



December 10, 2003

SUZANNE F. MEDVIDOVICH
SENIOR VICE PRESIDENT, HUMAN RESOURCES

SUBJECT: Compendium of Prior Audits Addressing the Postal Service's Injury
Compensation Program (Product Number HM-OT-04-002)

This self-initiated information report provides a Compendium of Prior Audits Addressing the Postal Service's Injury Compensation Program (Project Number 03YS002HK000). This report is one of two reports providing a history of the Postal Service's Injury Compensation Program. It also provides a quick reference and summary of our prior audit reports and of the respective management challenges those audits addressed. This report covers the audit work we accomplished from September 1998 through December 2003. At appropriate intervals, the Office of Inspector General may issue future information reports that summarize audits of the Postal Service's Injury Compensation Program.

We briefed Postal Service management on this report. Because the report does not contain recommendations, no formal response from management is required. However, if you wish to submit a written response to this report, please notify us. If you have questions or need additional information, please contact Erica Blackman, director, Health Care Audit (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory
Deputy Assistant Inspector General
for Operations and Human Capital

Attachment

cc: Ronald E. Henderson
James J. Rowan, Jr.
Susan M. Duchek

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BACKGROUND

This self-initiated information report is one of two reports providing a history of the Postal Service's Injury Compensation Program. It also provides a quick reference and summary of our prior audit reports and of the respective management challenges those audits addressed. This report covers the audit work we accomplished from September 1998 through December 2003. Both reports serve as resource tools for Postal Service and Office of Inspector General (OIG) management.

The OIG assists Postal Service management in the protection of its workforce by conducting audits to prevent and detect fraud, waste, abuse, and mismanagement related to the Postal Service's Injury Compensation Program. The Postal Service has a workforce that is heavily engaged in production and delivery work and that work inherently creates injury claims, which are filed with the Department of Labor, Office of Workers' Compensation Programs. For all federal agencies, the Department of Labor, Office of Workers' Compensation Programs, adjudicates the acceptance of injury claims for federal employees and once the claims are accepted, manages compensation and medical payments to support injured employees until they are able to return to work.

Management Challenges

The Postal Service is the largest participant in the Federal Workers' Compensation Program and its cash outlays for claims have risen dramatically, increasing by approximately 35 percent over the last 3 years. Factors such as higher costs for medical equipment, medications, and treatment; overpayment of claims; and increased incidents of fraud by service providers have contributed to these increased costs. To aid the Postal Service in addressing these challenges the OIG will continue to:

- Identify factors that contribute to the increasing workers' compensation costs.
- Evaluate the administration of the program.
- Partner with the Department of Labor, OIG to find ways to reduce injury compensation costs.

Compendium of Prior Audits

From September 1998 through December 2003, the OIG issued 16 reports, one closeout letter, one white paper, and (including this report) two information reports to Postal Service management. In our previous reports, we found three subject areas that continue to represent management challenges:

- Program administration.
- Claims processing.
- Continuation of Pay Leave Benefits.

Program Administration

We issued seven reports, one white paper, and (including this report) two information reports on the administration of the Postal Service's Injury Compensation Program:¹

- Workers' Compensation Case Management (Report Number HC-AR-98-001, dated September 30, 1998).
- Medical Records Contained in Workers' Compensation Files (Report Number HC-MA-99-001, dated March 29, 1999).
- Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Compensation Overpayments and Refundable Disbursements (Report Number LH-AR-02-003, dated May 8, 2002).
- Postal Service Increased Workers' Compensation Costs (Product Number HK-OT-02-001, dated August 29, 2002).
- Retirement Eligible Postal Service Employees on the Workers' Compensation Periodic Rolls (Report Number HK-MA-03-001, dated March 21, 2003).
- Postal Service's Death Benefit Payments to Decedent's Survivors (Report Number HK-MA-03-002, dated March 31, 2003).
- Postal Service's Arrangement with a Preferred Provider Organization (Report Number HK-AR-03-001, dated March 31, 2003).
- Southeast Area Employees on the Periodic Roll with No Wage Earning Capacity or Reemployment Determination (Report Number HK-AR-03-003, dated August 8, 2003).
- Postal Service's Injury Compensation Program – Past and Present (Product Number HM-OT-04-001, dated December 10, 2003).

Claims Processing

We issued four reports on claims processing issues in the Postal Service's Injury Compensation Program:²

¹See pages 4 through 12 of this report, which summarizes each of the seven reports, one white paper, and (including this report) two information reports on program administration.

