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Report to Rep. Robert N. C. Nix, Chairman, House Committee on Post Office and Civil Service; Sen. Abraham Ribicoff, Chairman, Senate Committee on Governmental Affairs; by Elmer B. Staats, Comptroller General.

Contact: General Government Div.
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Authority: P.L. 94-421.

The Commission on Postal Service was created to identify and study problems facing the United States Postal Service and to recommend actions to resolve those problems. The Commission hired its first employee in November 1976 and terminated its employees in May 1977, a period of about 6 months. At the request of Gaylord Freemen, former Chairman of the Commission, the expenditures of the Commission were examined. Findings/Conclusions: Authorizing legislation provided that the compensation of Commission personnel not exceed the GS-18 level of $47,500 a year. None of the Commission's employees exceeded the maximum salary allowed, but 11 of the Commission's 16 employees received substantial salary increases during the 6-month period. These substantial increases affected terminal leave payments. With few exceptions, Commission personnel traveled in first class accommodations which increased travel costs by about 60%. A private travel agency handled all travel arrangements for the Commission. Ticket downgradings from first class and itinerary changes resulted in the airlines issuing personal refund checks to a number of Commission employees. Most of these refunds were forwarded to the Commission for disposition, but some refunds were not accounted for. Several furniture rentals by the Commission may actually have been sales. Recommendations: The Postmaster General should take the necessary actions to satisfactorily resolve the matter of the unaccounted-for travel funds and to determine whether any furniture or accessories were purchased rather than rented and, if warranted, recover the items or their value. (RRS)

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

04587

B-114874

JAN 10 1978

The Honorable Robert N. C. Nix
Chairman, Committee on Post Office
and Civil Service
House of Representatives
The Honorable Abraham A. Ribicoff
Chairman, Committee on Governmental
Affairs
United States Senate

We have examined the expenditures of the Commission on Postal Service in accordance with a request from Mr. Gaylord Freeman, former Chairman of the Commission.

Our selective tests of financial transactions showed that most of the expenditures were properly documented. However, some expenditures, although legal, were of a questionable nature. Certain employees received substantial pay raises while working for the Commission and most Commission personnel traveled first-class. We are bringing these matters to your attention for consideration in drafting future legislation for commissions.

Further, our audit showed travel refunds that were unaccounted for by the travel agency furnishing tickets to the Commission, and travel tickets that were unaccounted for by Commission personnel. We also identified some furniture rentals to the Commission that may actually have been sales. Our findings were brought to the attention of postal officials, who agreed to follow up on these matters.

The results of our work are discussed in detail on the following pages.

BACKGROUND

The Commission on Postal Service was established under Public Law 94-421, enacted September 24, 1976, to identify and study problems facing the United States Postal Service and to recommend actions to resolve those problems. The Commission hired its first employee on November 6, 1976, and terminated its employees as of May 13, 1977--a period of about 6 months. The Commission consisted of 7 Commissioners, an executive director, a general counsel, and a

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staff of 16 employees. It also used the services of consultants.

The Commission's expenditures as of September 20, 1977, are shown below.

Type of expenditure	Amount
Salaries/fringe benefits	$247,723
Consultant contracts	356,415
Supplies	47,882
Travel and subsistence	39,266
Printing	258,898
Rent	17,642
Utilities	4,303
Total	$972,130

All assets and liabilities of the Commission were transferred to the United States Postal Service at the termination of the Commission.

SUBSTANTIAL PAY RAISES GIVEN EMPLOYEES

Public Law 94-421 provided that the compensation of Commission personnel not exceed the maximum rate authorized by the General Schedule. This limited salaries to the GS-18 level, $47,500 a year. None of the Commission's personnel exceeded the maximum salary allowed.

