

November 23, 1999

DEAN R. RODMAN
MANAGER, ACCOUNTING SERVICE CENTER

SUBJECT: Employee Separations
Report Number FR-FA-00-001

This report presents an interim finding identified during our audit of the United States Postal Service financial statements for fiscal year (FY) 1999, Eagan Accounting Service Center (Project Number 99PA009FR001).

Results in Brief

The Eagan Accounting Service Center did not have adequate procedures and controls to prevent or recover overpayments to employees who separate prior to the end of a pay period. Employees were overpaid because Human Resource personnel did not always notify timekeepers to adjust work hours for employees who separate prior to the end of a pay-period. In addition, the Payroll Processing Branch did not follow established procedures. Consequently, the Center overpaid 13 of the 49 terminating employees we reviewed and took no action to recover 10 of the identified overpayments during FY 1999.

Background

Postal Career Executive Service and Executive and Administrative Schedule employees designated "exempt" from the Fair Labor Standards Act (FLSA) are not required to record daily time entries on timecards. Their time is recorded using the Exception Reporting method where only leave entries are reported. If timekeepers do not receive leave slips or notification of personnel actions, employees are automatically credited with work hours for that period.

The Inspection Service identified overpayments to terminating employees and reported this condition in FY 1996 and FY 1998. In FY 1996, management agreed to develop an edit report and written procedures to identify potential errors. The procedures included timely review of

the edit report and instructions to initiate collection when overpayments occur. In FY 1998, this condition did not improve and management agreed to place more emphasis on review of the edit report. Our review disclosed no action was taken to recover the overpayments identified during FY 1998.

Objective, Scope, and Methodology

Our objective was to determine whether terminal leave payments were properly calculated and paid. We conducted this portion of the audit in July 1999, in accordance with generally accepted government auditing standards and included tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Employee Separations

The Eagan Accounting Service Center did not have adequate procedures and controls to prevent or recover overpayments to employees who separate prior to the end of a pay period. We randomly selected 49 of 844 terminal leave payments for the period December 19, 1998 through June 18, 1999, and found 13 employees were overpaid a total of \$8913. In addition, no action was taken to recover 10 (\$6592) of the 13 overpayments.

Employees were overpaid because Human Resource personnel did not always notify timekeepers to adjust work hours for employees who separate prior to the end of a pay-period. In addition, the Payroll Processing Branch did not follow established procedural controls. Consequently, the Center overpaid 13 of the 49 terminating employees we reviewed and took no action to recover 13 of the identified overpayments during FY 1999.

Recommendations

We offer the following recommendations:

The manager, Eagan Accounting Service Center, should require the Payroll Processing Branch to:

- 1) Research all FLSA exempt employees who terminated employment prior to the end of a pay-period during FY 1998 and FY 1999 and initiate action to recover all identified overpayments.

- 2) Coordinate with Human Resources to develop controls to notify timekeepers to adjust hours for FLSA exempt employees who terminate employment prior to the end of a pay-period. We suggest including a sign-off block on the Employee Clearance Record (i.e., Postal Service Form 337) for the timekeeper requiring review of separation date to avoid overpayment.
- 3) Implement procedures that require supervisors to review edit listings and certify that overpayments are identified and recovered.

Please furnish a reply within 20 days describing the corrective action planned or taken, including the timeframes, on our recommendations. This finding will be included in a consolidated report for the Eagan Accounting Service Center at the conclusion of the FY 1999 financial statement audit. The report will include your comments and any planned corrective actions. If you have any questions, please contact me at (703) 248-2207 or [REDACTED].

John M. Seeba
Director, Financial Audit

cc: Jayne E. Schwarz
Kristine A. Wright
Richard Kingsbury
John R. Gunnels