²See pages 13 through 16 of this report, which summarizes each of the four reports on claims processing.

- Northern Virginia District's Process for Submitting, Controverting, and Challenging Injury Claims (Report Number HC-AR-99-001, dated September 29, 1999).
- Allegation Concerning the Middlesex District Injury Claim Form CA-1, (Report Number HC-MA-00-001, dated February 29, 2000).
- Allegation Concerning the Untimely Submission of Injury Claims, Albuquerque District (Report Number HC-MA-00-002, dated March 21, 2000).
- Shared Service Center Injury Compensation Program, (Report Number HK-AR-03-002, dated June 19, 2003).

Continuation of Pay Leave Benefits

The OIG issued five reports and one closeout letter on the process for administering continuation of pay leave benefits:³

- South Jersey Performance Cluster's Process for Administering Continuation of Pay Leave Benefits, (Report Number HC-AR-00-001, dated September 28, 2000).
- Lancaster Performance Cluster's Process for Administering Continuation of Pay Leave Benefits, (Report Number HC-AR-00-003, dated September 28, 2000).
- Erie Performance Cluster's Process for Administering Continuation of Pay Leave Benefits, (Report Number HC-AR-00-002, dated September 28, 2000).
- Cleveland Performance Cluster's Process for Administering Continuation of Pay Leave Benefits, (Report Number HC-AR-01-001, dated September 28, 2001).
- Columbus Performance Cluster's Process for Administering Continuation of Pay Leave Benefits, (Report Number HC-AR-01-002, dated September 28, 2001).
- Closure of the Audit of the Allegheny Area Process for Administering Continuation of Pay Leave Benefits, Closure Letter, October 26, 2001.

³See pages 17 through 20 of this report, which summarizes each of the five reports and one closeout letter on continuation of pay leave benefits.

REPORT SUMMARIES ON PROGRAM ADMINISTRATION

Workers' Compensation Case Management (Report Number HC-AR-98-001, Dated September 30, 1998)

The purpose of this audit was to determine whether the Pacific Area was managing workers' compensation costs in the best interest of the Postal Service. We reviewed 64 workers' compensation cases and found 28 employees (44 percent) were overpaid. Our review showed overpayments were not identified or recovered because the current Postal Service process was not comprehensive enough to identify compensation overpayments. In addition, injury compensation specialists must use a time-consuming process to identify all potential overpayments. Our review showed that in the cases reviewed, they frequently did not use this process. By not aggressively following up with the Office of Workers' Compensation Programs to ensure appropriate adjustments from overpayments, the Postal Service did not recover all credits due. Specifically, we found the 28 cases contained about \$124,000 in compensation overpayments, of which the Office of Workers' Compensation Programs credited about \$17,000 to the Postal Service.

The Pacific Area had worked to increase efficiency in managing compensation cases by using a claims database program developed by Postal Service personnel at the Long Beach performance cluster. The program could be used to monitor third-party claims. Although the Pacific Area provided the program to all of its performance clusters, not all of them were using this resource. In addition, there was no specific process for monitoring and tracking third-party claims. Without a standardized process, there is no assurance the Postal Service can monitor and track the status of third-party claims to ensure appropriate recoveries.

We recommended management ensure a comprehensive review is performed on workers' compensation cases when it is determined an employee will be returning to work. We also recommended management separately track identified compensation overpayments (including third-party claims) received from the Office of Workers' Compensation Program. Finally, management should ensure full utilization of the claims database in all performance clusters in the Pacific Area and ensure any problems with installation and the application system are corrected.

Management agreed to require areas and districts to monitor all workers' compensation recipients who return to work until the Office of Workers' Compensation Programs changes the payment status in its system.

**Medical Records
Contained in
Workers'
Compensation Files
(Report Number
HC-MA-99-001, Dated
March 29, 1999)**

We completed a separate audit of workers' compensation cases administered in the Pacific Area.⁴ During that audit, we discovered unrelated administrative records and the misuse of sensitive psychiatric records in the workers' compensation case files. Due to the sensitivity of this discovery, we felt the issue needed to be discussed separately in this management advisory report. The files we reviewed also contained Equal Employment Opportunity records and medical records that were not relevant to the cases reviewed and should not have been included in the injury compensation claim files.