We found, however, that 11 of the Commission's 16 employees received substantial salary increases during the 6-month life of the Commission. Four of the 11 were Federal employees temporarily assigned to the Commission. They received substantial salary increases when first assigned to and/or while working for the Commission, but reverted to their former salary levels, or near them, when they returned to their regular Federal assignments. The act prohibited Commissioners, if they were Federal employees, from earning more than their Federal salaries, but was silent as to other Federal workers. The increases for the four employees ranged from 35 to 58 percent, as shown in the following table.

Employee	Former Federal salary	Commission salary Starting	Ending	Percent increase (note a)	Subsequent Federal salary
A	$20,070	$25,000	$27,000	35	$20,442
B	19,000	23,163	30,000	58	19,000
C	24,068	35,000	35,000	45	24,068
D	26,000	32,800	36,000	38	28,358

a/Represents the difference between the ending Commission salary and the former Federal salary.

The remaining seven employees who received substantial salary increases during the 6-month life of the Commission were non-Federal employees. The salary increases for these persons are shown in the following table.

Employee	Commission salary Starting	Ending	Percent increase
E	$12,000	$47,500	296
F	16,000	27,000	69
G	20,000	47,500	138
H	17,000	27,000	59
I	22,000	47,500	116
J	14,000	21,000	50
K	19,000	25,000	32

An example of rapid salary increases involved employee E, who started at $12,000 a year on December 1, 1976, and was raised to $15,000 on December 18, 1976; $16,500 on January 15, 1977; $23,000 on January 29, 1977; $29,000 on March 26, 1977; $36,000 on April 21, 1977; and $47,500 on May 13, 1977.

These substantial salary increases also had an effect on Commission employees' terminal leave payments. Commission employees earned annual leave for the period employed and at the termination of their employment were paid for unused leave. Terminal leave payments are computed on the basis of an employee's salary on the date of separation even though the leave may have been accumulated when the employee was earning a lower salary.

Three of the seven employees listed in the preceding schedule received significant salary increases within 2 days of their termination. The effect of these promotions on the employees' terminal leave payments is shown below.

Employee	Salary as of May 11, 1977	Salary as of May 13, 1977	Increase in hourly rate	Increase in leave payment
E	$36,000	$47,500	$5.53	$243.26
G	27,000	47,500	9.86	276.08
I	29,500	47,500	8.66	415.38

The former Director of the Commission told us the purpose of promotions during the life of the Commission was to compensate employees for long hours and weekend work. He also said the purpose of the last-day promotions was to increase terminal leave payments to compensate for long hours and weekend work.

The usual method of compensating employees for work beyond a normal workday is to pay them overtime. There was no overtime recorded on the time cards of Commission employees.

COMMISSION PERSONNEL USED FIRST-CLASS TRAVEL

Commission personnel, with few exceptions, traveled in first-class accommodations. Of the $39,266 spent on travel and subsistence, about $20,600 was expended on travel. Using first-class increased travel costs by about $7,800 or 60 percent over the next lowest class.

The enabling legislation made Commission personnel subject to the requirements of the Standard Government Travel Regulations. These regulations state that persons using commercial air carriers on official business shall use less-than-first-class accommodations instead of those designated as first-class. Exceptions to this policy permit using first-class accommodations if (a) no other accommodations are available at the time travel must be performed, (b) an authorizing officer approves the use of first-class accommodations because of health reasons or as necessary for the conduct of the mission, and (c) on foreign flights if less costly flights do not provide adequate standards of sanitation, health, or comfort.

The former Director of the Commission made the decision to use first-class travel for all Commission personnel because he believed the Commissioners should travel first-class and that Commission employees, who were required to make short trips visiting a different city each day, should also be given this privilege.

UNACCOUNTED-FOR TRAVEL FUNDS

A private travel agency handled all travel arrangements for Commission travelers. The Commission's administrative officer requested tickets from the agency, and the agency billed the Commission for travelers' tickets, which were paid for by check. In our review of Commission and travel agency records, we identified $2,677 in tickets and refunds not accounted for by the agency and airline tickets valued at $1,526 not accounted for by Commission travelers.

