



Office of Inspector General | United States Postal Service

Audit Report

Recovery for Private Party Damage to Postal Service Vehicles

Report Number 20-177-R20 | September 10, 2020

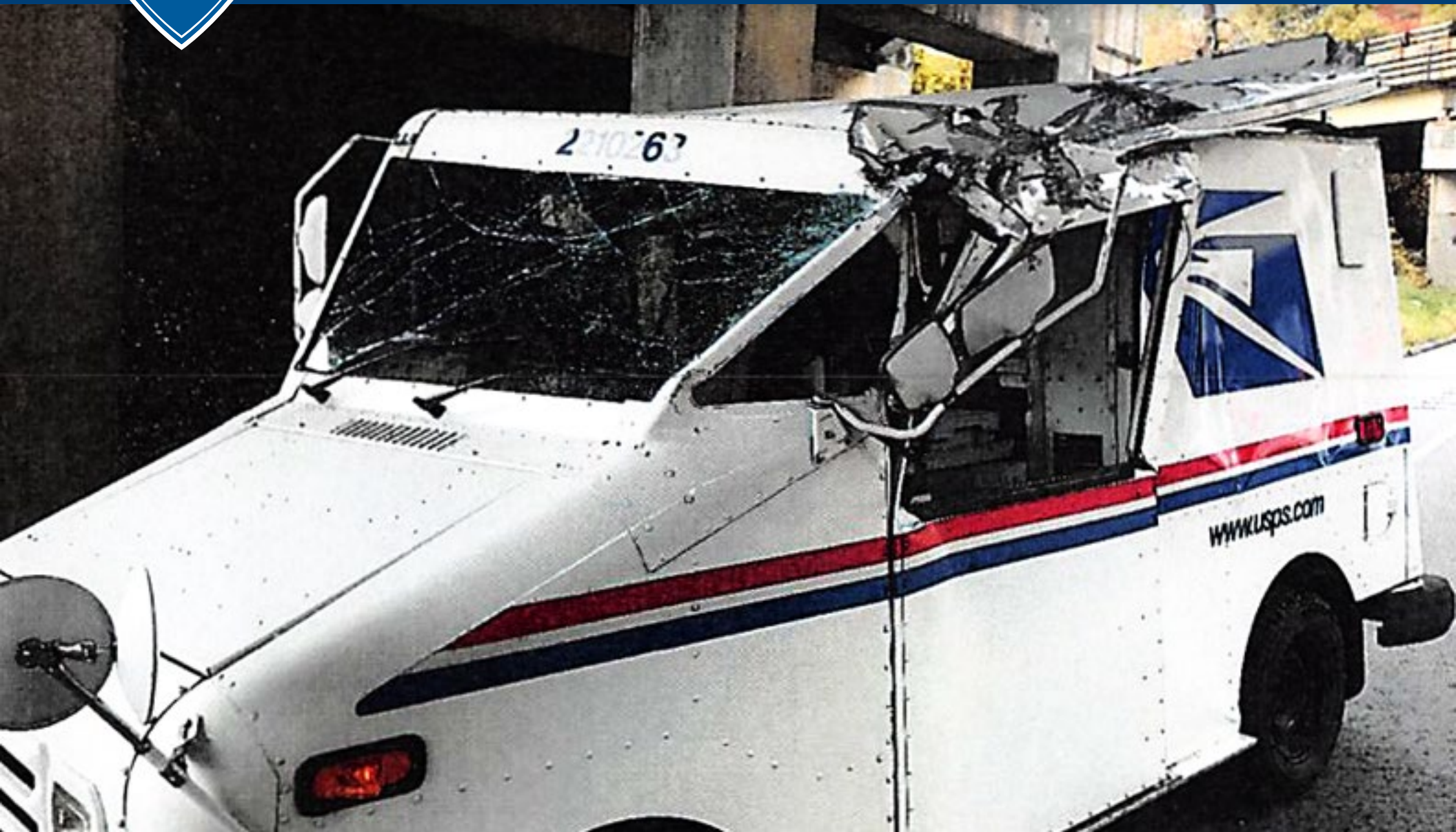


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Highlights

Objective

Our objective was to assess the effectiveness of management controls over recoveries for private party damage to U.S. Postal Service vehicles.

The Postal Service maintains one of the nation's largest fleets, with over 200,000 vehicles used for daily operations. In fiscal years (FY) 2018 and 2019, Postal Service vehicles were involved in over 58,000 motor vehicle accidents nationwide. The Postal Service can potentially recover the cost of damages to Postal Service vehicles as a result of accidents involving private parties. Postal Service policy requires recovery be initiated when the amount of damage to Postal Service property is estimated at \$100 or more if the accident investigation establishes the private party is partially or fully at fault. In FYs 2018 and 2019, the Postal Service recovered more than \$16 million from private parties for damages they caused to Postal Service vehicles.

The Tort Claim Coordinator (TCC) in each district office is the official responsible for initiating and negotiating recoveries on behalf of the Postal Service. Upon notification of a private party at fault accident, the TCC initiates a largely manual process of obtaining accident investigation documentation prepared by local supervisors, evaluating liability, calculating damage costs, and issuing a demand letter for payment.

Postal Service accident recovery information is contained in the following three Postal Service data systems:

- *Employee Health and Safety* contains accident investigation reports and forms completed and inputted by local supervisors.
- *Tort Claims System* contains tort claim and accident recovery data used by district TCCs.
- *Solution for Enterprise Asset Management* contains accident repair costs entered by vehicle maintenance facilities staff.

The Postal Service's National Tort Center (NTC) in St. Louis, MO provides centralized support to district TCCs for the tort program. Headquarters, Delivery

Operations, establishes guidance and policies for accident investigations conducted by district TCCs and supervisors in delivery units.

We initiated our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

Findings

Management controls over recoveries for private party damage to Postal Service vehicles were not always effective. Based on our analysis of a judgmental sample of 68 motor vehicle accidents occurring during FYs 2018 and 2019 in the four districts with the potential for recovery, we identified the following deficiencies:

- Thirty-three of 68 (49 percent) motor vehicle accidents were not settled appropriately. Specifically, the noted cases were settled for less than what the Postal Service was entitled to or a demand for recovery was never made.
- Forty-nine of 68 (72 percent) motor vehicle accidents had missing or incomplete required forms and documentation in the accident files.
- Data for 43 of 68 (63 percent) motor vehicle accidents were incomplete or inaccurate in the Tort Claims System. Specifically, key fields including "Employee Action" [REDACTED] data) and "Employee Health and Safety Number" were left blank. In addition, we analyzed 29,531 accidents that occurred in FY 2019 and found 4,768 of the [REDACTED] data fields were left blank in the Tort Claims System.

These conditions occurred because:

- TCCs lacked sufficient training.
- District management did not provide adequate oversight.

- The Tort Claims System lacked automated controls to detect whether all required accident case information was entered by TCCs and to alert Postal officials of needed action.

In addition, we noted that these issues were exacerbated by differences in the amount of time each district TCC spent on these duties and the TCC reporting structure.

Both the Chief Operating Officer (COO) and NTC had already recognized these issues and the COO requested the NTC initiate a 12-week pilot program in May 2019 in 14 districts to determine whether these functions should become full-time positions. Pilot program results indicated that changes could sharply increase collections.

We estimated the Postal Service could have recovered an additional \$52,538 annually for the 33 motor vehicle accidents we reviewed that were not settled appropriately.

Recommendations

We recommended the Vice President, Delivery Operations, coordinate with the National Tort Center to:

- Provide district TCCs training on accident recovery settlements and related processes.
- Update Postal Service policy to require periodic management review of recoveries for private party damages to Postal Service vehicles.
- Evaluate the TCC reporting structure and identify changes to enhance the effectiveness of the structure, which could include transferring supervisory oversight of the district TCC function, duties, and responsibilities to the NTC.

