



February 18, 2010

## AREA VICE PRESIDENTS

SUBJECT: Audit Report – Postal Service Absenteeism  
(Report Number HM-AR-10-001)

This report presents the results of our audit of Postal Service Absenteeism (Project Number 09YG016HM000). Our overall audit objective was to determine if the Postal Service's absenteeism rate is comparable with the rate of the private and federal sectors and, if not, to determine the potential causes. We were also asked to determine if sick leave usage by Postal Service employees in the Civil Service Retirement System (CSRS) was less than that of employees in the Federal Employees Retirement System (FERS) who are 3 to 4 years from retirement. This report responds to a request from the Deputy Postmaster General and Chief Operating Officer to review Postal Service absenteeism. This audit addresses financial risk. See [Appendix A](#) for additional information about this audit.

### Conclusion

The Postal Service's total absenteeism rate for major benefits is comparable to the total absenteeism rate of the federal sector, but higher than that of the civilian sector.<sup>1</sup> We identified two potential causes for the difference between the Postal Service and the civilian sector absenteeism rates — the Postal Service offers more leave benefits than the civilian sector and they offer fewer incentives for employees to accumulate leave. In addition, we determined some supervisors were not complying with attendance control procedures related to unscheduled absences. We also determined that CSRS and FERS retirees use comparable amounts of sick leave in the last years before they retire.

### **Comparison to Federal and Civilian Sectors**

The Postal Service's total absenteeism rate for major benefits<sup>2</sup> is comparable to the Office of Personnel Management (OPM) rate for federal employees. However, it was almost double the Bureau of Labor Statistics' (BLS) rate for private industry and

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<sup>1</sup> The Bureau of Labor Statistics (BLS) defines the civilian sector as both the private industry and state and local government sectors.

<sup>2</sup> Major benefits include sick leave, annual leave, personal leave, and holidays.

approximately 4 percent higher than the state and local government rate.<sup>3</sup> The higher absenteeism rates of the Postal Service and the federal sector may be due to the fact that, comparatively, they offer more leave benefits (more hours) and fewer incentives to employees to bank leave. We are not making any recommendations regarding these findings.

### Controls Over Unscheduled Absences

We estimated supervisors did not comply with Postal Service policies and procedures regarding unscheduled absences for at least 11,468 employees nationwide. We identified several causes, including lack of training, supervisors not using the Enterprise Resource Management System (eRMS) as the system of record for controlling unscheduled absences, and insufficient oversight. In addition, Labor Relations indicated they did not have adequate resources to monitor attendance control. As a result, overtime was used to cover 17.4 percent of the unscheduled sick leave<sup>4</sup> and the Postal Service could have saved \$4.0 million in overtime costs by following proper attendance control procedures during the 12-month audit period.<sup>5</sup> Postal Service officials are responsible for administering the leave program and controlling unscheduled absences, while its employees are responsible for avoiding these types of absences.<sup>6</sup> Labor Relations professionals stated they provided supervisors with training on attendance control and advice on proper corrective actions; however, opportunities exist to improve oversight and reduce unscheduled absences. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the area vice presidents require district managers to:

1. Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.
2. Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).
3. Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

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<sup>3</sup> We attempted to quantify comparisons between union and non-union employee absenteeism. However, OPM leave data was provided by agency only and not union vs. nonunion. In addition, we were unable to reconcile data anomalies in the Postal Service's Enterprise Data Warehouse (EDW) and Payroll systems to allow for a union vs. nonunion comparison.

<sup>4</sup> We did not claim monetary impact for unscheduled annual leave because unused annual leave hours represent a liability the Postal Service will pay out whether employees take leave or not.

<sup>5</sup> Unrecoverable questioned costs are costs that are unnecessary, unreasonable or an alleged violation of law or regulation.

<sup>6</sup> *Employee and Labor Relations Manual* (ELM) Issue 19.2, Section 511, April 2008 (updated with *Postal Bulletin* revisions through May 7, 2009).

