

June 19, 2003

DEWITT O. HARRIS
VICE PRESIDENT, EMPLOYEE RESOURCE MANAGEMENT

SUBJECT: Audit Report – Shared Service Center Injury Compensation Program
(Report Number HK-AR-03-002)

This report presents the results of our self-initiated audit of the Shared Service Center Injury Compensation Program (shared service center program) (Project Number 03YN002HK000). The objectives of our audit were to assess the effectiveness and efficiency of the program and to determine whether the program should be expanded to other Postal Service areas.

The audit revealed that we could not determine how effective or efficient the program was because the Postal Service could not provide current program implementation costs, operational costs, and estimated workers' compensation savings data for the consolidated Eastern Area districts. Additionally, we found that the Postal Service did not adequately manage its resources to fully realize the benefits of the program. We also found that the program received unfavorable customer feedback and did not improve the timely submission of workers' compensation forms to the Department of Labor. As a result, we recommended the Postal Service reevaluate the shared service center program to determine whether it meets anticipated objectives and warrants expansion to other Postal Service areas. In addition, the Postal Service should ensure that shared service center program resources are properly managed and staff are trained to fully realize the benefits of consolidating injury compensation and accident reporting.

Management agreed with our recommendations and has undertaken several initiatives to improve program effectiveness, operational efficiency, and customer satisfaction. Management's comments and our evaluation of these comments are included in this report.

The Office of Inspector General (OIG) considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any further questions or need additional information, please contact Erica Blackman, director, Healthcare Audit, at (703) 248-2100, or me at (703) 248-2300.

Mary W. Demory
Deputy Assistant Inspector General
for Core Business

Attachment

cc: Suzanne F. Medvidovich
Ronald E. Henderson
Gary R. Condley
Linda Young
Susan M. Duchek

TABLE OF CONTENTS

Executive Summary	i
Part I	
Introduction	1
Background	1
Objectives, Scope, and Methodology	2
Prior Audit Coverage	3
Part II	
Audit Results	4
Program Costs and Estimated Savings Not Adequately Supported or Available	4
Recommendation	4
Management's Comments	5
Evaluation of Management's Comments	5
Better Management of Resources Needed	6
Recommendation	9
Management's Comments	9
Evaluation of Management's Comments	10
Unfavorable Customer Feedback	11
Recommendation	13
Management's Comments	14
Evaluation of Management's Comments	14
Appendix A. Description of the Shared Service Center's Tier 1 – Call Center Accident Reporting and Tier 2 – Case Management Components	15
Appendix B. Eastern Area Staff Costs Prior to and After Consolidation	16
Appendix C. Management's Comments	17

EXECUTIVE SUMMARY

Introduction

This report presents the results of our self-initiated audit of the Shared Service Center Injury Compensation Program (shared service center program). Our objectives were to assess the effectiveness and efficiency of the program and to determine whether the program should be expanded to other Postal Service areas.

Results in Brief

In July 2001, the Postal Service began the shared service center pilot with only three Eastern Area districts – Harrisburg, Erie, and Pittsburgh. The program later consolidated the remaining 12 Eastern Area districts¹ into one performance cluster located in Pittsburgh, Pennsylvania.

We could not determine how effective or efficient the shared service center program was because Postal Service could not provide documentation to support program implementation costs, operational costs, and estimated workers' compensation savings. Additionally, we found that the Postal Service did not adequately manage its resources to fully realize the planned benefits of the shared service center program. Furthermore, the program received unfavorable customer feedback, and did not meet the Postal Service's internal goal for timely submission of claim forms to the Office of Workers' Compensation Programs.

Without accurate program costs and estimated savings documentation, better management of program resources, favorable customer feedback, and timely submission of claims to the Office of Workers' Compensation Programs, the Postal Service cannot ensure that the program will meet its intended objectives. Specifically, the Postal Service cannot adequately project staffing needs, costs and return on investment, and measure performance.

Summary of Recommendations

We recommended the Postal Service reevaluate the shared service center program to determine whether it meets

¹ The districts included: Cleveland, Ohio; Philadelphia, Pennsylvania; Akron, Ohio; Lancaster, Pennsylvania; Columbus, Ohio; Cincinnati, Ohio; Greensboro, North Carolina; South Jersey; Kentuckiana; Appalachian; Mid-Carolinas; and Greater South Carolina.

anticipated objectives and warrants expansion to other Postal Service areas. In addition, the Postal Service should ensure that shared service center program resources are properly managed and staff are trained to fully realize the benefits of consolidating injury compensation and accident reporting.

**Summary of
Management's
Comments**

Management stated they believed that the audit was premature since the shared service center program was in its start-up phase and as with any new concept, issues relating to staffing, training, and technology are common. However, management agreed with our findings and recommendations but did not agree with our conclusion pertaining to program cost and estimated savings. Specifically, they stated adequate support was provided to validate the projected cost savings of the injury compensation program. As indicated in the report, the Postal Service did provide documentation to support the Eastern Area's staffing costs; however, they could not provide documentation for program implementation costs, operational costs, and estimated worker's compensation savings for 12 of the 15 Eastern Area districts. Although management did not agree with the conclusion, they agreed with the recommendation. Management plans to conduct a program reevaluation around October 2003 and if future shared service center program initiatives are considered and their cost exceeds \$5 million to fund, a Decision Analysis Report will be prepared and submitted to support the decision making process.

Since the time of our audit, the Postal Service has undertaken several initiatives to improve operational effectiveness and efficiency and customer satisfaction. Management's comments, in their entirety, are included in Appendix C of this report.