We recommended the Vice President, Delivery Operations:

- Reinforce requirements to complete and submit required accident investigation forms and documentation to TCCs in established timeframes and the importance of recording accurate and updated accident information in the Tort Claims System.

We recommended the Vice President, Delivery Operations, coordinate with the National Tort Center to:

- Evaluate implementation of automated controls in the Tort Claim System to require data in essential fields such as the “Employee Action” and “Employee Health and Safety Number” and require alerts when cases have exceeded reasonable time thresholds without a file or demand status change.

Transmittal Letter




OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 10, 2020

MEMORANDUM FOR: DR. JOSHUA D. COLIN
VICE PRESIDENT, DELIVERY OPERATIONS

FRANK M. BARTHOLF
MANAGING COUNSEL, GENERAL LAW SERVICE CENTER

Janet Sorensen 

FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Retail, Delivery, & Marketing

SUBJECT: Audit Report – Recovery for Private Party Damage to Postal
Service Vehicles (Report Number 20-177-R20)

This report presents the results of our audit of the Recovery for Private Party Damage to Postal Service Vehicles.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Rita F. Oliver, Director, Delivery and Retail Operations, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Recovery for Private Party Damage to Postal Service Vehicles (Project Number 20-177). Our objective was to assess the effectiveness of management controls over recoveries for private party damage to U.S. Postal Service vehicles. See [Appendix A](#) for additional information about this audit.

We initiated our fieldwork before the President of the United States issued the national emergency declaration concerning the novel coronavirus disease outbreak (COVID-19) on March 13, 2020. The results of this audit do not reflect process and/or operational changes that may have occurred as a result of the pandemic.

Background

The U.S. Postal Service maintains one of the nation's largest vehicle fleets, with over 200,000 vehicles used for daily operations. In fiscal years (FY) 2018 and 2019, Postal Service vehicles were involved in over 58,000 motor vehicle accidents nationwide. The Postal Service can potentially recover the cost of damages to its vehicles as a result of accidents involving private parties.

“Management controls over recoveries for private party damage to Postal Service vehicles were not always effective.”

Postal Service policy requires recovery be initiated when the amount of damage to Postal Service property is estimated at \$100 or more if the accident investigation establishes the private party is partially or fully at fault. For FYs 2018 and 2019, the Postal Service recovered more than \$16 million from private parties for damages they caused to Postal Service vehicles, with the average district recovering more than \$224,000 during the period.¹

The Tort Claim Coordinator (TCC) in each district office is the official responsible for initiating and negotiating recoveries on behalf of the Postal Service. Upon notification of a private party at fault accident, the TCC initiates a largely manual process of obtaining accident investigative documentation prepared by local supervisors, evaluating liability, calculating damage costs, and issuing a demand letter for payment. See [Appendix B](#) for a flowchart on the recovery process.

Postal Service accident recovery information is contained in the following three Postal Service data systems:

- *Employee Health and Safety (EHS)* contains accident investigation reports and forms completed and inputted by local supervisors.
- *Tort Claims System* contains tort claim and accident recovery data used by district TCCs.
- *Solution for Enterprise Asset Management (SEAM)* contains accident repair costs entered by vehicle maintenance facilities staff.

The Postal Service National Tort Center (NTC) in St. Louis, MO, provides centralized support to district TCCs for the tort program. Headquarters, Delivery Operations, establishes guidance and policies for accident investigations conducted by district TCCs and supervisors in delivery units.

Finding #1: Private Party Recoveries Not Settled Appropriately

Management controls over recoveries for private party damage to Postal Service vehicles were not always effective. Based on our analysis of a judgmental sample of 68 motor vehicle accidents occurring during FYs 2018 and 2019 in the four districts² with the potential for recovery, we identified 33 accidents (49 percent) that were not settled appropriately. Specifically, we noted cases were settled for less than what the Postal Service was entitled to or a demand for recovery was

¹ The average district calculation does not include recoveries made by headquarters organizations.

² We selected one higher performing district (the Connecticut Valley District) and three lower performing districts (the Appalachian, New York, and Richmond districts) for review, based on the recovery amounts made by these districts during this two-year period. The Connecticut Valley District recovered more than \$875,000 and the Appalachian, New York, and Richmond districts each recovered less than \$21,000.

never made. We estimated the Postal Service could have recovered an additional \$105,075 for FYs 2018 and 2019 for the 33 accidents we reviewed that were not settled appropriately and an estimated \$105,075 could be recovered for FYs 2020 and 2021 (see Table 1).³

Table 1. OIG Analysis of FYs 2018 and 2019 Accidents Not Settled Appropriately

District	Judgmental Sample of Accidents Reviewed ⁴	Number of Accidents Not Settled Appropriately	Percentage of Accidents Not Settled Appropriately	Eligible Damages Amount Not Recovered ⁵
Richmond	8	8	100%	\$33,470
Appalachian	8	7	88%	\$32,520
Connecticut Valley	44	12	27%	\$22,504
New York	8	6	75%	\$16,581
Total	68	33	49%	\$105,075

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of accident case files, SEAM, and EHS.

Our analysis showed the following recovery errors in the 68 accident files:

- Sixteen accidents (24 percent) had no letters of demand for recovery issued by the district TCCs.

- Four accidents (6 percent) (not included with the 16 accidents stated above) had no demand for recovery by the district TCC at the time of our audit fieldwork; however, as a result of our work, management implemented corrective action and initiated collection.
- Three accidents (4 percent) (not included with the 16 accidents stated above) had a demand for recovery. However, when settlement was never reached, the demand was not referred to the Accounting Service Center as required.⁶
- Ten accidents (15 percent) were settled for less funds than the Postal Service was entitled to receive for vehicle damages (see Table 2).⁷

Based on our analysis of a judgmental sample of 68 motor vehicle accidents occurring during FYs 2018 and 2019 in the four districts with the potential for recovery, we identified 33 accidents (49 percent) that were not settled appropriately.



³ We estimated a total unrecoverable revenue loss of \$210,150.

⁴ The judgmental sample we reviewed from each district was not proportional to the total number of accidents with the potential for recovery. In addition, after completing the review of the Connecticut Valley District, we reduced the size of our samples for the remaining three districts due to data limitations noted in the report.

⁵ The eligible damage amount not recovered includes the costs of repair or towing costs not recovered by the TCC. It may not include the eligible costs for loss of use, if sufficient data was not maintained in the accident file to calculate the amount.

⁶ When payment is not received for a demand within 60 days after the first letter of demand is made, TCCs should complete Postal Service (PS) Form 1902, *Justification for Billing Accounts Receivable*, and forward a copy of the complete case file to the San Mateo Accounting Service Center for collection.

⁷ The TCCs did not include a rationale in the accident file for accepting less than the full amount they had demanded from the private party.

Table 2. Status of Cases Reviewed

Case Status	Settled Appropriately	Low Recovery Districts			High Recovery District	Totals
		Appalachian	New York	Richmond	Connecticut Valley	
Settled Appropriately - Collected and Closed	Yes	1	0	0	11	12
Settled Appropriately - No Demand Made	Yes	0	2	0	21	23
Settled for Less Than USPS was Entitled	No	0	0	1	9	10
Demand Made but Never Settled	No	1	0	1	1	3
Corrective Action - Recent Demand Made ⁸	No	4	0	0	0	4
Demand Never Made but Should Have Been	No	2	6	6	2	16
Total	Yes = 35 No = 33	8	8	8	44	68

Source: OIG analysis of accident case files, SEAM, and EHS.