We recommended management direct personnel in injury compensation offices to include only relevant documents in workers' compensation files. Management should also reemphasize the appropriate use of sensitive medical information and the legal obligations imposed by the Privacy Act as they relate to individuals who have access to this information.

Management agreed only relevant medical information should be included in the injury compensation claims files, and unrelated information such as Equal Employment Opportunity records should not be maintained in the files. Management also agreed sensitive medical information in the claims files should be used only for matters related to the claims. Finally, management stated all employees assigned to injury compensation offices, including transient workers, would receive proper instructions regarding the requirements of the Privacy Act. Management's comments were responsive to issues discussed in the report.

⁴See our discussion of Workers' Compensation Case Management (Report Number HC-AR-98-001, dated September 30, 1998), on page 4 of this report.

Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Overpayments and Refundable Disbursements (Report Number LH-AR-02-003, Dated May 8, 2002)

We issued an audit report on the Southwest Area regarding the monitoring of chargeback credits, requesting credits for overpayment or duplicated payment of claims, and refundable disbursements. We determined Postal Service's policies were sufficient to ensure appropriate chargeback credit adjustments, were received; however, some performance clusters did not implement follow-up procedures or did not adhere to the policies. As a result, the Postal Service did not receive chargeback credit adjustments for approximately \$286,000. We also projected that follow up had not been done on 223 cases, representing wage compensation overpayments valued at \$702,000.

We recommended Postal Service management renew its emphasis on monitoring overpayments and disbursements; issue follow-up procedures that adhere to existing policies; develop a system to track previously identified wage compensation overpayments; and review the cases the OIG did not audit to determine whether credit adjustments were received nationwide.

Management agreed with our recommendations and management's comments were responsive to our recommendations and the actions taken and planned should correct the issues identified in this report.

Postal Service Increased Workers' Compensation Costs (Product Number HK-OT-02-001, Dated August 29, 2002)

At a Board of Governors meeting, we were asked the following questions:

- Why are Workers' Compensation costs increasing?
- Can the Postal Service establish a separate benefits program?

Our analysis indicated that many factors are beyond the control of the Postal Service have contributed to an increase in workers' compensation costs. Since 1998, the Postal Service's annual workers' compensation costs increased by 42 percent from \$567 million to \$805 million in 2002.

One factor is the rising age of the Postal Service workforce. The Postal Service workforce is very stable, and compared with the national workforce, Postal Service employees are more likely to be over age 44.

A second factor is higher costs for medical equipment, medications, and treatments. All measures taken in the past few decades, from wage and price controls to managed care, have failed to stem rising costs.

A third factor is overpayments by the Department of Labor, which increase costs to all federal agencies. This includes duplicate payments to providers; bills paid more than 1 year after the service was rendered, and payments for overpriced medical supplies or equipment not included in fee schedules.

A fourth factor is the increased incidence of fraud by doctors and hospitals. The OIG is the lead agency in a federal task force investigating fraudulent medical claims by fictitious medical providers.

The Postal Service cannot establish its own workers' compensation program without enabling legislation. The Federal Employees' Compensation Act, under Section 1005(c) of the Postal Reorganization Act, covers Postal Service employees. Administrative responsibility for the act is assigned to the Department of Labor, which has delegated that responsibility to the Office of Workers' Compensation Programs.

In May 1995, the Postal Service contracted with a private accounting firm to analyze the costs and benefits of converting from federal workers' compensation coverage to state coverage, either by self-insurance or private insurance coverage. The accounting firm concluded that significant savings could be achieved, but legislation would be required to convert to state coverage.

The firm also reported that reforms to the Federal Employees' Compensation Act could result in greater savings than converting to state coverage. Provisions for

changing cost-of-living adjustments and mandatory retirement would affect a larger universe of claimants than prospective state coverage.

Our report was informational only and did not contain recommendations.

Retirement Eligible Postal Service Employees on the Workers' Compensation Periodic Rolls (Report Number HK-MA-03-001, Dated March 21, 2003)

This review disclosed Postal Service employees, age 55 and older, make up 49 percent (6,500) of the approximately 13,400 employees on the periodic rolls.⁵ Further, 70 percent (9,345) of the employees on the periodic rolls are totally disabled (with little or no future reemployment potential) or reemployment has not been determined. We also found that as the Postal Service workers' compensation costs continue to increase, the Postal Service should seek relief from the administrative fees paid annually to the Office of Workers' Compensation Programs.