**Overall Evaluation of
Management's
Comments**

Although management believed our audit was premature, it is not uncommon for us to review programs that are in their early stages. Historically, our early involvement has helped management to identify potential areas of concern before full implementation and as a result, we believe our audit was timely. However, management's comments were

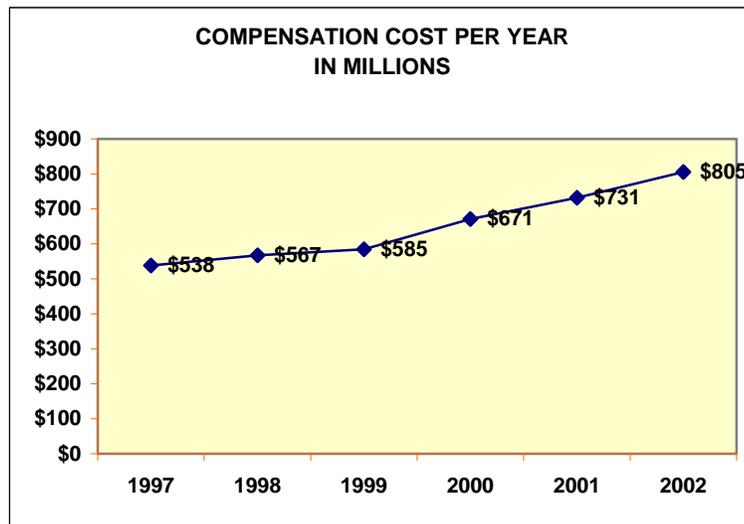
responsive to our recommendations. The actions taken and planned should correct the issues identified in the report and improve service and efficiency within the shared service center.

INTRODUCTION

Background

The Federal Employees' Compensation Act, 5 U.S.C. Section 8101 et seq., administered by the Department of Labor's Office of Workers' Compensation Programs, covers Postal Service employees. The Office of Workers' Compensation Programs makes all decisions regarding injured workers' eligibility for benefits. All Postal Service workers' compensation claims and Office of Workers' Compensation administrative fees are paid out of Postal Service funds. Thus, the Postal Service's financial condition is directly affected every time an injured employee is compensated.

Postal Service workers' compensation costs have increased from \$538 million in fiscal year (FY) 1997 to \$805 million in FY 2002, as shown in the following chart.



Source: Department of Labor-Office of Workers' Compensation Programs Chargeback Costs. These costs include administrative fees.

To better control costs and improve operational efficiency, the Postal Service introduced the shared service concept agency-wide. The shared service concept, which supports the Postal Service's Transformation Plan, involves sharing technology, people, and any other resources within and across administrative functions in order to reduce costs and improve the quality of administrative services. Consistent

with this concept, the Postal Service initiated the Shared Service Center Injury Compensation Program (shared service center program) as a pilot to address injury compensation issues in the Eastern Area.

In July 2001, the Postal Service began the pilot of the shared service center program with only three Eastern Area districts – Harrisburg, Erie, and Pittsburgh. The program later consolidated the remaining 12 Eastern Area districts² into one performance cluster located in Pittsburgh, Pennsylvania. The program consisted of Tier 1 – Call Center Accident Reporting and Tier 2 – Service Center Case Management components (see Appendix A for a description). The objectives of the shared service center program were to:

- Reduce costs.
- Promote efficiency.
- Standardize processes and eliminate redundant activities.
- Improve customer service.

The pilot ended December 2002, and is fully operational in the Eastern Area.

**Objectives, Scope,
and Methodology**

The objectives of our audit were to assess the effectiveness and efficiency of the program and to determine whether the program should be expanded to other Postal Service areas.

To accomplish our objectives, we reviewed related documents and regulations and interviewed officials at the shared service center in Pittsburgh; Cleveland, Akron, and Pittsburgh District Offices; headquarters; Egan Accounting Service Center; and the Department of Labor – Office of Workers' Compensation Programs. We evaluated internal controls, the impact of automation on process efficiency, performance measures, and costs and savings; and we

²The districts included: Cleveland, Ohio; Philadelphia, Pennsylvania; Akron, Ohio; Lancaster, Pennsylvania; Columbus, Ohio; Cincinnati, Ohio; Greensboro, North Carolina; South Jersey; Kentuckiana; Appalachian; Mid-Carolinas; and Greater South Carolina.

obtained feedback on customer satisfaction. We attempted to validate the projected costs and savings associated with consolidating the injury compensation program at a centralized location. We compared the shared service's consolidated program to the traditional district-based injury compensation approach. We also interviewed members of the Process Validation Team and obtained documents used to assess the program's processes, procedures, and performance.

In addition, we discussed plans for expansion with Postal Service officials, reviewed the Postal Service's Transformation Plan, assessed workers' compensation growth rates, and compared Eastern Area staff levels and salary costs before and after consolidation. To assess the impact of automation on the program, we reviewed the effectiveness of the First Notification of Incident/Injury System,³ electronic Injury Compensation Performance Analysis System,⁴ and the Symposium Call Center Server System (symposium)⁵ to reduce transactional work and manage employee performance.

This audit was conducted from November 2002 through June 2003, in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We did not perform reliability or validity analyses on the computer-generated data used. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objectives of our audit.

³First Notification of Incident/Injury System is a legacy web-based application designed to assist the shared service center call agents in gathering accident information from the front-line, field supervisor.

⁴The electronic Injury Compensation Performance Analysis System is a technology-based solution specifically designed to aid in the management of the Postal Service injury compensation program. When fully implemented, the system is expected to replace some of the legacy systems, create a centralized data repository, provide an improved case management tool, and provide customer self-service functionality.

⁵Symposium is a telephone call system designed to accept, track, and monitor injury compensation service calls and to generate reports that management can use to assess performance.

AUDIT RESULTS

**Program Costs and
Estimated Savings
Not Adequately
Supported or
Available**

Although the Postal Service provided documentation to support the Eastern Area staff costs (see Appendix B), they could not provide documentation for program implementation costs, operational costs, and estimated workers' compensation savings for 12 of the 15 Eastern Area districts. As a result, the program's overall performance and cost benefit cannot be adequately assessed.

The Postal Service stated they did not need to prepare a Decision Analysis Report or a Justification of Expenditure for the injury compensation shared service initiative because it initially began as a pilot with only three districts,⁶ and did not meet the required \$5 million threshold. However, during the course of the pilot, Postal Service management made a decision to expand the pilot by consolidating the remaining 12 Eastern Area districts. In expanding the pilot, and without program documentation to support the consolidation effort, the Postal Service may have unknowingly met or exceeded the \$5 million threshold. This may have occurred because documentation for program implementation costs and medical and compensation cost reductions was only available for 3 of the 15 districts.

As a result, the Postal Service cannot adequately project staffing needs, estimate costs and return on investment, and measure performance. Moreover, without proper justification or supporting documentation, the Postal Service cannot ensure that the program will meet its proposed objectives or determine whether it should be expanded to other areas.

Recommendation

We recommend the vice president, Employee Resource Management:

1. Reevaluate the program to determine whether it should be expanded to other areas. If expansion is considered and the cost meets or exceeds \$5 million, a Decision Analysis Report should be prepared and submitted to support the decision-making process.