Our analysis showed the Appalachian, New York, and Richmond districts recovered significantly less than the Connecticut Valley District. See [Appendix C](#) for additional information on low and high performing districts. The three lower performing districts made little or no effort to recover private party damage to Postal Service vehicles. While the Connecticut Valley District appropriately pursued recoveries for 20 of the 23 accidents we reviewed, nine were settled for less funds than the Postal Service was entitled to receive for vehicle damages.

Postal Service policy⁹ requires the investigation of accidents that involve its operations, with particular emphasis on those in which a tort claim may be filed by or against the Postal Service. Policy¹⁰ also requires that when Postal Service property is damaged by a private party, the Postal Service should promptly determine the cost of repair or replacement and the TCC must initiate a claim for restitution when the amount of damage is \$100 or more, and it has been established that the private party is at fault. If repairs cannot be made promptly,

the TCC should request payment for the estimated cost of labor and material required to repair the damage.

These conditions occurred because TCCs lacked sufficient training to appropriately settle and recover the correct monetary damages for private party accidents. While most TCCs initially received National Center for Employee Development (NCED) training on the entire tort process, many TCCs needed, but had not received, refresher training on private party recoveries and how to conduct effective settlement negotiations. TCCs stated they have received guidance from the NTC to accept compromise settlements for less than the full amount the Postal Service is entitled to.

In addition, district management did not provide adequate oversight and controls to ensure TCCs consistently followed Handbook PO-701 by conducting periodic management reviews of recoveries. Postal Service policies do not require second

⁸ Recent corrective action taken by TCC to issue a demand for recovery as a result of this audit project announcement.

⁹ Handbook PO-701, *Fleet Management*, Section 261.21, updated with *Postal Bulletin* revisions through October 23, 2008.

¹⁰ Handbook PO-701, Section 263.11, updated with *Postal Bulletin* revisions through October 23, 2008 and Handbook PO-702, *Tort Claims*, Section 244.61, updated with *Postal Bulletin* revisions through December 18, 2008.

level approval or periodic review of recoveries, and management in the four districts we reviewed indicated they had little or no involvement in reviewing and approving actions in the Postal Service vehicle accident recovery process.

“Both the Chief Operating Officer (COO) and NTC recognized the issues with TCC training, varying levels of expertise on the recovery process, and inadequate district management oversight.”

In addition, we noted that these issues were exacerbated by differences in the amount of time each district TCC spent on these duties and the TCC reporting structure. Based on our interviews, the responses to our national survey, and our review of the NTC May 2019 TCC pilot program, we noted that:

- TCCs lacked sufficient time to pursue and process accident demand actions because they were routinely required to perform other TCC functions (i.e. Tort Claims), and other district duties. Respondents to our national survey of the district TCCs indicated the TCC function was an additional duty for many of them, with only 49 percent identifying it as a full-time position. Respondents also indicated they spent an average of 53 percent of their time conducting tort claims duties, 16 percent conducting recovery duties, and 31 percent on non-TCC related activities. Furthermore, we found TCCs in the 10 highest performing districts devoted more than double the amount of their time¹¹ (22 percent) to recoveries than in the 10 lowest performing districts (10 percent). For example, in the Connecticut Valley, the TCC was a full-time position with a back-up TCC also assigned, which allowed more time to pursue and process recoveries when they occurred, instead of working on them when priorities allowed.

- The current TCC reporting structure may be inadequate to ensure TCCs are focused on recoveries and that they receive sufficient instruction and oversight on conducting proper claim evaluations, negotiating more complex claims, and initiating more demands for damages to Postal Service vehicles. Our survey results showed TCCs primarily reported to the Manager, Delivery & Customer Services Programs (69 percent), or the Manager, Operations Program Support (27 percent), while others reported to the District Manager, Plant Manager, or Manager, Safety/Human Resources (see Table 3).

Table 3. District TCCs Reporting Structure

District TCC Supervision	Number of TCCs	Percentage of TCCs
Manager or Acting Manager, Delivery & Customer Services Programs	57	69%
Manager or Acting Manager, Operations Programs Support	22	27%
District Manager	1	1%
Manager, Operations Support	1	1%
Manager, Safety/Human Resources	1	1%
Plant Manager	1	1%
Total	83	100%

Source: OIG survey results received as of April 22, 2020.

Both the Chief Operating Officer (COO) and NTC recognized the issues with TCC training, varying levels of expertise on the recovery process, and inadequate district management oversight. The COO requested the NTC initiate a 12-week pilot program in 14 districts in May 2019 to determine whether these functions should become full-time positions dedicated to tort claims and demands, reporting directly to the NTC. The pilot identified several improvements to include

¹¹ In addition, five TCCs stated they believe additional TCCs were needed for their district and 10 stated they needed additional time to focus on recoveries.

transferring the accident and recovery duties to TCCs in a dedicated full-time position. Furthermore, the NTC pilot results indicated that TCCs supervised by NTC managers, who were knowledgeable about accident recovery and settlement processes, could sharply increase collections.

Improved training, management controls, and oversight could improve recoveries for damages caused by private parties.

Recommendation #1

We recommended the **Vice President, Delivery Operations**, coordinate with the National Tort Center to provide district Tort Claim Coordinators training on accident recovery settlements and related processes.

Recommendation #2

We recommended the **Vice President, Delivery Operations**, coordinate with the National Tort Center to update Postal Service policy to require periodic management review of recoveries for private party damages to Postal Service vehicles.

Recommendation #3

We recommended the **Vice President, Delivery Operations**, coordinate with the National Tort Center to evaluate the Tort Claim Coordinator reporting structure and identify changes to enhance the effectiveness of the structure, which could include transferring supervisory oversight of the district Tort Claim Coordinator function, duties, and responsibilities to the National Tort Center.

Finding #2: Missing or Incomplete Forms and Documentation

Our review of accident file documentation in the four districts found 49 of 68 (72 percent) had missing or incomplete forms and documentation. The deficiencies included the following:

- Seven accidents with no accident case file.
- Twenty-four accident files were either missing or had only a partially completed PS Form 1700, *Accident Investigation Worksheet*, without key information such as the required scale diagram of the accident scene.
- Eleven accident files were either missing or had only a partially completed PS Form 1769, *Accident Report*.
- Forty of the accident files were missing the required Standard Form (SF) 91, *Operator's Report of Motor Vehicle Accident*.
- Seventeen files were missing photographs of the accident scene or damage to Postal Service property.
- Eighteen files were missing repair cost information (see [Table 4](#)).

“Our review of accident file documentation in the four districts found 49 of 68 (72 percent) had missing or incomplete forms and documentation.”

Table 4. Missing or Incomplete Accident File Forms or Documentation

District	Accidents Reviewed	Missing or Incomplete Forms and Documentation	Missing Case File	Missing or Incomplete		SF 91	Missing	
				PS Form 1700	PS Form 1769		Photos	Repair Cost Data
Appalachian	8	6	0	2	1	4	1	2
Connecticut Valley	44	27	0	7	3	22	2	3
New York	8	8	7	7	7	7	7	7
Richmond	8	8	0	8	0	7	7	6
Totals	68	49	7	24	11	40	17	18

Source: OIG analysis of accident case files.

Postal Service policy¹² states that within 24 hours of the accident, copies of the SF 91 and PS Form 1700 should be sent to the postmaster or installation manager (or the designee) while the original SF 91, PS Form 1700, photographs, witness statements, and/or police reports associated with the accident are to be sent to the district TCC. The district TCC is required to retain copies of all submitted materials.