## Management's Comments

Management generally agreed with the findings and recommendations. Specifically, seven of the eight areas agreed with all three recommendations. Great Lakes area management agreed with recommendations one and two, but disagreed with recommendation three. They stated based on current Memorandums of Understanding (MOUs) with various unions, supervisors, and labor relations specialists should not document corrective actions and grievance data in an open system, because this could be viewed as a violation. Additionally, Eastern and Southeast area management commented on the accuracy of our monetary impact. Management's comments, in their entirety, are included in [Appendix E](#). Some area vice presidents also provided extensive documentation that supports their corrective actions. Although we have not included this information in this report, it is available upon request.

## Evaluation of Management's Comments

Overall, the OIG considers management's comments responsive to the recommendations, and the corrective actions should resolve the issues identified in the report. Regarding the Great Lakes area management's disagreement to recommendation 3, we reviewed the MOUs in question and determined they do not preclude management from implementing this recommendation. Additionally, the Privacy Act restricts disclosure of personally identifiable information by agencies and prescribes penalties for improper disclosure.<sup>7</sup> Our recommendations are consistent with the routine uses contained in Postal Service policy, as all Postal Service employees are responsible for protecting such information, and its use would not excuse improper dissemination that could arise from access and use.<sup>8</sup>

The OIG considers all three recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the Postal Service follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

## Retirement and Sick Leave

CSRS employees receive service credit for unused sick leave at retirement while, until recently, FERS employees did not.<sup>9</sup> Many people in the federal government have long suspected that the lack of service credit for FERS employees contributes to a higher use of sick leave 3 to 4 years before retirement. We determined that in the Postal

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<sup>7</sup> Privacy Act of 1974 (5 U.S.C. 552a).

<sup>8</sup> Handbook, AS-353, *Guide to Privacy, the Freedom of Information Act, and Records Management*, September 2005, updated with Postal Bulletin revisions through September 24, 2009.

<sup>9</sup> On October 28, 2009, the president signed H.R. 2647, *National Defense Authorization Act for Fiscal Year 2010*, which provides FERS employees a 50 percent service credit for separations up to December 31, 2013 and a full service credit for separations after December 31, 2013.

Service, CSRS and FERS retirees use comparable amounts of sick leave in the last years before they retire. We also found that FERS employees use more of their sick leave throughout their careers and not just at the end. See [Appendix B](#) for our detailed analysis of this topic. We are not making any recommendations regarding these findings.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Andrea Deadwyler, director, Human Resources and Security, or me at (703) 248-2100.

E-Signed by Mark Duda  
VERIFY authenticity with ApproveIt  


Mark W. Duda  
Deputy Assistant Inspector General  
for Support Operations

#### Attachments

cc: Anthony J. Vegliante  
Sally K. Haring

## **APPENDIX A: ADDITIONAL INFORMATION**

### **BACKGROUND**

Career Postal Service employees earn sick and annual leave and 10 paid holidays. Specifically, employees earn 104 sick leave hours each year and between 104 and 208 hours of annual leave each year depending on their years of service. Employees can carry sick leave forward into future years with no limit. However, the limits on unused annual leave carried forward are 440 and 560 hours for bargaining and non-bargaining employees, respectively. Leave without pay is also available in certain circumstances and can be used in conjunction with annual and sick leave.<sup>10</sup> Federal employees have the same annual and sick leave benefits as the Postal Service except they can carry forward up to 720 hours of unused annual leave.<sup>11</sup>

Absenteeism occurs when employees do not report to work or adhere to their regular schedules. Employee absences are usually due to illness or injury, vacation, emergencies, holidays, or personal time off. An unscheduled absence is when an employee does not request or receive approval prior to the absence. Supervisors are responsible for controlling scheduled and unscheduled absences based on operational needs. Employees are expected to maintain assigned schedules and avoid unscheduled absences. Employees who do not have regular attendance are subject to disciplinary action, including removal from the Postal Service.

Regarding the use of sick leave within 3 or 4 years of retirement, management has suspected the lack of service credit for unused sick leave in computing retirement annuities for FERS employees results in higher use of sick leave by these employees compared to CSRS employees who receive the credit. Most Postal Service employees are in FERS and many FERS employees are becoming eligible for retirement. Postal Service officials are concerned that many FERS employees have opted to use their sick leave rather than forfeit it at retirement.