⁶ The three districts included Erie, Pittsburgh, and Harrisburg, Pennsylvania.

**Management's
Comments**

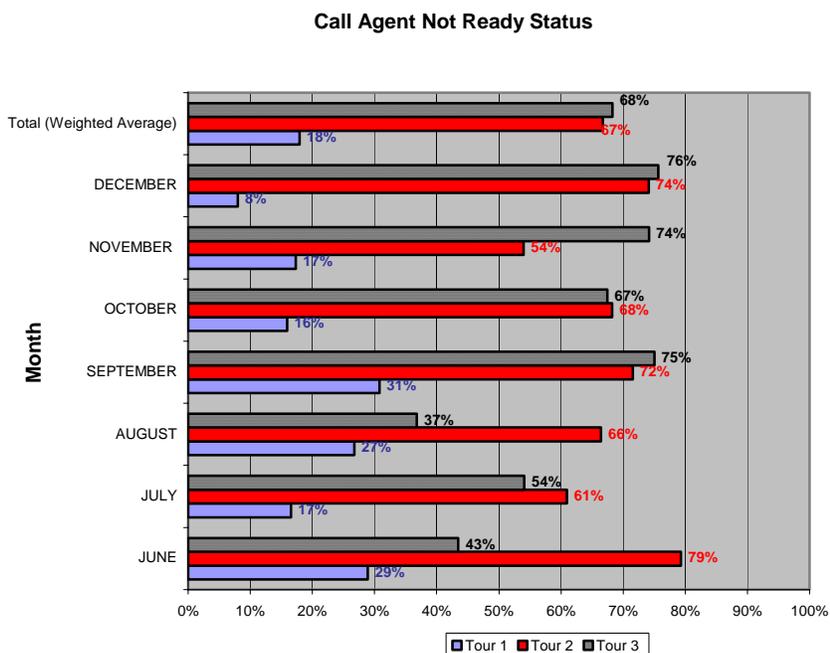
Management agreed with our recommendation stating they will conduct a reevaluation of the program around the October 2003 timeframe. Management also agreed that if another Postal Service area considers implementing injury compensation shared service initiatives and funding for the expansion exceeds \$5 million, they would prepare and submit a Decision Analysis Report to support the decision-making process. Although management agreed with our recommendation, they did not concur with our conclusion for this finding. Management believed the information provided was sufficient to support projected staffing needs, estimated costs and return on investment, and performance measurement.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendation; however, we disagree with management assertion regarding the finding. As indicated in the report, the Postal Service did provide documentation to support the Eastern Area's staffing costs; however, they could not provide documentation for program implementation costs, operational costs, and estimated worker's compensation savings for 12 of the 15 Eastern Area districts. Management's actions taken and planned should correct the issues identified in the report.

Better Management of Resources Needed	<p>The Postal Service did not adequately manage its resources to fully realize the benefits of the shared service center program. Specifically, the shared service center program experienced frequent personnel turnover since its inception, the symposium system was underutilized due to a lack of training, and the electronic Injury Compensation Performance Analysis System was not fully deployed. As a result, the Postal Service cannot ensure that the program is meeting its intended objectives to reduce costs; promote efficiency; standardize processes and eliminate redundant activities; and improve customer service.</p>
Personnel Turnover	<p>Since the shared service center program pilot began in July 2001, the program has experienced a constant turnover of call center managers, call agent managers, case manager supervisors, and case managers. This was due to the shared service center relying on Postal Service employees who were temporarily detailed until permanent staff members were hired. Prior to the consolidation of the 15 Eastern Area district offices, each district had its own injury compensation function on site to perform accident reporting. As a result, due to the constant personnel turnover, the processing of injury compensation cases and accident reporting has been inaccurate and untimely.</p>
Symposium Call Center Server System	<p>During our audit, we found that the symposium system was underutilized because supervisors were not trained to make the best use of its performance analysis capability. The symposium system was designed to accept, track, and monitor service calls and to generate reports that management could use to assess call agent and case manager performance. Although the Postal Service provided training to supervisors via a contractor from June through July 2002 on the use of the symposium system, employees who received this initial training were in a detail status and no longer work at the shared service center. At the time of our audit, training had not been provided to replacement personnel and the symposium system is underutilized. Postal Service Handbook, EL-505, Chapter 2, states that to effectively manage the injury compensation program and control compensation costs, units should promote efficiency through the training of personnel.</p>

Furthermore, we also obtained data from the Postal Service's Process Validation Team⁷ that listed the time and types of phone activities agents were engaged in throughout the day. We identified that the call agents reported considerable time in a "not ready"⁸ mode. Specifically, the analysis of symposium system data from June through December 2002 indicated that although Tours 2 and 3⁹ account for 85 percent of the call agents' time, their phone lines were placed in a "not ready" status 65 to 70 percent of the time. The following chart shows the amount of time each of the three tours had their phones in a "not ready" status from June through December 2002.



Source: Call Agent Performance Report obtained January 24, 2003.

⁷ This is an internal shared service center team established to perform periodic reviews of the program.

⁸ A "not ready" mode indicates that the agent is logged onto symposium but has placed the phone in a state that will not accept incoming calls. This is often done when a shared service center call agent is performing other vital transactional duties.

⁹ Most Postal Service facilities have core hours for operations. These core hours are divided into tours (Tour 1: 11:00 p.m. to 7:00 a.m., Tour 2: 7:00 a.m. to 3:00 p.m., and Tour 3: 3:00 p.m. to 11:00 p.m.)

We were told that a quick in-house modification¹⁰ to symposium could provide even more accurate identification of specific tasks being performed when in a “not ready” status. However, such a modification would require additional support from information system personnel. At the time of our audit, the Eastern Area information system specialist dedicated only 25 percent of his time to support the shared service center.

Overall, supervisors were not using the system to monitor, manage, and evaluate performance. If symposium was used as intended, officials could obtain information on productivity levels and possibly reduce workers’ compensation costs for the Postal Service.

electronic Injury Compensation Performance Analysis System

The Postal Service’s electronic Injury Compensation Performance Analysis System was scheduled to operate concurrently with the shared service center’s pilot program by providing electronic performance analysis functions to support the shared service center. However, this phase of the system was not fully deployed because it experienced development delays and funding uncertainties. Although the Postal Service’s Information Technology Office was responsible for developing the system, delays in the system’s implementation impacted the shared service center’s program by not integrating the legacy systems into a relational database. This integration would provide the capability to display on-line screens, to query individual cases, and to generate reports.