These conditions occurred because Postal Service officials did not always complete required accident investigation forms¹³ or forward these documents timely to TCCs. In addition, TCCs did not always follow-up timely with officials to obtain the accident documentation. TCCs informed us that they had other higher

priorities and did not always consistently follow-up to obtain the documentation. Further, district management did not provide adequate oversight and controls to ensure TCCs consistently followed Handbook PO-701.

Missing or inaccurate information in the accident files could impact TCCs efforts to establish if a recovery is warranted, identify the at fault party, ensure a fair settlement to collect for damages to vehicles, and defend itself against potentially improper lawsuits resulting from the accidents.

¹² Handbook PO-701, Section 261.23, updated with *Postal Bulletin* revisions through October 23, 2008.

¹³ Required forms and documentation for accident file include: PS Form 1700, PS Form 1769, SF 91, and photographs.

Recommendation #4

We recommended the **Vice President, Delivery Operations**, reinforce requirements to complete and submit required accident investigation forms and documentation to Tort Claim Coordinators within established timeframes.

Finding #3: Inaccurate Tort Claims System Data

The Tort Claims System used to manage and track potential private party vehicle damage recoveries contained missing or inaccurate information. Specifically, data for 43 of 68 (63 percent) accidents in the four districts we reviewed were incomplete or inaccurate in the Tort Claims System. For example, key fields including “Employee Action” (b) (6) data) and “EHS Number” were left blank.

Table 5. Missing or Incomplete Tort Claims System Information

District	Accidents Reviewed	Missing or Inaccurate Tort Claims System Information	No Record of Accident	Missing or Inaccurate				
				USPS Demand	File Status	Employee Action	EHS Number	Customer or Insurance Information
Appalachian	8	8	0	8	8	1	1	6
Connecticut Valley	44	19	0	3	0	2	2	13
New York	8	8	7	1	0	0	0	1
Richmond	8	8	0	8	4	0	0	3
Totals	68	43	7	20	12	3	3	23

Source: OIG analysis of accident case files and Tort Claims System.

We also analyzed the Tort Claims System’s accident data for FY 2019 and identified missing data in the “Employee Action” (b) (6) field, which is the key designation for TCCs to determine whether a recovery should be made for the Postal Service. Of the 29,531 accidents that occurred in FY 2019, 4,768 of the (b) (6) data fields were left blank. In addition, this field did not appear to

Also, “File Status” and “USPS Demand” fields were not updated timely. The errors included:

- Seven cases had no record of the accident in the Tort Claims System.
- Twenty “USPS Demand” fields and 12 “File Status” fields had missing or inaccurate information recorded.
- Three “Employee Action” fields and 3 “EHS Number” fields had missing or inaccurate information recorded.
- 23 “Customer or Insurance Information” fields had missing or inaccurate information recorded (see Table 5).

directly correspond to whether TCCs made a demand and/or recovery for these accidents. Our analysis also identified TCCs made recoveries from all types of (b) (6) cases, including collections for damage for 183 cases that had blank (b) (6) fields and from 10 cases in which the Postal Service was identified as (b) (6) (see Table 6).

Table 6. FY 2019 Postal Service Motor Vehicle Accidents

	Count of Accident Cases	Count of Accident Cases with a Demand	Sum of Amount Demanded	Count of Accident Cases with a Collection	Sum of Amount Collected
Blank	4,768	257	\$764,998	183	\$478,746
	13,932	18	\$25,693	10	\$7,285
Not	8,985	1,512	\$5,481,422	1,133	\$3,577,029
Other ¹⁴	1,846	140	\$425,973	99	\$187,096
Total	29,531	1,927	\$6,698,086	1,425	\$4,250,156

Source: OIG analysis of Tort Claims System Accident Log Reports.

These conditions occurred because the Tort Claim System lacked automated controls to detect whether all required accident case information was entered by TCCs and to alert Postal officials of needed action, such as exceeding time thresholds for cases without a “File Status” or “USPS Demand” status change. TCCs stated they did not always initiate cases and consistently update the Tort Claims System as additional information was obtained or actions were taken on the case.

Postal Service policy¹⁵ states information resources must be installed and maintained in a manner that ensures the integrity of the information resources and their data. TCCs have also been provided guidance¹⁶ on entering and updating accident and demand information into the Tort Claims System.

Missing or inaccurate information in the Tort Claims System could impact TCCs efforts to establish if a recovery is warranted, identify the at fault party, and ensure a fair settlement to collect for damages to vehicles.

Recommendation #5

We recommended the **Vice President, Delivery Operations**, reinforce the importance of recording accurate and updated information in the Tort Claims System.

Recommendation #6

We recommended the **Vice President, Delivery Operations**, coordinate with the National Tort Center to evaluate the implementation of automated controls in the Tort Claim System to: (1) require data in essential fields such as the “Employee Action” and “Employee Health and Safety Number” and (2) require alerts when cases have exceeded reasonable time thresholds without a file or demand status change.

¹⁴ The other category includes cases designated as Comparative, Contributory, N/A, or Other.

¹⁵ Handbook AS-805, *Information Security*, Section 9-8 Integrity, December 2018.

¹⁶ *Tort Claims Program User Guide*, June 1, 2016.

Management's Comments

Management agreed with the findings and recommendations, and partially agreed with the monetary impact. Management agreed with the monetary impact of \$105,075 identified for FYs 2018 and 2019; however, management did not concur with the total impact of \$210,150. Management stated they did not agree with doubling the initial amount as a means to predict the cost of future damages.

Management stated that while the report reflects issues with the existing Tort Recovery Program that have been previously observed by the NTC, they noted one area of caution for those recoveries made by TCCs were for less than the amount that should have been recovered. Management stated that this determination can be difficult to make without a full understanding of the related tort law and absent the required legal analysis. Further, auditor determinations that amounts recovered for less than appropriate amounts by a TCC should be qualified to state that the records do not indicate why less than the full amount of the demands were recovered.

Regarding Recommendation 1, management agreed to ensure that each District TCC completes the available online Tort Claims training. The target implementation date is March 31, 2021.

Regarding Recommendations 2, 4, and 5, management agreed to provide guidance to the TCCs' managers to complete all required actions. They will also coordinate with the NTC and focus on periodic reviews that will cover required activities and information. The target implementation date is March 31, 2021.

Regarding Recommendation 3, management agreed to review the NTC pilot and associated activities to determine if a change in management oversight is appropriate. The target implementation date is December 31, 2020.

Regarding Recommendation 6, management agreed to coordinate a review with Information Technology and the NTC to determine the level of effort required for the implementation of recommended changes to the Tort Claims System. The target implementation date is March 31, 2021.

See [Appendix E](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and planned actions should resolve the issues identified in the report.

Regarding management's disagreement with the methodology used to determine the monetary impact in future years, we consider this impact to be a conservative forecast of the additional recoveries that could be made through implementation of our recommendations. The forecast is based on the 33 recoveries that were not made from the FYs 2018 and 2019 accidents we reviewed in these four districts and is not based on a projection against the much larger universe of motor vehicle accidents with the potential for recovery. With three of the four districts we reviewed recovering less than 10 percent of the average district recovery amount of more than \$224,000 during the 2-year period, we forecasted at a minimum, that a similar number of accidents and additional recoveries could be made in future years from these districts without corrective actions.

Regarding management's comments related to recoveries made by TCCs for less than the amount that should have been recovered, we agree that additional factors may justify TCCs accepting less than the full amount of damages for an accident. The report included a footnote to clarify that the TCCs did not include a rationale in the accident file for the 10 accidents we identified where TCCs accepted less than the full amount they had demanded from the private party.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

We reviewed FYs 2018 and 2019 accidents where a private party was likely at fault for damaging Postal Service vehicles to assess the effectiveness of management controls over the recoveries. We selected the Appalachian, Connecticut Valley, New York, and Richmond districts for audit based on the amount of recoveries for private party damage made during this two-year period. The Connecticut Valley District recovered more than \$875,000 and the Appalachian, New York, and Richmond districts each recovered less than \$21,000.