According to the OPM, the federal government could reduce some sick leave FERS employees take by providing a service credit similar to the CSRS. Congress responded to concerns on this issue by passing a bill that provides a FERS service credit for sick leave, which the president signed on October 28, 2009.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our objectives were to determine if the Postal Service's fiscal year (FY) 2008 absenteeism rate is comparable with the private and federal sectors and, if not, determine the potential causes. We were also asked to determine if sick leave use by

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<sup>10</sup> ELM, Section 510

<sup>11</sup> The 720 hour carryover limit is for executives, scientists, and certain professional employees while the majority of federal workers can only carryover 240 hours. The number of hours carried forward also depends upon whether employees are stationed within the United States or overseas.

CSRS employees was lower than that of FERS employees in the years before they retire.

To accomplish our first objective we obtained the following:

- FY 2008 Postal Service leave rates from the payroll system and EDW for bargaining and non-bargaining employees.
- Federal leave rates from the OPM for Calendar Years (CYs) 2001-2005.<sup>12</sup>

In addition, we requested the BLS to tabulate unpublished leave provided by employer benefit packages in the National Compensation Survey.

To determine potential causes for the differences in the absenteeism rates, we:

- Reviewed applicable Postal Service policies, regulations, and union agreements.
- Hosted an April 2009 online web log (blog) and invited readers to participate in a survey on sick leave use.<sup>13</sup>
- Obtained eRMS and Time and Attendance Collection System (TACS) records for the 12-month period ending March 31, 2009 and identified a population of 58,864 employees with 20 or more unscheduled absences.<sup>14</sup>
- Randomly selected 20 employees with 20 or more unscheduled absences from 10 randomly selected districts. This resulted in a total sample size of 200 employees from our target population of 58,864.<sup>15</sup> See [Appendix C](#).
- Interviewed supervisors and leave control personnel and reviewed Key Indicator Reports for all 200 employees.<sup>16</sup>
- Reviewed letters of warning, suspension notices, removal actions, and grievance resolutions associated with the sampled employees.
- Reviewed supervisor entries in eRMS for evidence of actions and/or reviews related to unscheduled absences.

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<sup>12</sup> OPM provided us with unpublished data from their Work Years and Personnel Costs studies; however, more current information was not available. While the periods are different, we believe the rates are comparable because the year-to-year differences in the federal rates were not material.

<sup>13</sup> While we did not authenticate survey respondents and there is a risk that someone may have intentionally provided incorrect information for the survey, we believe people are generally honest and that the results are reliable.

<sup>14</sup> The 20 or more unscheduled absences represent all unscheduled absences in any leave category.

<sup>15</sup> The 200 employees included 193 bargaining and 7 non-bargaining employees.

<sup>16</sup> Key Indicator Reports are eRMS system-generated reports supervisors use to conduct attendance reviews.

We reviewed *Leave Management for Labor Relations Professionals, eRMS Technology, Principles of Leave Management (Guide)*, dated October 2008, which identifies Postal Service policies for leave program elements, including supervisory training, documentation procedures, and supervisory accountability.

To determine the monetary impact of unscheduled absences we:

- Estimated the percentage of overtime used to cover unscheduled absences based on supervisor interviews.
- Compared average sick leave taken in our population to average sick leave taken among all qualifying Postal Service employees.
- Estimated unscheduled sick leave hours that management could have reduced over the 1-year period ending March 30, 2009, if sampled employees had taken the same amount of leave as the average Postal Service employee and estimated the overtime costs associated with those hours.

To determine if the sick leave use of CSRS employees was less than that of FERS employees 3 to 4 years before retirement, we obtained and reviewed sick leave balance and usage information for voluntary retirements in CYs 2005-2007.<sup>17</sup>

We conducted this performance audit from January through December 2009 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 officials on December 7, 2009, and included their comments where appropriate.

To assess the reliability of eRMS data, we reviewed and discussed attendance records with supervisors and reviewed the data for compliance with business rules. In addition, we verified the data from TACS with the applicable supervisors. While we identified some errors in the eRMS data, they do not affect our results and conclusions. We did not assess the reliability of unpublished BLS data; however, we discussed data collection and statistical procedures with BLS statisticians and were satisfied that the data was reliable for comparison purposes.