Legislative reform of the Federal Employees' Compensation Act (the act) is needed to address concerns that the act has become, in effect, a retirement system for some workers' compensation beneficiaries. Since the Postal Service's workers' compensation costs account for 35 percent of the program's total costs, legislative reform would give the Postal Service financial relief.

We recommended management pursue whether the Postal Service should seek congressional assistance to offset annual administrative fee payments.

Management agreed with our recommendation, indicating they have supported efforts to change the act, which would alter the program's structure. Management further stated that although legislation has not yet been introduced in the 108th Congress, the administration stated in its 2004 budget that it intends to propose legislation to strengthen program integrity and to make the act more equitable and easier to administer.

⁵ Employees on the periodic rolls have permanent disabilities or injuries that have lasted or are expected to last for prolonged periods (over 1 year).

**Postal Service's
Death Benefit
Payments to
Decedents' Survivors
(Report Number
HK-MA-03-002,
Dated March 31,
2003)**

We issued a management advisory report presenting the results of our self-initiated review of the Postal Service's Death Benefit Payments to decedent's survivor(s) within the Capitol Metro, Southeast, and Southwest Areas. We determined the Postal Service's Injury Compensation Control Office did not effectively monitor or review death benefit claim files. In addition, we found that the Office of Workers' Compensation Programs death claim files did not always contain current documentation, such as Forms CA-12⁶ and EN-1615.⁷

We also found the Office of Workers' Compensation Programs continued providing benefits to survivors who remarried before age 55 and paid benefits to a deceased survivor. In addition, our review identified a third-party award check for over \$29,000 that was submitted to the Office of Workers' Compensation Programs but was not credited to the Postal Service's chargeback account in a timely manner. This occurred because the Injury Compensation Control office perceived the monitoring and reviewing of death claims as the responsibility of the Office of Workers' Compensation Programs. Also, the Postal Service did not provide area control offices with adequate training and procedures for handling death benefit claims after approval by the Office of Workers' Compensation Programs. As a result, the Office of Workers' Compensation Programs paid an estimated \$1.3 million to survivors for benefits that were questionable.

We recommended Injury Compensation Control Office staff should coordinate with the Office of Workers' Compensation Programs district offices and review all death benefit claims to verify survivors' entitlement. Management did not agree nor disagree with our recommendations.

⁶ Office of Workers' Compensation Programs Form CA-12 is used by survivors to report their current marital status, dependent status, employment, and receipt of other benefits each year.

⁷ Office of Workers' Compensation Programs Form EN-1615 is used by children between the ages of 18 and 23 to report whether they are pursuing a course of full-time study.

Postal Service Arrangement with a Preferred Provider Organization (Report Number HK-AR-03-001, Dated March 31, 2003)

We issued an audit report on the Postal Service's arrangement with a preferred provider organization. This arrangement was designed to help the Postal Service achieve annual medical cost savings in the Injury Compensation Program. The review found the Postal Service did not use appropriate contracting practices in its arrangement with the preferred provider organization. As a result, the contract exposed the Postal Service to unnecessary risks from legal claims, protests, adjustments, and contract termination.

We recommended Postal Service management instruct the contracting officer to continue developing contract documentation for negotiations, justification for noncompetitive purchases, and cost analyses. We also recommended the Postal Service renegotiate the contract to increase its percentage of medical cost savings.

Management agreed, in effect, with all five recommendations, but did not agree with our finding or with certain other aspects of the report. Management disagreed with the classification of the contract as a sole-source contract and considered the contract to be a low-value noncompetitive contract. Although management stated the contractor's share might exceed \$10 million in the future, management considered the contract to be valued at \$75,000, and noted the amount fell within the former contracting officer's approval authority. Management also did not agree the former contracting officer's actions left the Postal Service vulnerable to claims and protests. However, management stated that although the future contract will be issued at no costs to the Postal Service, the current contracting officer plans to obtain the approval of the vice president, Supply Management, since the contract is important to the Postal Service.

Southeast Area Employees on the Periodic Roll With No Wage Earning Capacity or Reemployment Determination (Report Number HK-AR-03-003, Dated August 8, 2003)

This report presents the results of our audit of workers' compensation cases classified by the Department of Labor, Office of Workers' Compensation Programs, as having no wage earning capacity or reemployment determination.⁸ Our audit disclosed that Central Florida and South Georgia District officials were proactive in managing cases of employees on the periodic roll. Also, injury compensation officials in both districts periodically coordinated with the Office of Workers' Compensation Programs to initiate actions to resolve case issues. However, one district had difficulty getting responses from the Office of Workers' Compensation Programs on the medical status of employees.