The $2,677 includes refunds of $2,647 from unused or downgraded airline tickets and $30 from a train ticket that were made to the travel agency but not credited to the Commission's account. We examined the Commission's cash receipt records and invoices but found no refunds to the Commission or offsetting credits to the Commission's accounts for the above amounts. We did identify $434 in airline tickets given to five Commission personnel that were originally not charged to the Commission but were later proposed by the travel agency as an offset to refunds due the Commission.

We also identified $1,526 in airline tickets issued to Commission personnel for which we could not find travel vouchers or other records showing whether the tickets were used or returned. Some of the persons to whom the tickets were issued were reported in the Commission's hearings as being present in the destination cities within a day or two of the date shown on the ticket.

The travel agency employee handling the Commission's account told us that ticket downgradings from first-class and itinerary changes eliminating certain destinations resulted in the airlines issuing personal refund checks to a number of Commission travelers. This employee also told us that most of these checks were forwarded to the Commission for disposition. While we found some personal refunds made to the Commission, it was not possible to determine if all such refunds were remitted to the Commission by the travelers because we did not have access to airline records to determine who received refunds.

Recommendation to the Postmaster General

Since the assets and liabilities of the Commission have been transferred to the Postal Service, we recommend that the

Postmaster General take the necessary actions to satisfactorily resolve the matter of the unaccounted-for travel funds.

FURNITURE RENTALS MAY
ACTUALLY HAVE BEEN SALES

The Commission's basic furniture needs for its 16 employees and the Director of the Commission were supplied to it without charge by the Postal Service. In addition, the Commission obtained some furniture and office accessories from a commercial firm at a cost of $8,200 for a 4-month period. Our review of the invoices for furniture and accessories raises questions as to whether the Commission actually purchased, rather than rented, some of the merchandise.

The first three invoices from the commercial firm were marked as sales to the Commission. The first and second invoices for 13 desk lamps at $380.25 and 9 desk lamps at $698.80, respectively, were altered to show them as rentals rather than as sales. The third invoice for four shelves at $52 was not altered.

The 13 walnut desk lamps shown on the first invoice are listed in the firm's catalogue with a retail value of $533. The second invoice was for lamps that are not listed in the catalogue but are used in the firm's stores for display purposes. A check of the prices on some of these lamps in the firm's stores and one other store showed that the retail sales price was the same or less than the rental amount charged to the Commission.

We also compared the catalogue sales price to items listed on a fourth invoice. The firm's catalogue sales price for these items (excluding six lamps) totaled $5,662. The rental charge for 4 months amounted to $5,012. An official of the firm said discounts are normally given on large sales orders and the amount of discount would vary among outlet stores.

The official added that short-term rentals of 6 months or less would probably be 25 to 30 percent of the retail value, and longer-term rentals of 2 years would be a much greater percentage of the retail value. He said that each of the firm's stores has discretionary authority to charge whatever it deems reasonable.

The original marking of the first three invoices as sales, the amounts charged, and the alterations to show them as rentals raises a question as to the actual ownership of these items. The high rental cost on other invoices raises a similar question. Our review of items returned to the Postal Service did not show any of the above-listed items.

Recommendation to the Postmaster General

We recommend that the Postmaster General take the necessary action to determine whether any furniture or accessories were purchased rather than rented and therefore belong to the Postal Service and, if warranted, recover the items or their value.

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Copies of this report are being sent to the Chairmen, Subcommittees on Postal Operations and Services, and on Postal Personnel and Modernization, House Committee on Post Office and Civil Service; the Chairman, Subcommittee on Energy, Nuclear Proliferation and Federal Services, Senate Committee on Governmental Affairs; the Chairman, House Committee on Appropriations; and the Chairman, Subcommittee on Treasury, Postal Service and General Government, Senate Committee on Appropriations.

Elmer B. Staats
Comptroller General
of the United States