The table on the next page lists the performance analysis functions of the electronic Injury Compensation Performance Analysis System needed to support the shared service center.

¹⁰The modification would entail rebuilding each phone with an activity code key that would identify the type of call. The process would take 15 minutes. A call agent could put in a code type based on the question/answers received from the caller. This feature would allow the shared service center call center managers to determine the task of each call agent and measure productivity. A total of 48 phones would need to be upgraded by Postal Service personnel.

Performance Analysis Functions

On-Line Screens	Ad-Hoc Queries	Printable Views
Employee information.	Accident.	Performance.
Accident detail.	Injury.	Adjudication.
Injury detail.	Customizable.	Financial.
Builds in imaging functionality for future phases.	Scalable.	Statistical.

As a result of the development delays to the electronic Injury Compensation Performance Analysis System, the shared service center must continue to rely on legacy systems to provide performance analysis functions. Consequently, the shared service center cannot take advantage of the benefits offered by this phase of the new system.

Recommendation

We recommend the vice president, Employee Resource Management:

2. Ensure that the shared service center program's resources are properly managed and staff are trained to fully realize the benefits of consolidating injury compensation and accident reporting to meet the program's intended objectives.

Management's Comments

Management agreed with the recommendation stating they anticipate staffing to be at full complement by June 2003, thus eliminating many of the problems resulting from the constant turnover of personnel. Management also agreed that symposium was underutilized due to lack of training at the time of our audit. Management indicated that permanent staff have recently been assigned and trained. Lastly, the area's information technology staff plans to modify symposium by enabling call agents to input codes that indicate the performance of their ancillary duties. This will enhance management's ability to track and evaluate call agent productivity.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendation and the actions taken and planned should correct the issues identified in the report. Since the time of this audit, management rolled out on May 18, 2003, the performance analysis phase of the electronic Injury Compensation Performance Analysis System to injury compensation and safety specialists.

**Unfavorable
Customer Feedback**

We learned that district personnel were not satisfied with the level of service provided by the shared service center program. During our audit, we obtained customer feedback on the shared service center program from three of its district offices (Cleveland, Akron, and Pittsburgh). Although they believed in the shared service concept, they stated that the current structure had many problems. In addition, they stated that the lack of coordination between district personnel and shared service center personnel also led to untimely submissions of Forms CA-1 and CA-2 to the Office of Workers' Compensation Programs.

The unfavorable customer feedback was due to several problems revealed during our audit. The following are examples of problems district personnel encountered:

- Phone calls to the 24 hours a day, 7 days a week, 365 days a year call center were frequently unanswered, extending the time required to report an accident. Thus, field supervisors had to make several attempts before successful contact was made to a shared service center call agent. These agents are responsible for receiving and reporting the initial injury call.
- Exception reports were returned to the district offices for resolution. District supervisors stated that these reports were returned to the district offices requesting Forms CA-1¹¹ or declination letters.¹² District personnel indicated that these forms were submitted to the shared service center, but the forms were misplaced or destroyed at the shared service center's call center.
- Employees complained about unpaid bills they received from medical providers. Bills were not paid because the Department of Labor-Office of Workers' Compensation Programs would not assign a claim

¹¹ Office of Workers' Compensation Programs Form CA-1, Federal Employee's Notice of Traumatic Injury and Claim For Continuation of Pay/Compensation is the form employees use to report an injury and claim for continuation of pay or compensation.

¹² A declination letter indicates that an employee does not wish to file a Form CA-1 at this time. However, the employee understands that he/she has 3 years from the date of the injury to file a claim.

number to an injury until they received a Form CA-1 or declination letter from the shared service center.

- Information recorded on Postal Service's Form 1769¹³ was incorrect, resulting in the forms being faxed several times to the shared service center.

The Shared Service Program's Project Plan, dated February 16, 2001, states that call agents should be on duty 24 hours a day, 7 days a week, 365 days a year. As a result of this unfavorable customer feedback, the shared service center program lacks the support it needs from the district personnel to properly manage incident and accident reporting to the Office of Workers' Compensation Programs and further expansion of the program to other Postal Service areas.

Untimely Submissions of Forms CA-1 and CA-2

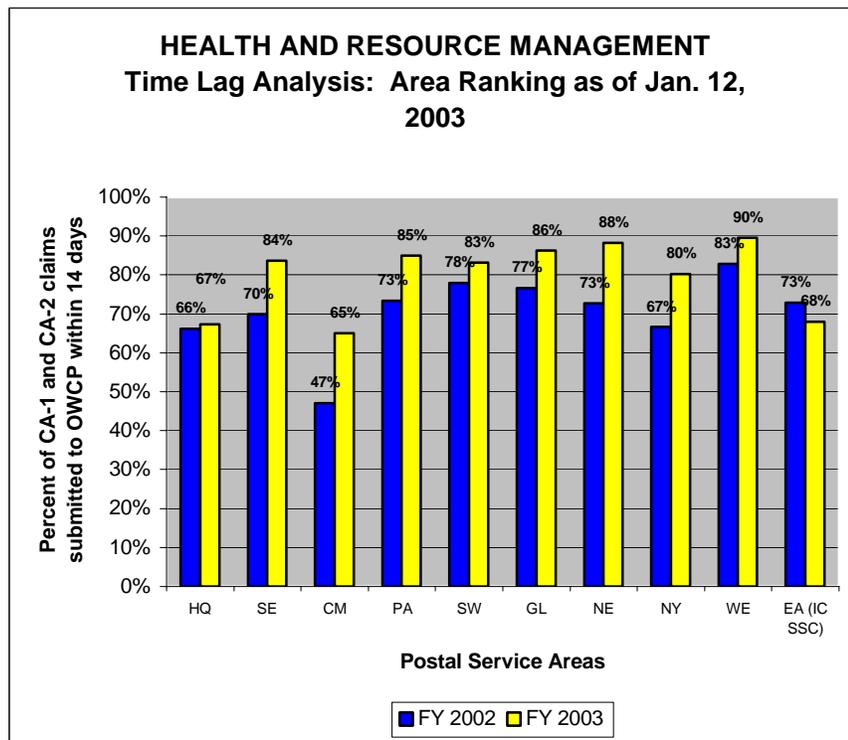
The shared service center did not achieve the Postal Service's internal 90 percent goal for timely submission of Forms CA-1 and CA-2¹⁴ to the Office of Workers' Compensation Programs. Based on interviews conducted with district personnel, we were told that a lack of coordination between district personnel and shared service center personnel led to delays in claim submissions.

