exemption for lodging and/or (3) did not review travel expense reports for accuracy. As a result, we statistically projected that at least 37 expense reports<sup>3</sup>, 32%, of the 117 reports in the universe, did not contain adequate documentation to support compliance with PRC travel policy.

### **No Written Justification for Travel Cost Less Advantageous to PRC**

There were fifteen occurrences where the travelers did not submit written justifications for higher travel expenses, including fourteen occurrences of hotel expenses greater than the GSA rate without written justification, and one occurrence of car service when better transportation options may have been available. We did not find written justification for these less advantageous costs in the travel report files, which contain Form 1011 and a paper copy of the eTravel report.

The PRC travel expense policy states that travelers must use available cost-effective services, within reason, balancing the needs for efficiency in conducting business against convenience, safety, and comfort. If a more expensive service is used, travelers must obtain prior approval from the OSA and include a statement on the travel voucher explaining why a more expensive service was used and how the higher-cost service was beneficial to the agency. Without this written justification, there can be no assurance that travelers obtained the most advantageous costs for the PRC.

### **Recommendation 1**

**We recommend that the PRC clarify their policy requiring that the traveler provide written justification if more expensive services are used, explaining the benefit to the PRC of the higher-cost service.**

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<sup>2</sup> An occurrence can appear on more than one travel report.

<sup>3</sup> We projected with 95% confidence that the number of noncompliant travel expense occurrences is at least 37 reports of the 117 reports in the universe population.

### Management's Comments

PRC Management provided a response to the draft report of this audit on May 19, 2009. A copy of that response is included as Appendix I of this report.

Management agreed with this recommendation and committed to immediately requiring PRC travelers to provide a written justification whenever a more expensive service or lodging is used and to explain the benefit of the higher-cost service/lodging.

### Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

## **Sales Tax Exemptions Not Taken**

We also observed six occurrences where travelers did not obtain an exemption for sales tax for lodging as allowed by the state to which they had traveled. The PRC travel expense policy states that the traveler, when checking into a hotel, should request an exemption from state and local taxes. The PRC could potentially save funds if travelers consistently obtain sales tax exemption.

### Recommendation 2

**We recommend that the PRC reiterate to travelers the significance of obtaining exemption for sales taxes for lodging.**

### Management's Comments

Management agreed with this recommendation and will immediately reiterate to travelers the importance of securing exemption for sales taxes for lodging while on travel.

### Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

## **No Review Process of Travel Reports**

There is no written policy requiring that the traveler review and certify travel reports submitted in the eTravel system. In addition, the PRC policy is unclear as to who is responsible for ensuring that expense reimbursements adhere to travel policy. We found three occurrences where travelers were reimbursed for expenses in error or in violation of policy. Specifically, we noted the following: reimbursement for an incorrect number of per diem days; paid gratuities for car services that was more than allowed by PRC policy; and reimbursement for both mileage and gas when gas is a non-reimbursable expense included in the mileage. These occurrences could

have been corrected with an adequate review process. A review process ensures that travel expenses adhere to policy and are properly paid.

In addition, since travel coordinators submit travel expenses in the eTravel system on behalf of PRC travelers, it is important that travelers validate the accuracy of the reports by certifying with their signatures that the expenses reported were actually incurred and were incurred for an official purpose. Overall, the traveler, travel coordinators, OSA, and Chairman must understand their roles and responsibilities to ensure that travelers adhere to the policy and that PRC funds are protected.

### **Recommendation 3**

**We recommend that the PRC modify its travel policy to better define roles and responsibilities to review and approve travel reports.**

#### *Management's Comments*

Management agreed with this recommendation and plans to immediately enhance PRC Travel Policy to better define roles and responsibilities in the approval and reimbursement request process.

#### *Evaluation of Management's Comments*

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

### **Recommendation 4**

**We recommend that the PRC modify its travel policy to require the traveler to review and sign their request for reimbursement, certifying with their signature that the expenses reported were actually incurred and were incurred for an official purpose.**

#### *Management's Comments*

Management agreed with this recommendation and committed to immediately modify PRC Travel Policy to require the traveler to certify expenses by signing the reimbursement request prior to having it submitted electronically for payment.

#### *Evaluation of Management's Comments*

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issues identified.

## Other Suggestions

During our audit review, we noted that the *Postal Service (PS) Form 1011, Travel Advance Request and Itinerary Schedule*, currently used by the PRC to plan travel arrangement, could be modified to better carry out PRC travel policy. We suggest that the PRC redesign the form with the following modifications:

- Add a section for the traveler to describe the business purpose of the trip.
- The lodging section should be expanded to include the GSA rate in the destination city and, if applicable, the rationale for exceeding the GSA rate.
- Per diem section should be updated to reflect the current method for per diem reimbursement<sup>4</sup>.
- Add a section for the traveler to input justification for any deviations to policy

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<sup>4</sup> Number of days on per diems times per diem rate less meals provided.





Office of the Secretary and  
Administration

May 19, 2009

Jack Callender, Inspector General  
Postal Regulatory Commission  
901 New York Avenue, NW  
Washington, DC 20268

Dear Jack:

The Commission is pleased to receive the guidance contained in your PRC Travel Policy and Practices Report Number 0901A02, which was recently completed and will serve as a basis for the Commission in continuing efforts to strengthen its internal controls and improve its written policies and procedures. Management's responses to the individual recommendations contained in your Report are:

- Recommendation 1: Beginning immediately, management will require PRC travelers to provide written justification if more expensive services are used explaining the benefit to the PRC of the higher-cost lodging or services;
- Recommendation 2: Beginning immediately management will provide additional guidance on the importance of securing a sales tax exemption while on travel;
- Recommendation 3: Beginning immediately management will enhance its Travel policy and better define the roles and responsibilities in the approval and reimbursement request processes, and
- Recommendation 4: Beginning immediately management will modify its Travel policy to require the E-Travel submitter to print out and have the traveler personally sign the request for reimbursement of travel expenses before being submitted electronically in E-Travel, thus certifying the expenses to which they are seeking reimbursement were actually incurred for an official purpose.

Management will also redesign its Travel Itinerary and Reimbursement forms to include sections that the traveler complete to describe the business purpose of the trip, uses the posted GSA rate as a guideline in seeking lodging and include a place on the form to explain why the GSA rate for the area was exceeded, adapt to the change in per diem calculation and include a section for the traveler to explain any deviations from the PRC Travel Policy. Management will implement these actions by June 30, 2009.

The Commission appreciates your assistance with this review and the guidance for establishing stronger and more effective internal controls.

Sincerely,

A handwritten signature in blue ink that reads "Steven W. Williams".

Steven W. Williams  
Director