To perform this audit, we:

- Reviewed applicable laws, regulations, policies, and procedures related to the Postal Service recoveries process.
- Obtained and analyzed FYs 2018 and 2019 Postal Service property damage recovery data from the Postal Service Enterprise Data Warehouse (EDW) Accounting Data Mart and identified Postal Service vehicle property damage recoveries by area and district.
- Reviewed Postal Service EHS system and Tort Claims System for accident information and SEAM for repair cost data.
- Selected a judgmental sample from each district of accidents based on the accident description indicating a private party may be at fault during FYs 2018 and 2019. We then obtained and reviewed the accident case files for each accident for completeness, accuracy, and appropriateness.
- Analyzed selected accident case files and identified recoveries improperly adjudicated and file deficiencies that could potentially impact the fair

adjudication of a recovery and/or the defense of the Postal Service from potential litigation.

- Interviewed Postal Service officials responsible for recoveries at Postal Headquarters, including Delivery Operations, Fleet Management, and the NTC, as well as, the Appalachian, Connecticut Valley, New York, and Richmond Districts to obtain a better understanding of their recovery processing procedures, controls, and oversight over the process.
- Developed and distributed a nationwide survey¹⁷ (see [Appendix D](#)) to all district TCCs. We analyzed the survey results to identify their experience, training, level of effort, and management's involvement with private party recoveries.

We conducted this performance audit from February through September 2020 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 5, 2020 and included their comments where appropriate.

We assessed the reliability of computer-generated accident data by tracing the accident description from the judgmental sample to the district tort claim/recovery files. We determined that the data were sufficiently reliable for the purposes of this report.

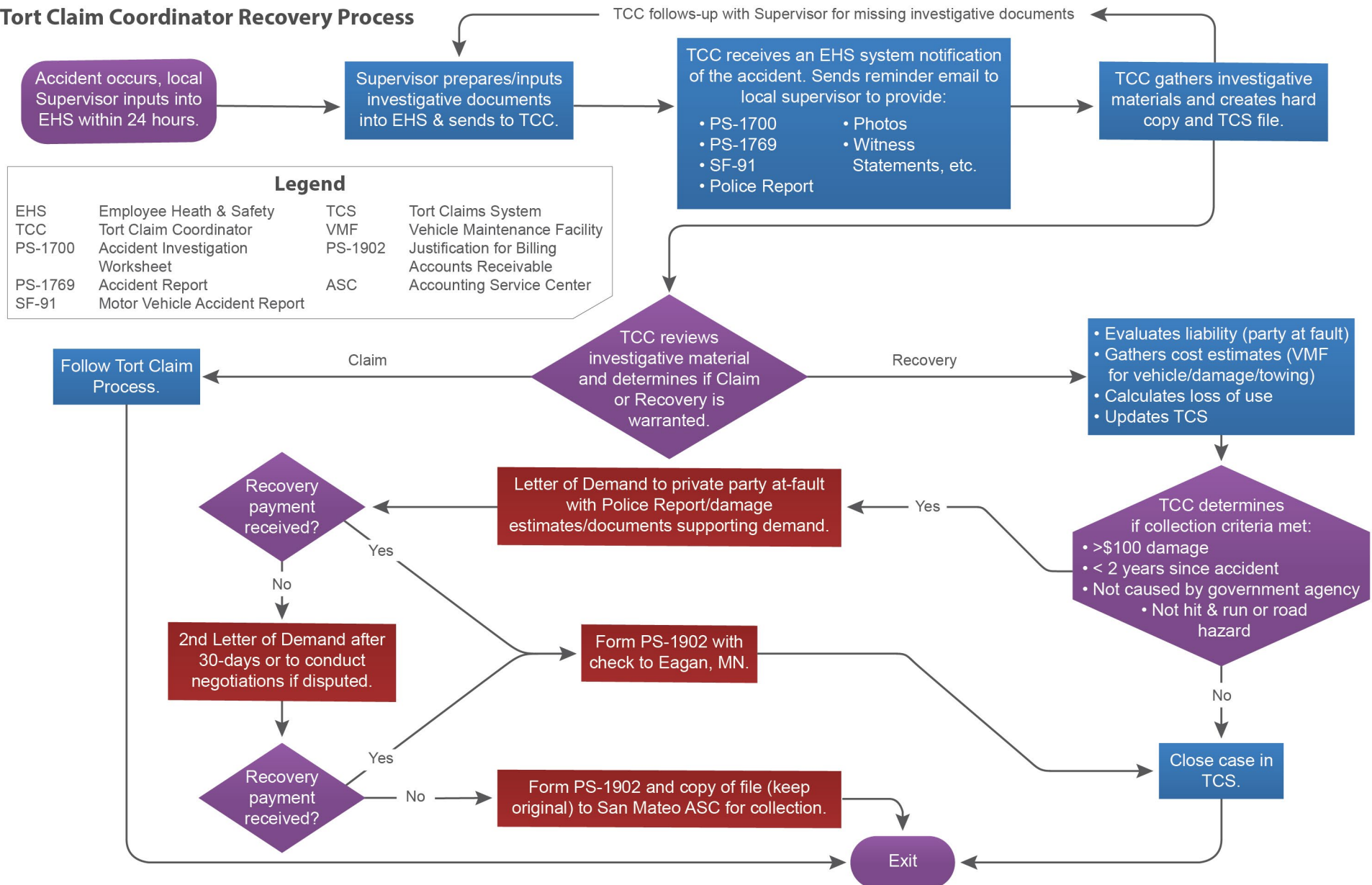
¹⁷ We received 83 responses from district TCCs and backup TCCs to the 111 surveys distributed.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Tort Claims Management — Capital and Houston Districts</i>	Assess the effectiveness of controls over paid tort claims in the Capital and Houston Districts	DR-AR-19-001	11/26/2018	\$421,952
<i>Tort Claims Management — Western Area</i>	Assess the effectiveness of controls over paid tort claims in the Western Area.	DR-AR-18-004	5/8/2018	\$97,409

Appendix B: Recovery Process

Tort Claim Coordinator Recovery Process



Source: OIG Analysis.

Appendix C: Low and High Performing Recovery Districts

Further analysis of the actual vehicle damage recoveries in FYs 2018 and 2019 found wide disparities between the number and amount of damage recoveries made by some districts compared to others. We identified 10 of the 67 districts with the least amount of recoveries, recovering less than \$40,000 in damages each, while ten districts with the highest recoveries were able to recover more than \$480,000 each in the same 2-year period (see Table 7).

Table 7. FY 2018 and 2019 Districts with Most and Least Vehicle Damage Recoveries

District	Count of FYs 2018 and 2019 Vehicle Damage Recoveries	Total Amount of FYs 2018 and 2019 Vehicle Damage Recoveries
Top 10 Most Vehicle Damage Recovery Districts		
Arizona	427	\$1,007,409
Connecticut Valley	234	\$875,925
Baltimore	242	\$717,336
Lakeland	209	\$673,849
Detroit	169	\$668,649
Ohio Valley	143	\$628,120
Northern Ohio	205	\$625,566
Greater Indiana	192	\$607,556
Gulf Atlantic	117	\$524,422
Atlanta	73	\$482,473

District	Count of FYs 2018 and 2019 Vehicle Damage Recoveries	Total Amount of FYs 2018 and 2019 Vehicle Damage Recoveries
Top 10 Least Vehicle Damage Recovery Districts		
Mississippi	12	\$39,738
Alabama	2	\$35,234
Santa Ana	8	\$33,763
Alaska	7	\$25,654
Richmond	5	\$20,923
Appalachian	5	\$13,078
Sierra Coastal	3	\$5,338
Caribbean	3	\$5,159
New York	1	\$4,121
Honolulu	0	\$0

Source: EDW Accounting Datamart General Ledger.