The Federal Employees' Compensation Act and Postal Service Handbook EL-505 require that injury claims, such as Forms CA-1 and CA-2, be received by the Office of Workers' Compensation Programs within 10 business days or 14 calendar days after the employee signs the forms. Although the Postal Service met the Office of Workers' Compensation Programs' requirement about 75 percent of the time, in the fourth quarter of FY 2002, the Postal Service decided to establish its own 90 percent goal for timely processing. The Postal Service established this goal in an effort to reduce rising workers' compensation costs. However, at the time of our audit, only the Western Area met the newly established 90 percent goal.

¹³ Postal Service Form 1769, Accident Report, is used by supervisors to report all accidents regardless of the extent of injury or amount of damage.

¹⁴Office of Workers' Compensation Programs Form CA-2, Notice of Occupational Disease and Claim for Compensation, notifies the supervisor of an occupational disease and serves as the report to the Office of Workers' Compensation Programs.

The following table shows the Postal Service's internal tracking of the Forms CA-1 and CA-2 submitted by all areas to the Office of Workers' Compensation Programs.



Source: The shared service center compiled this information from quarterly data provided by the Office of Workers' Compensation Programs (OWCP).

As a result, if the Postal Service cannot improve coordination between employees, first-line supervisors, and personnel at the shared service center, they will not be able to increase timely submission rates, reduce delays in the reporting process, and meet its internal 90 percent goal. Furthermore, unless the shared service center improves its overall operational efficiency, other Postal Service areas may not be willing to accept the shared service center program being expanded to their respective areas.

Recommendation

We recommend the vice president, Employee Resource Management:

3. Ensure the shared service center program manager better coordinates between district customers and

shared service center personnel, to comply with the basic requirements of the Federal Employees' Compensation Act for accurate processing of, and timely submission of injury compensation claims.

**Management's
Comments**

Management agreed with the recommendation stating that 15 of the center's case managers are serving as district liaisons to assist customers in compliance with the basic requirements of the Federal Employees' Compensation Act and to ensure accurate and timely processing of injury claims. In addition, the shared service center has conducted two Placeware Internet conferences with district safety managers and occupational health nurse administrators as a means to enhance communication with district customers.

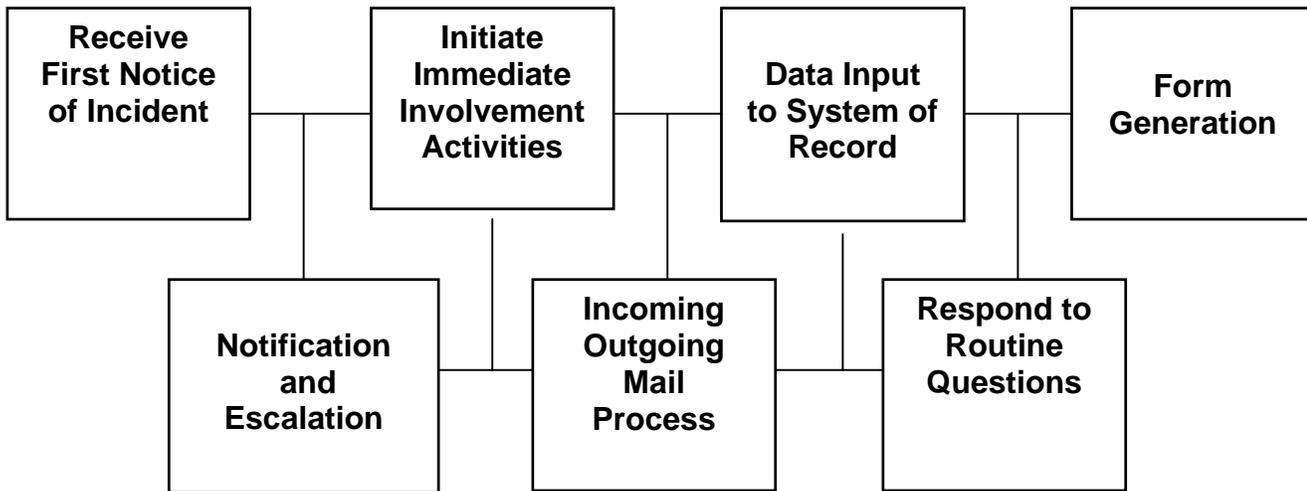
**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendations and the actions taken and planned should correct the issues identified in the report.