In addition, the Postal Service could be paying medical charges for nonwork-related injuries for separated employees. In the Central Florida District, a separated employee received medical treatment for nonwork-related injuries totaling approximately \$350,000. The injury compensation manager made numerous written requests for the Office of Workers' Compensation Programs to review this case, but the requests were unanswered for 6 years. We plan to conduct a follow-up audit on this issue.

Management addressed one area of concern in our report regarding the periodic roll categories. Management indicated the periodic roll category limited duty should be changed to partial wage-earning capacity as defined by the Department of Labor. Management noted limited duty is a term used by the Postal Service and provided to employees injured at work who are unable to perform their regular duties.

Our report did not contain recommendations. However, we reviewed management's comments and other supporting documentation and revised the report to reflect the title used by the Department of Labor.

⁸ The Office of Workers' Compensation Programs classifies injured employees on the periodic roll in five categories. One category—no wage earning capacity or reemployment not determined, consists of employees on the periodic roll who have permanent disabilities or injuries that have lasted or expected to last for prolong periods over 1 year.

Postal Service's Injury Compensation Program – Past and Present (Product Number HM-OT-04-001 Dated December 10, 2003)

This report is one of two reports that provide a history of the Postal Service's Injury Compensation Program (Postal Service Program).⁹ This report provides an informational primer to help facilitate critical evaluations of future program initiatives. It encompasses the inception of Postal Service operations in July 1971 through December 2003. This report includes the following:

- Chargeback Cost data.
- Management Challenges related to the Postal Service Program.
- History of the Federal Employees' Compensation Act (the act) and the Postal Service Program.
- Role and Structure of both the Postal Service and the Department of Labor, Office of Workers' Compensation Programs (Workers' Compensation Programs).
- Administration of the act and Funding of Workers' Compensation and Postal Service Programs
- Entitlements to Benefit Injured Federal Employees.
- Roles and Responsibilities and Discussion of the claims process.
- Current Postal Service Program initiatives.
- Program Oversight.

The report was written for informational purposes to benefit Postal Service and OIG management and did not contain recommendations to Postal Service management. Therefore, no formal response from Postal Service management was requested or required.

⁹The second report refers to this report, Compendium of Prior Audits Addressing the Postal Service's Injury Compensation Program (Report Number HM-OT-04-002, dated December 10, 2003).

REPORT SUMMARIES ON CLAIMS PROCESSING

**Northern Virginia
District's Process for
Submitting,
Controverting, and
Challenging Injury
Claims (Report
Number
HC-AR-99-001, Dated
September 29, 1999)**

We conducted a review in the Postal Service Northern Virginia District on the timeliness, controverting, and challenging of injury claims. We found the Northern Virginia district supervisors and injury compensation specialist did not always properly controvert and challenge injury claims. The injury compensation manager did not establish adequate management controls over injury claims to ensure policies and procedures established by the Postal Service and the Federal Employees' Compensation Act were followed.

We recommended management hold supervisors accountable for submitting injury claims in a timely manner. In addition, managers should be directed to reemphasize the importance of applying existing procedures when processing and reviewing injury claims and to develop additional management controls over injury claims.

Management agreed with eight recommendations and disagreed with three recommendations. Specifically, management agreed to develop a management tool and a separate injury management kit that can be used to ensure supervisors submit injury claims in a timely manner. In addition, management agreed to apply existing procedures when processing and reviewing injury claims. However, management did not agree to review and validate time lag data, stating this could be validated through the Department of Labor Agency Query System. Management also did not agree to ensure claim control registers are substantially completed for all open and future claims case files. They stated maintaining claim control registers was guidance in their procedures, but was not a requirement. Finally, management did not agree to provide original claim forms to the Office of Workers' Compensation Programs.

Allegation Concerning the Middlesex District Injury Claim Form CA-1 (Report Number HC-MA-00-001, Dated February 29, 2000)

We initiated this review based on a complaint submitted to the OIG Hotline. The complainant alleged the Middlesex Central District's Injury Compensation Control Office (Middlesex Control Office) staff was misusing injury claim Form CA-1, Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation, to request employees' medical information from health care providers.