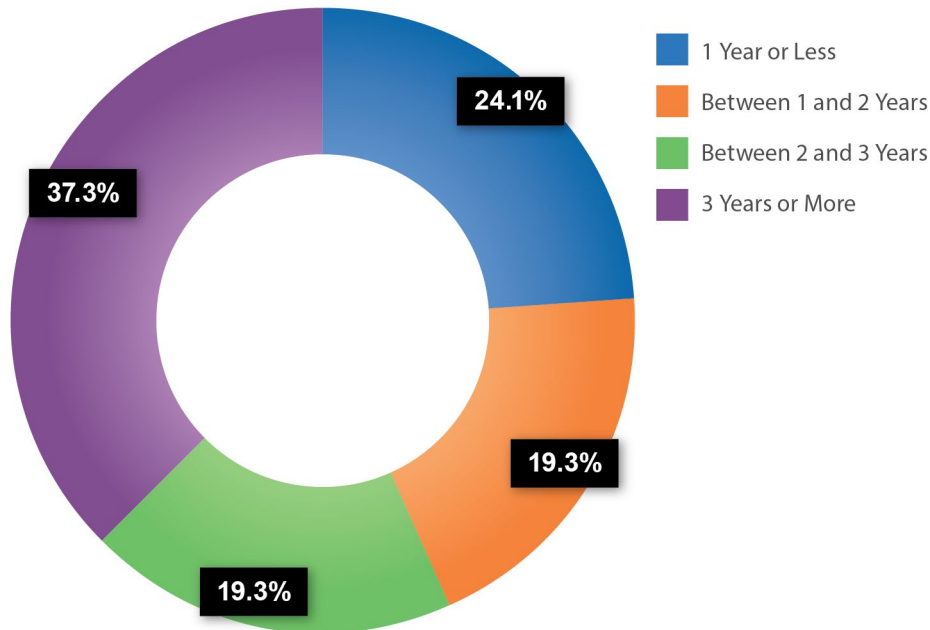
Appendix D: Nationwide TCC Survey Results

This appendix presents results of our survey regarding recoveries of private party damage to Postal Service vehicles. The purpose of our web-based survey was to identify the experience and training of TCCs; process for handling recoveries in the districts by the TCCs; and TCC reporting structure. We received completed responses during March and April 2020 from all 67 districts. The responses included 83 current TCCs and back-up TCCs. Also, 14 districts responded more than once due to multiple TCCs in their districts.

TCC Experience

Twenty out of 83 survey respondents (24.1 percent) stated they have been performing TCC duties for one year or less. More than one-third of survey respondents (37.3 percent) report having 3 years or more experience performing TCC duties (see Figure 1).

Figure 1. TCC Experience Level

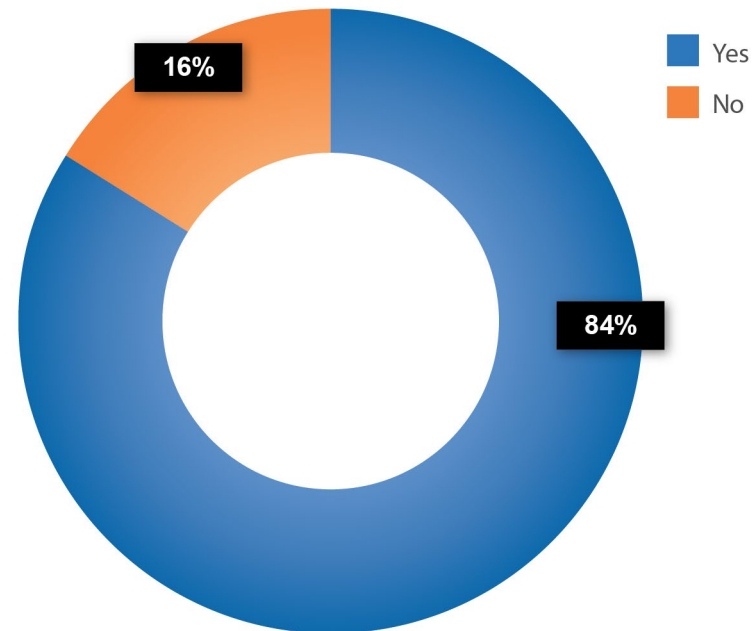


Source: OIG survey results received as of April 22, 2020.

TCC Training

Thirteen of 83 survey respondents (16 percent) stated they have not received any training regarding recoveries of private party damage to Postal Service vehicles (see Figure 2).

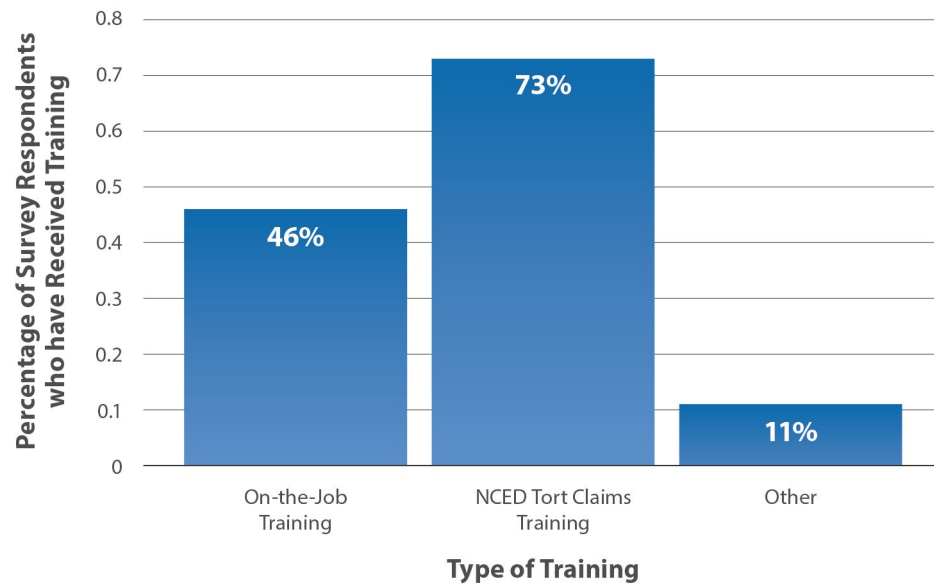
Figure 2. Private Party Recoveries Training



Source: OIG survey results received as of April 22, 2020.

Seventy respondents (84 percent) who have received training¹⁸ regarding private party damage to Postal Service vehicles, stated that the majority of their training (73 percent) was conducted through the NCED Tort Claims Training (see Figure 3).