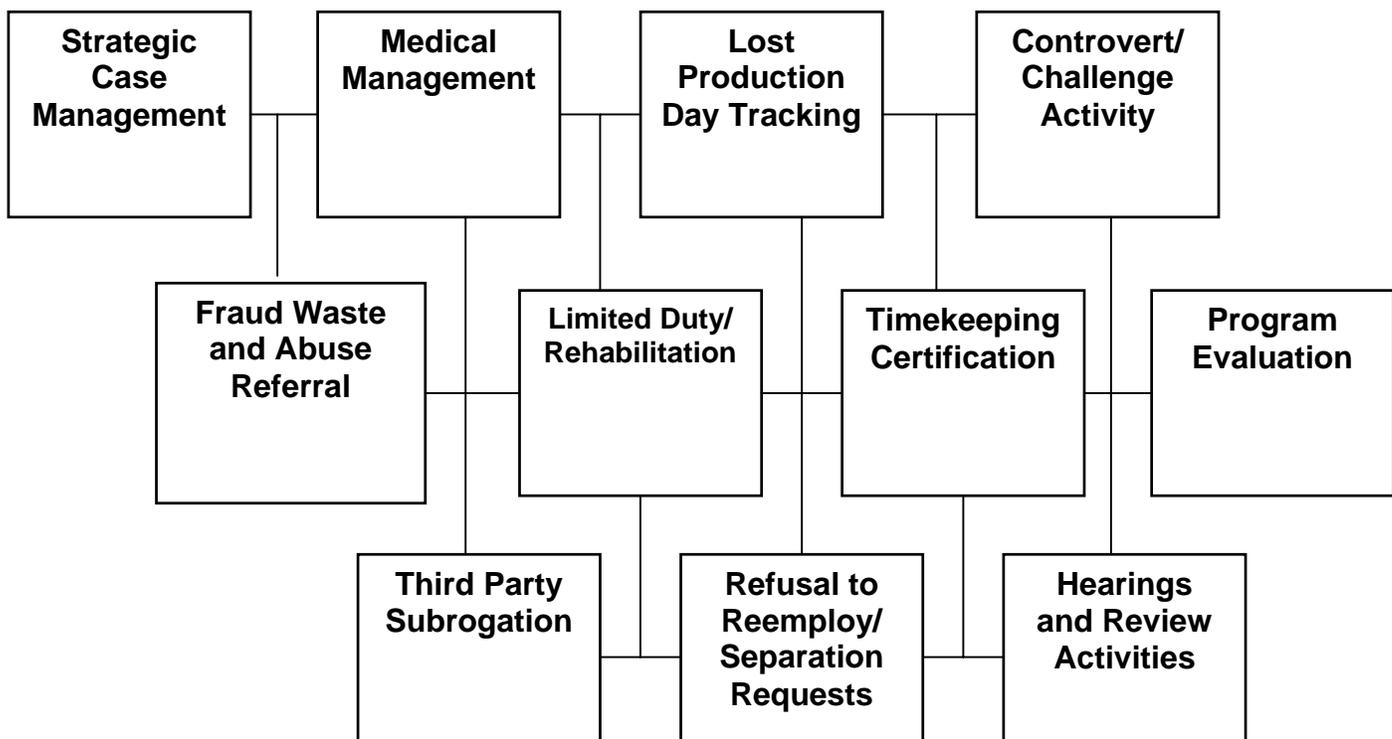
APPENDIX A

DESCRIPTION OF THE SHARED SERVICE CENTER'S TIER 1 – CALL CENTER ACCIDENT REPORTING AND TIER 2 – CASE MANAGEMENT COMPONENTS

Tier-1 Call Center Activities



Tier-2 Case Management Activities



APPENDIX B

**EASTERN AREA STAFF COSTS PRIOR TO AND AFTER
CONSOLIDATION**

Prior to Consolidation		
<u>Staff Type</u>	<u>Number of Staff</u>	<u>Cost</u>
District Staff	80	\$5,078,321.64
Area Staff	10	\$767,217.82
Total Staff:	90	\$5,845,539.46

Shared Service Center Consolidation		
<u>Staff Type</u>	<u>Number of Staff</u>	<u>Cost</u>
Postal Service	41	\$2,919,767.85
Contractor	39	\$1,114,102.08
Total:	80	\$4,033,869.93

Consolidation Cost Savings	
<u>Cost Percentage Savings</u>	<u>Cost Savings</u>
31%	\$1,811,669.53

Source: Data provided by the shared service center.

APPENDIX C. MANAGEMENT'S COMMENTS

DEWITT O. HARRIS
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



May 9, 2003

B. WAYNE GOLESKI

SUBJECT: Response to Draft Audit Report
Shared Service Center Injury Compensation Program
(Report No. HK-AR-03-Draft)

Thank you for the opportunity to respond to the draft audit report ("the draft") concerning the Shared Service Center Injury Compensation Program in the Eastern Area. As you know, at the time your office conducted the audit, the Shared Service Center (SSC) was in its infant stage. Staffing was not at full complement and many processes were still in an implementation phase. Therefore, we felt that the audit should have been conducted at a later time.

The Eastern Area has recognized the need for improvement in the service provided by the SSC to increase efficiency and customer satisfaction. Since the time that your office completed its audit, the SSC has undertaken several initiatives to address the opportunities for improvement in the program by communicating with internal/external customers, improving processes, and providing ongoing training for all employees. We believe that audit results would be far more favorable if the review were to take place today. Our mission is to provide accurate reporting of accidents, injuries, and quality case management to our customers.

General Comments

It is important to reiterate that we believe that the audit was premature, as the SSC was in its start-up phase and as with any new concept, issues relating to staffing, training, and technology are common.

When the Eastern Area was initially contacted by the OIG's office in December 2002, they suggested that the audit was premature, as they were not then staffed to complement. At that time, the complement for case managers was 34 and the center was only staffed with 18. Of those 18 case managers, only 8 were permanent positions and the remaining 10 were detailed employees from district offices. Thus, staffing for case managers was 53 percent of target. Currently, there are 27 permanent employees assigned to the SSC, leaving 7 authorized positions still vacant. The staffing should be finalized by June 2003 and training for those case managers should be completed no later than July 30, 2003. This will stabilize and enhance our operational efficiency within the SSC.

Training has been provided to 24 of the 27 case managers. The 3 newly appointed case managers will receive training once we reach full complement.

Beginning in March 2003, the SSC instituted daily Plan 5 meetings with case managers in order to provide reinforcement of policies and procedures for consistency and efficiency. Additionally, the Inspection Service has agreed to participate in a monthly debriefing of workers' compensation fraud cases with all the case managers as a result of a meeting held with all three divisions of the Postal Inspection Service that service the Eastern Area. The SSC has enhanced the working relationship with the local OIG on medical provider fraud through referrals from the case managers.

475 L'ENFANT PLAZA SW ROOM 9840
WASHINGTON DC 20260-4200
(202) 268-3783
FAX: (202) 268-3803
WWW.USPS.COM

- 2 -

Finally, I appreciate the opportunity you presented to us to identify any portions of the draft report which may contain proprietary or other confidential business information exempt under the Freedom of Information Act (FOIA). I have reviewed the draft and do not find that there is any information which falls within the exemptions under the FOIA.

Background

As previously noted, the SSC was not fully staffed/operational at the time of this audit. We believe that many of the problems observed by the audit team are a result of this fact. We do not doubt the accuracy of the findings; however, we do not believe they accurately portray the potential for efficiency and cost savings generated by the SSC.

Objective Scope and Methodology

The objectives of the audit were to assess the effectiveness and efficiency of the program and to determine whether the program should be expanded to other Postal Service areas.

Under this section, it was noted that officials from 3 of the 15 performance clusters were interviewed. Thus, the results reflect the viewpoints of only 20 percent of the customers served by the SSC. From this small segment of customers, it is difficult to ascertain whether the views reflected are shared with those of the larger customer base.

Prior Audit Coverage

The Eastern Area did not identify any prior audits or reviews related to the objectives of the audit.