During this review, we found that since mid-1994, Injury Compensation Control Office staff had inappropriately used Injury Claim Form CA-1 as an authorization to request employees' medical information from health care providers. Control office staff also was not aware of the directive issued by the Office of Workers' Compensation Programs advising the Postal Service to cease using Form CA-1 as an authorization to release medical records to the Office of Workers' Compensation Programs.

We offered management three suggestions for preventing the inappropriate use of Injury Claim Form CA-1 and ensuring that such inappropriate use is not prevalent and widespread throughout the Postal Service.

In response to our recommendations, management took immediate action to prevent inappropriate use of the Form CA-1. A letter was issued directing the district offices not to use Injury Claim Form CA-1 as an authorization to request employees' medical information. Management actions were also responsive to our other recommendations.

Allegation Concerning the Untimely Submission of Injury Claims, Albuquerque District (Report Number HC-MA-00-002, Dated March 21, 2000)

In the area of claims processing, we issued a report regarding the untimely submission of claims in the Albuquerque District. A review of 246 injury claims found Postal Service managers were submitting injury claims on an average of 21 days late. The auditors found late claims submissions occurred because the district's senior management did not enforce internal policies and procedures requiring supervisors to file injury claims in a timely manner. Further, they did not have a system for holding supervisors accountable, and as a result, the Postal Service could be subjected to legal remedies, including criminal penalties.

We recommended Postal Service managers develop a policy detailing supervisory responsibilities for processing

injury claims and establish sanctions for supervisors who fail to submit injury claims in a timely manner. In addition, injury compensation training should be required and conducted annually for all Postal Service supervisors.

Management agreed injury compensation training for supervisors is desirable, but did not agree training should be mandatory. Management advised us the Postal Service requires only two training classes, Ethics and Sexual Harassment. Management is currently revising the training program for injury compensation professionals and upon its completion will revise the supervisors' portion of training in injury compensation. In the interim, management stated it would encourage Injury Compensation Control Offices in the field to update and use the existing supervisors' training program until a new program is available.

Shared Service Center Injury Compensation Program (Report Number HK-AR-03-002, Dated June 19, 2003)

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 districts¹⁰ into one performance cluster located in Pittsburgh, Pennsylvania. Our audit disclosed 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 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 documentation of program costs and estimated savings, 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

¹⁰ 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.

the program will meet its intended objectives. Specifically, the Postal Service cannot adequately project staffing needs, costs, and return on investment or measure performance.

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

REPORT SUMMARIES ON CONTINUATION OF PAY LEAVE BENEFITS

**South Jersey
Performance
Cluster's Process for
Administering
Continuation of Pay
Leave Benefits
(Report Number
HC-AR-00-001, Dated
September 28, 2000)**

The audit revealed the South Jersey Performance Cluster's process for monitoring continuation of pay leave benefits for injured employees needed improvement. Specifically, supervisors and injury compensation control office staff did not always process and monitor continuation of pay leave benefits properly. Consequently, management controls over the processing of continuation of pay leave benefits were ineffective to prevent 23 unnecessary pay adjustments needed to correct employees' applicable sick, annual, or other leave balances. The cost to process those pay adjustments was estimated at \$1,725. In addition, we identified continuation of pay overpayments totaling about \$822.

To correct the deficiencies associated with continuation of pay leave benefits, we recommended Postal Service managers reissue a district-wide policy requiring supervisors to directly request authorization of continuation of pay before any leave entries are made in the payroll system. In addition, Postal Service managers should establish management controls for monitoring continuation of pay usage and implement a new management control procedure for reconciling continuation of pay time and attendance reporting.

Management agreed with our recommendations and stated corrective actions will be implemented at the beginning of FY 2001.

**Erie Performance
Cluster's Process for
Administering
Continuation of Pay
Leave Benefits
(Report Number
HC-AR-00-002, Dated
September 28, 2000)**

Our audit identified opportunities for improving the process of administering leave benefits received after a traumatic workplace injury. Specifically, the auditors found supervisors did not always request authorization before providing leave benefits. In addition, the staff did not always monitor and accurately calculate this benefit for employees.

We recommended management require advance authorization for continuation of pay leave benefits before any leave entries are made in the payroll system; perform weekly reconciliation of employees' continuation of pay hours before time accounting is finalized in the payroll system; and require specialists include the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet in the injury claim files to facilitate review of the files.