Figure 3. TCC Training Received

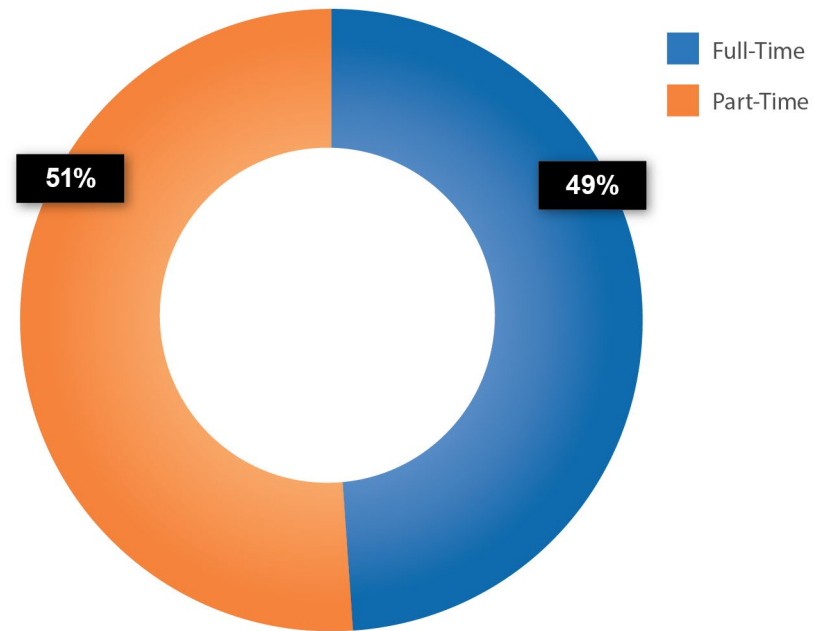


Source: OIG survey results received as of April 22, 2020.

TCC Positions

Forty-one out of 83 respondents (49 percent) stated they were designated as full-time TCC positions while 42 out of 83 respondents (51 percent) stated they were designated as part-time TCC positions (see Figure 4).

Figure 4. Full or Part-time TCC Duties

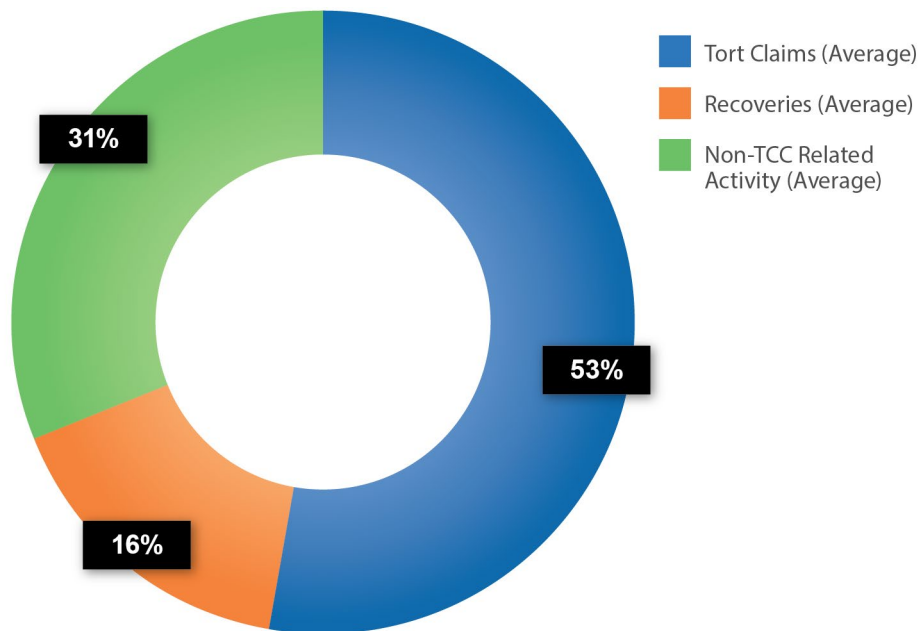


Source: OIG survey results received as of April 22, 2020.

¹⁸ Percentages sum to greater than 100 percent due to respondents having selected multiple methods of trainings.

Eighty-three full-time and part-time TCCs spend an average of 53 percent of their time conducting tort claims duties, 16 percent conducting recovery duties, and 31 percent on non-TCC related activities (see Figure 5).

Figure 5. Average Time Spent on TCC Duties

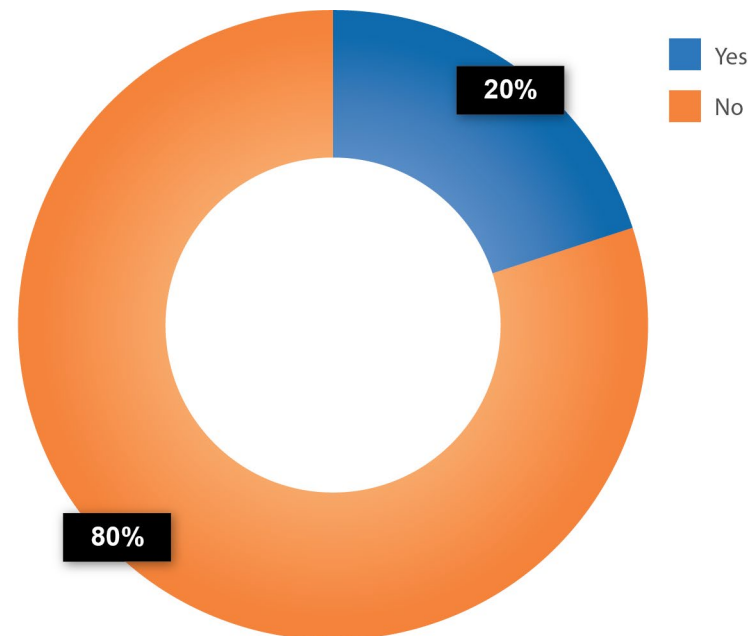


Source: OIG survey results received as of April 22, 2020.

Management Involvement

Sixty-six out of 83 respondents (80 percent) stated there is no second-level review of the TCC recovery process (see Figure 6).

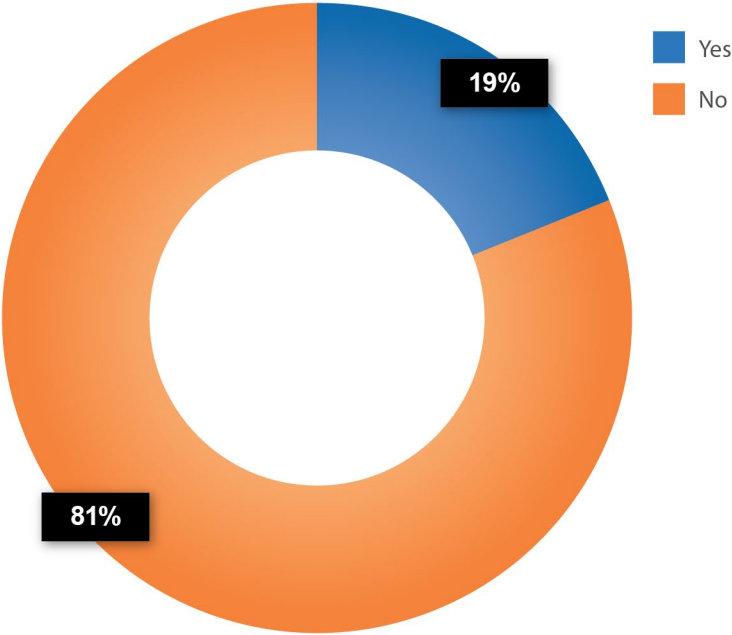
Figure 6. Second-Level Review of TCC Recovery Process



Source: OIG survey results received as of April 22, 2020.

Furthermore, 67 out of 83 respondents (81 percent) stated there is no Area, District, or Local Management involvement in the recovery process (see Figure 7).

Figure 7. Management Involvement in Recovery Process



Source: OIG survey results received as of April 22, 2020.