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<sup>17</sup> Because employees retire throughout the year, we looked at the 3-4 years before retirement.

## PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Fort Worth Processing and Distribution Center Delayed Mail Issues</i>	NO-AR-09-009	9/14/2009	\$0	Family Medical Leave Act (FMLA) leave at the Fort Worth P&DC affected the plant's ability to adequately staff its mail processing operations. <sup>18</sup> Management agreed with the findings and provided attendance management training to supervisors and modified their staffing plan.
<i>Timeliness of Mail Delivery Operations- Albuquerque District – Albuquerque City Delivery Unit Locations</i>	DR-AR-09-008	7/6/2009	\$0	Some delivery unit locations had difficulty delivering mail in a timely manner resulting in service declines, customer complaints, and negative media attention. The audit identified carrier attendance issues that factored into the delayed mail volumes. Management agreed with the findings and initiated a process to ensure that supervisors adhere to their responsibilities.
<i>Controls Over Supervisor Leave</i>	CRR-AR-09-002	1/23/2009	\$7.2 million	Controls over manual processing of supervisor leave were insufficient to ensure management approved the leave and recorded it in the TACS. Management agreed with the recommendations.
<i>Summary Audit on the Timeliness of Mail Processing, Transportation, and Delivery Operations in the Chicago District</i>	NO-AR-08-003	3/28/2009	\$231 million	A high number of carriers on limited duty and sick leave significantly reduced Chicago's ability to staff the routes, which contributed to mail delays, service degradation, and customer complaints. Management agreed with the findings and directed supervisors to address unscheduled absences.

<sup>18</sup> The FLMA allows federal employees to use a total of 12 administrative work weeks of unpaid leave during any 12-month period for specified family and medical needs.

## APPENDIX B: DETAILED ANALYSIS

### Comparison of Absenteeism Rates

The Postal Service's total absenteeism rate for major leave benefits is equivalent to the OPM federal sector rate, almost double the BLS rate for private industry, and almost 4 percent higher than the BLS state and local government rates. See Table 1.

**Table 1: Comparison of Absenteeism Rates for Major Leave Benefits  
(Percentage)**

	<b>Sick Leave</b>	<b>Annual Leave</b>	<b>Holiday</b>	<b>Personal Leave</b>	<b>Subtotal Major Leave</b>
Postal Service	4.14	8.28	3.21	N/A <sup>19</sup>	15.63
Federal Sector	3.69	8.15	3.50	N/A	15.34
Private Industry	1.49	4.28	2.98	0.58	8.32 <sup>20</sup>
State and Local Governments	2.45	5.91	4.18	0.72	12.02 <sup>21</sup>

Source: Postal Service payroll data for FY 2008; OPM federal agency data for CYs 2001 – 2005 (average); BLS occupational equivalent rates for private industry and state and local governments from December 2008 Employment Cost Index.

Note: The absenteeism rates are the average percentage of leave used per employee based on a 2,080 work-hour year.

The Postal Service and federal sector's higher absenteeism rates are likely due to the fact that their employees have more paid leave hours available to them than civil sector employees. For example, Postal Service and federal employees accrue 13 days of paid sick leave and 13 to 26 days of paid annual leave each year (based on years of service). Private sector employers on the other hand provide employees, on average, about 11 days of annual leave and state and local governments approximately 15 days. In addition, many state governments offer cash payouts to employees for portions of their unused accrued sick leave, which is an incentive to bank or save leave. Although the Postal Service offers cash payouts for annual leave, it does not offer the same benefit for sick leave.

### Controls Over Unscheduled Absences

Supervisors did not follow policies and procedures for controlling unscheduled absences for 87 out of 200 sampled employees. We found 80 of the 87 employees did not receive adequate, timely, or any corrective action at all and averaged 40 non-FMLA unscheduled absences for the 12-month period ending March 31, 2009. In addition, 22 of the 80 employees either suffered from injuries or illnesses, were enrolled in work restriction programs, or had personal issues that prevented them from returning to work

<sup>19</sup> Personal leave is not available to Postal Service bargaining (craft) employees. Non-bargaining employees are entitled to use personal leave; however, we could not calculate the rates because the hours are not tracked.