Management agreed with our recommendations and implemented corrective actions by instituting a new management control procedure to perform front-end reconciliation of continuation of pay hours and instructing the manager, Injury Compensation, to use the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet to document all injury claim files. Management also issued a district-wide policy requiring all supervisors to follow Postal Service guidelines for timekeeping and accounting and management control procedures for the proper completion of all continuation of pay leave requests.

Lancaster Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (Report Number HC-AR-00-003, Dated September 28, 2000)

The audit revealed the Lancaster Performance Cluster's process for monitoring continuation of pay leave benefits for injured employees needs improvement. Specifically, supervisors and injury compensation control office staff did not always process and monitor continuation of pay leave benefits properly. Consequently, management controls over the processing of continuation of pay leave benefits were ineffective to prevent 51 unnecessary leave and earnings pay adjustments totaling \$3,825. In addition, we identified continuation of pay overpayments totaling about \$328.

We recommended management require advance authorization for continuation of pay leave benefits before any leave entries are made in the payroll system; perform weekly reconciliation of employees' continuation of pay hours before time accounting is finalized in the payroll system; and require specialists to include the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet in the injury claim files to facilitate review of the files.

Management agreed with our recommendations and implemented corrective actions.

Cleveland Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (Report Number HC-AR-01-001, Dated September 28, 2001)

The audit revealed the Cleveland Performance Cluster's process for monitoring continuation of pay leave benefits for injured employees needs improvement. Specifically, supervisors did not always request authorization before continuation of pay leave benefits were paid to employees and injury compensation staff did not always properly monitor continuation of pay leave usage. Consequently, management controls over the processing and monitoring of continuation of pay leave benefits were ineffective to prevent 221 unnecessary leave and earnings pay adjustments. The cost to process those pay adjustments was estimated at \$16,575. In addition, we identified continuation of pay overpayments totaling about \$5,505, which represents funds that could have been put to better use.

We recommended management require advance authorization for continuation of pay leave benefits before any leave entries are made in the payroll system; perform weekly reconciliation of employees' continuation of pay hours before time accounting is finalized in the payroll system; and require specialists to include the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet in the injury claim files to facilitate review of the files.

Management agreed with our recommendations and stated corrective actions will be implemented at the beginning of FY 2002. Management also requested information from the audit working papers on specific injury claim numbers that required pay adjustments or had overpayments. The audit team provided the requested information.

Columbus Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (Report Number HC-AR-01-002, Dated September 28, 2001)

The audit revealed the process for monitoring continuation of pay leave benefits for injured employees needed improvement. Specifically, supervisors did not always request authorization before continuation of pay leave benefits were paid to employees and injury compensation staff did not always properly monitor continuation of pay leave usage. Consequently, management controls over the processing and monitoring of continuation of pay leave benefits were ineffective to prevent 57 unnecessary leave and earnings pay adjustments. The cost to process those pay adjustments was estimated at \$4,275. In addition, we identified continuation of pay overpayments totaling about \$6,902, which represents funds that could have been put to better use.

We recommended management require advance authorization for continuation of pay leave benefits before any leave entries are made in the payroll system; perform weekly reconciliation of employees' continuation of pay hours before time accounting is finalized in the payroll system; and require specialists to include the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet in the injury claim files to facilitate review of the files.

Management agreed with our recommendations and stated corrective actions will be implemented at the beginning of FY 2002.

Closure Letter on Our Audit of the Continuation of Pay Leave Benefits in the Allegheny Area (Dated October 26, 2001)

In April 2000, we initiated multiple audits in the Allegheny Area to review the process for administering continuation of pay leave benefits. Subsequently, we issued separate reports for Cleveland, Columbus, Erie, Lancaster, and South Jersey Performance Clusters and completed fieldwork in the Philadelphia Performance Cluster. Because our reported work had not identified areas of significant risk to Postal Service operations, we discontinued our audit work on continuation of pay leave benefits in the Allegheny Area. Thus, we did not issue a report for the Philadelphia Performance Cluster or a summary roll-up report for the Allegheny Area as previously planned. Instead, we reallocated the audit resources to other audit projects we identified as higher risks.

Summary of Recommendations

In our previously issued 16 reports (excluding this report, one closeout letter, and two other information reports wherein no recommendations were made), we provided Postal Service management with 50 recommendations. Although we have not confirmed, in all cases, the recommendations made have been implemented, we would like to take this opportunity to reemphasize the importance of those recommendations on the Postal Service's Injury Compensation Program. The implementation of the reported recommendations would assist management in addressing the major management challenges inherent to the Postal Service's Injury Compensation Program.