Appendix E: Management's Comments



August 24, 2020

Lazerick C. Poland
Director, Audit Operations

Sally K. Haring
Manager, Corporate Audit Response Management

**SUBJECT: Recovery for Private Party Damage to Postal Service Vehicles
Project Number 20-177**

In response to the August 7, 2020 request for comments to the Draft Report on the above referenced subject matter I offer the following on behalf of the Law Department's General Law Service Center:

1. The Findings of the Draft Report

The Report reflects issues with the existing Tort Recovery Program that have been previously observed by the National Tort Center ("NTC"). The NTC has been part of the training classes at Norman, OK provided to Tort Claim Coordinators ("TCCs"), has offered advice to them on their recovery work whenever asked, and pursued larger tort recovery matters when requested. Those roles, and our existing more extensive relationship with the TCCs regarding tort claims filed with the Postal Service, have made us aware of inconsistencies among the Districts in the effort expended by TCCs to make recoveries, the specific practices followed and the associated record keeping.

As discussed, these issues began to arise after the 1993 Restructuring when the positions associated with these duties were abolished and the function became an ad hoc duty of Operational Support positions at each District. As time went by, previous full time TCCs left those positions, as did the experts who had supported them from HQ Delivery and Fleet Management. Supervisors and managers in Operations Support who the TCCs report to in the Districts know only a limited amount about the function and are focused on a great many other matters, which gradually led to the deterioration of the program over time. The Law Department has regularly notified Operations managers at the Districts of serious issues that developed related to claim processing, which directly impacted our ability to defend the Postal Service, and provided additional aid and training when requested to bring the function back on line. The General Law Service Center has not been in position to determine why specific problems arose.

We only provide one caution to the investigators regarding the content of the Report. While we are not privy to the full process employed by the investigators, determinations that recoveries made by TCCs were for less than the amount that should have been recovered are difficult to make without a full understanding of the related tort law. While some recoveries can and should be made for the full cost of the damages to postal vehicles, others would correctly be the subject of negotiations. There are often situations where the responsibility for an accident is in dispute and a determination is made by a TCC that the risk of that dispute limiting our recovery in court justifies accepting only a percentage of the full amount of their demand. Additionally, there is a significant legal dispute regarding the fair market value of older postal vehicles such as LLVs, which often makes it appropriate for TCCs to accept less than the amount the Postal Service expends on major repairs of those vehicles. We would advise that absent the required legal analysis, investigator determinations that less than appropriate amounts were recovered by a TCC be qualified so they instead state that the records do not indicate why less than the full amount of the demands were recovered.

2. The Recommendations

The General Law Service Center's National Tort Center agrees with all Recommendations addressed to the Law Department. Given the importance of the TCC function to our ability to defend the Postal Service in tort matters, we are willing to provide any level of training that is necessary, work to update existing regulations to reflect new mandatory management reviews of the function, and help evaluate the reporting structure of the function, including discussion of the possibility of TCC positions reporting directly to the Law Department.

Any such additional training for TCCs and their managers, updating of the regulations, or changes to the reporting structure must involve Operations Management who control the hours and duties of the TCCs. It should be noted that while last year's Law Department TCC Pilot was undertaken with the cooperation and authorization of the Chief Operating Officer, it is still to be determined which Headquarter's Unit will be permanently responsible for the TCC function in the PMG's new structure. At least temporarily it falls under the authority of Retail and Delivery Operations.



Frank Bartholf
Managing Counsel, General Law Service Center

Cc: Kevin Calamoneri, Deputy General Counsel
Wendy Wiedemann, Chief Counsel, Torts

JOSHUA D. COLIN, PhD
VICE PRESIDENT, DELIVERY OPERATIONS



September 4, 2020

LAZERICK C. POLAND
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Recovery for Private Party Damage to Postal Service Vehicles (Project Number 20-002-DRAFT)

Thank you for allowing HQ Delivery Operations the opportunity to address the findings related to OIG Draft Report: Recovery for Private Party Damage to Postal Service Vehicles (Project Number 20-002-DRAFT).

Management would like to note that during fiscal years (FY) 2018 and 2019, the Postal Service recovered more than \$16 million from private parties for damages caused to Postal vehicles and that Districts – on the average - successfully collected more than \$224K during that same period. In addition, while Management agrees with the Monetary Impact of \$105,075 identified for the course of (FY) 2018 and 2019, it does not concur with the analysis used by the OIG to determine the total impact of \$210,150 – simply doubling the initial amount and projecting it forward. Using this process as a means to predict the costs of futuristic damages - most certainly could have exaggerated the total.

Postal Management has always been intent – and will continue strive to collect all monies resulting from third party negligence.

Recommendation 1:

We recommended the Vice President, Delivery and Retail Operations, provide District Tort Claim Coordinators (TCC) training on accident recovery settlements and related processes.

Management: Agrees

Management Response / Action Plan:

HQ Delivery Operations will ensure that each District Tort Claims Coordinator completes the available online Tort Claims training.

Target Implementation Date:

March 2021

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1600
(202) 268-6500
FAX: (202) 268-3331
WWW.USPS.COM

Recommendation 2:

We recommended the Vice President, Delivery and Retail Operations, update Postal Service policy to require periodic management review of recoveries for private party damages to Postal Service vehicles.

Management: Agrees

Management Response / Action Plan:

HQ Delivery Operations will provide guidance to the Managers of TCC to complete all required actions. HQ Delivery Operations will coordinate with the National Tort Center (NTC) and focus on periodic reviews that will cover required activities and information.

Target Implementation Date:

March 2021

Recommendation 3:

We recommended the Vice President, Delivery and Retail Operations, evaluate the Tort Claim Coordinator reporting structure and identify changes to enhance the effectiveness of the structure, which changes to enhance the effectiveness of the structure, which could include transferring supervisory oversight of the District Tort Claims Coordinator function, duties, and responsibilities to the National Tort Center (NTC).

Management: Agrees

Management Response / Action Plan:

HQ Delivery Operations will review the National Tort Center (NTC) pilot and associated activities to determine if a change in management oversight is appropriate.

Target Implementation Date:

December 2020

Recommendation 4:

We recommended the Vice President, Delivery and Retail Operations, reinforce requirements to complete and submit required accident investigation forms and documentation to Tort Claim Coordinators within established timeframes.

Management: Agrees

Management Response / Action Plan:

HQ Delivery Operations will provide guidance to the Managers of TCC to complete all required actions. HQ Delivery Operations will coordinate with the National Tort Center (NTC) and focus on periodic reviews that will cover required activities and information.

Target Implementation Date:

March 2021

Recommendation 5:

We recommended the Vice President, Delivery and Retail Operations, reinforce the importance of recording accurate and updated information in the Tort Claims System.

Management: Agrees

Management Response / Action Plan:

HQ Delivery Operations will provide guidance to the Managers of TCC to complete all required actions. HQ Delivery Operations will coordinate with the National Tort Center (NTC) and focus on periodic reviews that will cover required activities and information.

Target Implementation Date:

March 2021

Recommendation 6:

We recommended the Vice President, Delivery and Retail Operations, coordinate with the National Tort Center to evaluate the implementation of automated controls in the Tort Claim System to: (1) require data in essential fields such as the "Employee Action" and "Employee Health and Safety Number" and (2) require alerts when cases have exceeded reasonable time thresholds without a file or demand status change.

Management: Agrees

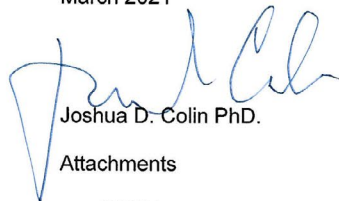
Management Response / Action Plan:

HQ Delivery Operations will coordinate a review with IT and NTC to determine the

level of effort required for the implementation of recommended changes to the Tort Claims System.

Target Implementation Date:

March 2021

A handwritten signature in blue ink, appearing to read "Joshua D. Colin".

Joshua D. Colin PhD.

Attachments

cc: CARM

OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

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