<sup>20</sup> Subtotal includes employees eligible for at least one of the four major leave benefits.

<sup>21</sup> See footnote 14.

or having regular attendance.<sup>22</sup> This included frequent or extended absences that averaged 62 non-FMLA unscheduled absences. Supervisors did not submit comprehensive reports documenting the employees' inability to meet position requirements to the area manager of Human Resources. They also did not question the absences or document steps to support employee entitlements in eRMS and often keyed unintelligible entries to clear system notifications or did not record anything at all.

Contract interpretation manuals require supervisors to take disciplinary action as promptly as possible after an employee commits an offense. Additionally, Postal Service policy requires supervisors to document employees' inability to meet their position requirements. This ensures there is sufficient evidence to support contractual or legal entitlements such as Office of Workers' Compensation Program (OWCP) benefits and FMLA protections. For example, after 1 year of continuous absence without pay or enrollment in the OWCP, an employee who has been absent because of illness or injury may be separated for disability if it is unlikely that employee will return to work. Postal Service officials stated supervisors should consider corrective action when employees are absent for non-FMLA medical reasons.

For seven out of 87 employees, Postal Service officials repeatedly reduced the severity of discipline or expunged letters of warning from employees' files and did not document in eRMS a corresponding cause or benefit to the Postal Service. As a result, supervisors issued redundant corrective actions that were non-progressive. Contract interpretation manuals state that management should issue corrective discipline in a progressive manner and it should be increasingly severe for each succeeding offense. Consequently, we do not consider redundant disciplinary action to be progressive. Some Labor Relations managers agreed that repeated corrective actions are an inefficient use of time and resources, while others defended the practice stating that discipline should be corrective and not punitive. Based on the 87 sample employees, we estimated supervisors did not follow policies and procedures for at least 11,468 employees with 20 or more unscheduled absences nationwide. See [Appendix C](#).

We identified the following causes for supervisors' non-compliance with policies and procedures:

- Supervisors did not fully understand the effect of not following policies and procedures;
- Some supervisors did not have knowledge of the policies and procedures (40 out of 87);
- Management provided insufficient oversight (21 out of 87);
- Other duties took priority (14 out of 87);

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<sup>22</sup> These were limited duty, rehabilitation, or light duty programs. Management provides limited duty to employees injured on the job. Light duty programs are for employees injured off the job.

- Human errors (10 out of 87); and
- Some supervisors had a desire to reduce the number of grievances (2 out of 87).

In addition, Labor Relations professionals did not annotate eRMS to reflect current information concerning administrative actions, attendance-related grievances, and attendance reviews.

Additionally, 17 (out of 87) supervisors interviewed indicated they had not received current FMLA or attendance control training. Further, a total of 503 supervisor respondents to our sick leave survey stated:

- They have not received adequate training (20 percent);
- It is acceptable for employees to use sick leave in lieu of annual leave when they approach retirement or separation (32 percent); and
- They often approve leave without knowing an employee's leave balance (15 percent).

We discussed training programs with Labor Relations managers who said the lack of corrective action demonstrates an absence of accountability at the supervisory level rather than a lack of training. However, they suggested refresher training courses (such as e-learning courses) to reinforce supervisor responsibilities.

When supervisors are not held accountable for properly maintaining attendance records and supporting documentation, it diminishes the Postal Service's ability to take corrective action and to effectively address issues grieved through the grievance-arbitration procedures. Additionally, when managers reduce discipline without cause or benefit to the Postal Service, the organization's ability to correct problems is diminished because employees have less incentive to improve their attendance.