Your report correctly notes that there were no prior OIG audits. However, a copy of the program review conducted by headquarters Employee Resource Management, Injury Compensation, was provided to the OIG auditors upon their request. This document highlighted a review of the call center and injury compensation program management. Based on its finding, our internal review team concluded that it was premature for an accurate assessment of Injury Compensation Shared Service Center.

Program Costs and Estimated Savings not Adequately Supported or Available

In reviewing page 14, Appendix B, based on the Eastern Area Injury Compensation consolidation, the SSC achieved and exceeded the 30 percent cost savings reduction.

The auditors stated that they attempted to validate the projected costs and savings of the Injury Compensation Program. The auditors were given the original Injury Compensation Shared Service Center storybook which only took into account the original three districts in the pilot—again reflecting only 20 percent of our service area. Based on the economies of scale, once the pilot was accelerated, there were no additional significant costs incurred.

I disagree with the conclusions contained in the final paragraph under this section of the report that the Postal Service cannot adequately project staffing needs, estimate costs, return on investment, and measure performance. The Manager, Customer Requirements, and his staff conducted a staffing review and recommended the appropriate staffing for the SSC in July 2002. The total career authorized staffing is 41. In fact, we have provided information, which addresses the projected staffing needs, estimated costs, and return on investments, and performance measurement.

- 3 -

Listed below are several reports provided to the auditors.

- Time lag
- Chargeback
- Costs to SPLY and to plan
- Limited duty costs percent to plan
- Rehabilitation costs percent to plan
- Number of employees in LDC 69
- Number of employees in LDC 67
- Number of employees on periodic role
- National workers' compensation performance for the last 2 years
- Workers' compensation chargeback performance
- PSFR to plan
- Workers' compensation chargeback costs YTD
- Compensation cost per 100 workhours
- Continuation of pay DataKeeper reports for the last 3 years

It should be noted that the Eastern Area is ranked number 4 nationally in Workers' Compensation costs in AP08, FY03. Additionally, the Eastern Area is ranked number 2 nationally in Workers' Compensation Costs per 100 workhours at a rate of \$41.52, which includes medical and compensation costs.

Recommendation #1

Reevaluate the program to determine whether it should be expanded to other areas. If expansion is considered and the cost meets or exceeds \$5 million, a Decision Analysis Report (DAR) should be prepared and submitted to support the decision making process.

Response

I agree with recommendation #1. Employee Resource Management will conduct a reevaluation on or about October 2003. In analyzing the Eastern Area Injury Compensation Shared Service Center, a DAR was not necessary since the planned investment did not meet the postal threshold of \$5 million. It should be noted that if another area initiates an Injury Compensation Shared Service environment, a DAR should be prepared and submitted to support the decision making processes if they exceed \$5 million in investment to fund the project.

Recommendation #2

Ensure that the shared service center program's resources are properly managed and staff is trained to fully realize the benefits of consolidating injury compensation and accident reporting to meet the program's intended objectives.

Response

I agree that the SSC program resources need to be properly managed with a trained staff to fully realize the benefits of the SSC. The SSC experienced frequent turnover of personnel during the pilot stage of the program. This was to be expected as the entire staffing complement at that time consisted of detailed employees. In many instances, these employees were limited in their tenure with the SSC by their district management, precluding stabilization of the staffing within the center.

- 4 -

As we previously noted, we anticipate staffing to be at full complement by June 2003, thus eliminating many of the problems resulting from the constant turnover of personnel.

The Symposium telephone system was underutilized due to lack of training at the time of your audit. During your audit, a new manager who was not aware of the reporting capabilities of the system, as he had just assumed the managerial position. An Information Technology Team from headquarters evaluated the Symposium telephone system on April 30, 2003. The team determined that the system meets the SSC needs, but requires enhancements, including coding of specific activities by the call agents and additional reporting capabilities.

Your report indicates that call agents reported considerable time in a "not ready" mode. An explanation of "not ready" status is useful at this juncture to avoid the perception that "not ready" means "not working." SSC call agents were initially instructed to place their telephones in "not ready" status when they were performing their transactional duties. "Not ready" is also used when the call agents are conducting outgoing calls for claims, follow-up evaluations, and performing other ancillary duties within the center. Modifications to the program are scheduled to be made by the area's Information Technology staff, enabling the call agents to input codes indicating the performance of ancillary duties. This will enhance management's ability to track and evaluate the call agent productivity.

When the permanent call center manager positions were finalized (post January 2003), the center reestablished the proper procedures for call agents to prioritize all incoming calls as the core business in the call center. The goal is to answer all incoming calls at a 100 percent rate and have no return calls. Currently, the SSC is averaging 97 percent for all incoming calls per day. Work schedules for call agents have been changed to meet peak time customer demands and enhance operational efficiency in the call center. In addition, the call agents have received remedial training and their individual activity reports are shared with them.

Finally, at the time of the audit, the temporary supervisor was not trained on or familiar with the Symposium telephone system. We now have permanent staff in place and that staff has been trained. Thus, we believe that the issues you raised with respect to the call agents and the Symposium system have been addressed.

It is also important to note that at the time of the audit, we did not have sufficient Information Technology staffing to service the needs of the SSC. Since the time your audit was concluded, an additional Information Technology support person has been assigned to assist with the SSC needs.

The Eastern Area Injury Compensation Shared Service Center is also a test site for the eICPAS. The eICPAS is a technology-based solution specifically designed to aid in the management of the Postal Service Injury Compensation Program. Phase I, however, is not scheduled to roll out nationally until May 18, 2003. The description of the purpose of the eICPAS system contained on page 7 of the draft report is not entirely accurate. The eICPAS concept actually consists of two phases. Phase I of eICPAS automates transactional tasks, such as, research and calculations that are vital to consistent case and medical management. This application is a display only tool. Phase II is actually the case management tool that will assist in managing the claims and the financial aspects of injury compensation case management.

Unfavorable Customer Feedback

The SSC recognized that staffing and other operational problems encountered during the pilot phase resulted in some unfavorable customer feedback. At the time of the audit, call agents were not

- 5 -

always properly utilized. The SSC also noted that calls were not being answered timely, creating many dissatisfied customers in the field. We are, however, very sensitive to the needs of our customers and have been working diligently to improve the quality of the service rendered by the SSC.