We statistically projected at least 1.6 million unjustified, unscheduled sick leave hours for at least 11,468 employees whose supervisors did not comply with policies and procedures regarding unscheduled absences. We estimated the Postal Service could have reduced the use of the unjustified, unscheduled sick leave by 661,553 hours if supervisors followed policies and procedures. When employees are absent from work, particularly for unscheduled sick leave, management occasionally uses overtime hours to cover the work of those employees at an increased cost to the Postal Service. Supervisors indicated an estimated 17.4 percent of the hours employees spend on

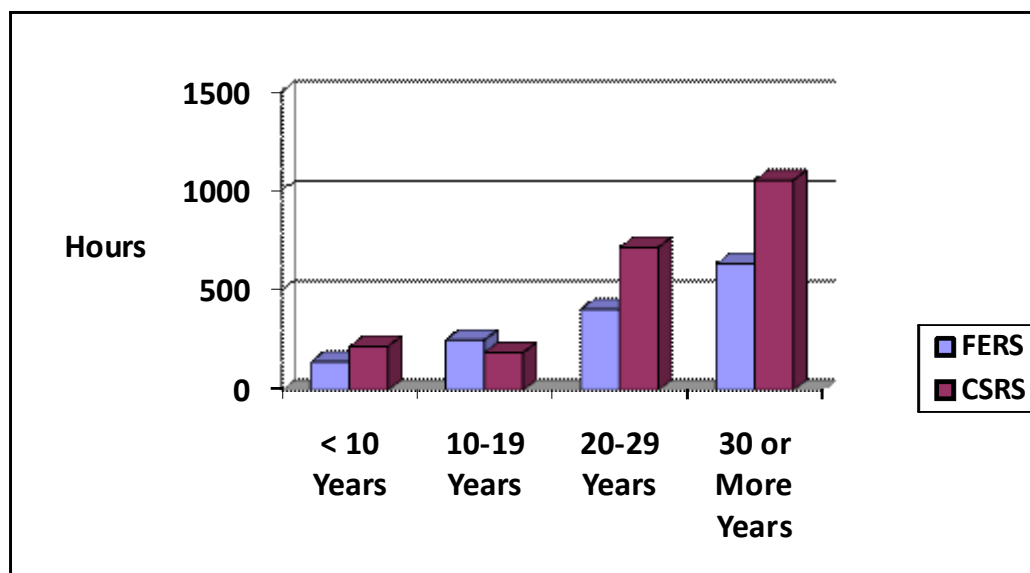
unscheduled leave are covered by overtime workhours.<sup>23</sup> Based on these estimates, the Postal Service could have saved approximately \$4.0 million in overtime costs for the period April 1, 2008 through March 30, 2009. See [Appendix D](#).

In addition to the overtime costs, prior U.S. Postal Service Office of Inspector General audit reports stated service degradation and operational disruptions occur when supervisors do not control unscheduled absences.

### Retirement and Sick Leave

The Postal Service studied FERS and CSRS sick leave for retired individuals and found that CSRS employees retained a higher percentage of their sick leave as a percentage of earned sick leave over their career. We reviewed Postal Service data and confirmed that CSRS employees retained 28.6 percent of sick leave earned over their career compared to 17.5 percent for FERS employees. See Chart 1.

**Chart 1. Sick Leave Balances for Postal Service Retirees (FYs 2005-2007)**



We determined that, while both FERS and CSRS employees use more sick leave in the 3 to 4 years before retirement, FERS employees use more of their sick leave throughout their careers and not just at the end. Management noted that CSRS and FERS retirees used the same amount of sick leave at retirement and attributed this to discrepancies in age and career length.

<sup>23</sup> Subsequent to the completion of audit fieldwork, Postal Service officials informed the audit team that they recently implemented an "Available for Duty" report that can provide an actual overtime replacement rate. The audit team did not evaluate or validate the data contained in the report, therefore, did not include data from the report in our results.

In our survey, 32 percent of Postal Service supervisors agreed it is acceptable to use sick leave in lieu of annual leave as an employee approaches retirement. In addition, 86 percent of supervisors agreed FERS has increased the improper use of sick leave. Similarly, 64 percent of Postal Service employees who responded to the survey believe sick leave is an earned benefit and, therefore, can be used whenever needed.

## **APPENDIX C: STATISTICAL SAMPLING METHODOLOGY FOR EMPLOYEES WITH 20 OR MORE UNSCHEDULED ABSENCES**

### **Purpose of the Sampling**

We had two objectives: (1) to estimate the proportion (or number) of employees with twenty or more unscheduled absences over the 1-year period ending March 30, 2009 whose supervisors did not take appropriate actions and (2) to estimate the number of unscheduled sick leave hours associated with these employees over the same period. In support of these objectives, we employed a two-stage random sample.