To that end, the call agents have begun to provide, on a daily basis, a questionnaire to every supervisor who reports an accident to the SSC. The questionnaire evaluates the quality of service provided by the SSC staff. Each survey highlights 10 elements of quality customer service and 4 categories of service. Customers are asked to rank the service they receive on a scale from poor (1) to excellent (5). The surveys compiled from recent accounting periods reflect an aggregate score of 3.97 for AP06, 3.94 for AP07, and 4.08 for AP08.

Your report indicates that exception reports were disseminated to the district offices for resolution. The SSC is aware of that situation. In many cases, SSC management did require supervisors to submit declination letters when employees did not want to formally file a claim after accident reports were called in. This is done so that the timelag can be managed properly. At no time did the SSC misplace or destroy any documents forwarded to the shared service center for processing. It should also be noted that the Eastern Area is now managing exceptions, both injury compensation and safety, in an exemplary manner. Year-to-date their injury exceptions decreased from 1298 to 297 in AP07, FY03. The SSC began the fiscal year with 28 safety exceptions and at the end of AP07 ended with 14. The Eastern Area's ranking among other areas, documents our success in this arena.

The SSC acknowledges the statement from employees receiving unpaid medical bills from the provider; however, it is important to note that this phenomenon is not directly related to the SSC. Historically, many field offices were sending employees to their local contract facilities for initial evaluations upon notification of an injury. After the creation of the SSC, many field offices were still utilizing these facilities and the bills were not being paid because many employees did not file a claim with the Department of Labor (DOL).

The management staff at the SSC visited several medical providers within the area to ensure locally that the districts paid the bills where no claim was filed. They advised the providers to send bills directly to First Health. Unfortunately, at the inception of the SSC, many bills were being returned, as the claim forms were never forwarded from the field to the SSC for processing or forwarded to the DOL for a claim file number. Since that time, most districts have modified their local control point procedures and now receive authorization of a CA-16 from the call agent. In addition, employees have been instructed to file a claim to ensure prompt payment to the medical providers.

In reference to the 1769, several measures are in place to ensure accuracy in reporting. The call agents repeat the narrative to the supervisor reporting the accident during the time of the call. The supervisor is then asked if she or he concurs with what was written in the narrative. If there are any changes, the call agent corrects the narrative at that point.

The SSC has two other methods in place to verify accuracy as well:

1. The first method was to modify the fax cover sheet to state:

"In order to keep our records accurate, review 1769 for accuracy. Make and initial any changes if necessary. Send the signed, corrected 1769 to the Safety Office, with a copy to the Shared Service Center."

- 6 -

2. The second method is where the Safety Office reviews the codes on the 1769, and if any codes are inconsistent with the narrative, the Safety Manager sends the corrections via email to the Call Center Manager who makes the corrections daily. The districts are very helpful in assisting us to identify when an incorrect code is being utilized.

Another problem with respect to the accuracy of the form 1769 was created by call agents designating the circumstances of the accident in item 23 of the 1769, as "other." Due to the manner in which the system is coded, "other" was translated to "fire by electrical," which was not an accurate representation of causality. The SSC has addressed this situation through ongoing training of the call agents, who are no longer entering the circumstances of accidents as "other."

In addition, the SSC continually addresses 1769 coding interpretation issues through Plan 5 talks and through e-mail notifications. When an individual call agent does not understand the selection options, personal training is provided as soon as the error is detected.

Untimely Submission of Forms CA-1 and CA-2.

In analyzing the data that the SSC collected through January 28, 2003, 98 percent of the delay for timely submission of the OWCP forms occurs at the performance cluster level in the field offices. Only 2 percent of the delays originate from the SSC prior to submitting the form to the DOL. The year-to-date timelag percentage of the Eastern Area has continued to rise from 70 percent in AP06 to 73 percent in AP07 and 74 percent in AP08.

The SSC has implemented several checkpoints regarding the receipt of CA forms in order to satisfy the DOL's reporting requirement. As the CA form is processed by the input clerk, it is logged into an Excel spreadsheet recording the date of injury; the date received by the supervisor; the date signed by the supervisor; date received by the SSC; date the claim form was sent to the DOL; and date received by the DOL.

The SSC has also implemented a daily tracking sheet to be sent to the districts to keep them apprised of injuries that occurred the previous day to ensure that the CA form is submitted timely to the SSC. The SSC has provided dedicated fax numbers to the field for submission of CA forms.

The SSC is working toward the 90 percent goal of timely submissions to the DOL by utilizing the aforementioned tracking methods. Additionally, a taskforce of district human resources managers is in place to evaluate the processes established by the SSC for timely receipt of CA forms. The taskforce is looking at methods in the field for collecting CA forms daily, in a central location, and electronically scanning them to the control point in the SSC for more expedient processing.

Recommendation #3

Ensure the shared service center program manager better coordinates between district customers and shared service center personnel to comply with the basic requirements of the Federal Employees' Compensation Act (FECA) for accurate processing of and timely submission of injury compensation claims.

Response

I agree that the SSC needs to coordinate better with their district customers and comply with the FECA requirements. To enhance the working relationship with the performance clusters, the SSC has established 15 district liaisons (post January 2003) to assist in compliance with the basic

- 7 -

requirements of FECA, including accurate processing of and timely submission of injury compensation claims. The district liaisons are EAS-17 case managers in the SSC who maintain an alpha caseload and serve as contact points for complex and technical issues. In addition, they provide refresher training for injury compensation procedures, as well as Associate Supervisor Program training for supervisors/managers in the field units. The field has been provided with a list of the case managers by alpha split for convenience in contacting the appropriate case manager.

To better communicate with their district customers, the SSC has held two Placeware internet conferences with the safety managers and the occupational health nurse administrators (OHNA's) in each district. In the Placeware presentation held with the OHNAs, the OIG was represented and provided an overview of their program to investigate medical provider fraud and abuse.

Accurate and timely submissions of CA forms are being addressed daily by SSC personnel to comply with the basic requirements of FECA for accurate processing of and timely submission of injury compensation claims.

Conclusion

Many of the problems noted during the pilot phase of the SSC have since been rectified with the addition of permanent staff and training. The SSC is continuing to improve its service and efficiency.

If you have questions or require additional information, please feel free to contact my office.



DeWitt O. Harris
Vice President
Employee Resource Management

cc: Suzanne Medvidovich
Stan Pullen
Gary Condley
Linda Young
Susan Duchek