### **Definition of the Audit Universe**

The total audit universe (population) consisted of 58,864 Postal Service employees nationwide with 20 or more unscheduled absences over the 1-year period ending March 30, 2009. This universe was identified from information in the Enterprise Resource Management System and extracted from it.

### **Sample Design**

We had two simultaneous objectives. The first objective required an attribute analysis and the second objective required a variable analysis. We based our sample size on a two-stage random attribute sample. We estimated the required sample size for a two-sided confidence interval, at the 95 percent confidence level, and +/- 7 percent absolute precision. We estimated the required sample size to be 200.

### **Statistical Projections of the Sample Data**

For the attribute and variable portions of our analysis, the precision achieved did not fall within our internal reporting standards; therefore, we are reporting the lower bound of a two-sided confidence level for each. We are 95 percent confident the proportion of the target population for which appropriate supervisor action was not taken is at least 19.48 percent (11,468 employees). We are also 95 percent confident the sick leave hours used by employees in our target population over the 1-year period ending March 30, 2009, for which appropriate supervisor action was not taken, is at least 1,599,216.

## APPENDIX D: MONETARY IMPACT

### Calculation of Unrecoverable Questioned Costs

Estimated Reduction - Unscheduled Sick Leave Hours	661,553
Overtime Replacement Rate	17.36%
Total Questioned Overtime Hours	114,846
Weighted Average Overtime Rate	\$34.65
<b>Unrecoverable Questioned Costs<sup>24</sup></b>	<b>\$3,979,811.30</b>

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<sup>24</sup> Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

## APPENDIX E: MANAGEMENT'S COMMENTS

VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



January 11, 2010

LUCINE M. WILLIS  
DIRECTOR, AUDIT OPERATIONS

Subject: Transmittal of Draft Audit Report Response – Postal Service Absenteeism  
(Report Number HM-AR-10-DRAFT)

The Capital Metro Area has reviewed the subject Draft Audit Report (Report Number HM-AR-10-DRAFT) and is in agreement with the findings and recommendations. Additionally, we cannot agree with all monetary calculations and all non-monetary calculations as calculations are not specific to Capital Metro Area Operations.

**Recommendation No. 1:**

We recommend the Vice President, Capital Metro Area Operations, direct the District Managers to:

1. Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

**Response No. 1:**

The Capital Metro Area agrees with this recommendation and has instructed the District Managers to respond with an action plan addressing the noted deficiencies – See Attachment 1. The District Managers have submitted their action plans to me See Attachment 2, Response 1.

**Recommendation No. 2:**

We recommend the Vice President, Capital Metro Area Operations, direct the District Managers to:

2. Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).

**Response No. 2:**

The Capital Metro Area agrees with this recommendation and has instructed the District Manager to respond to with an action plan to establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and

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procedures – see Attachment 1. The District Managers have submitted their actions plans to me – see Attachment 2, Response 2.

**Recommendation No. 3:**

We recommend the Vice President, Capital Metro Area Operations, direct the District Managers to:

3. Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

**Response No. 3:**

The Capital Metro Area agrees with this recommendation and has instructed the District Managers to respond with an action plan to require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data. – See Attachment 1. The District Managers have submitted their action plans to me – see Attachment 2, Response 3.

If you have any questions regarding this matter, please feel free to contact Alexis Knighton at 301-548-1424.

  
Jerry D. Lane

Attachments

cc: Sally K. Haring  
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MEGAN J. BRENNAN  
VICE PRESIDENT, AREA OPERATIONS  
EASTERN AREA



January 8, 2010

MEMORANDUM FOR Lucine Willis  
Director, Audit Operations

Subject: Postal Service Absenteeism (Report Number HM-AR-10-Draft -  
Project Number 09YG016HM000)

Thank you for the opportunity to review and comment on the audit report prepared concerning the above cited subject. After our review of your findings, we agree in principle with the conclusion.

You identified several potential causes for the difference between the Postal Service and civilian sector absenteeism rates. One being that the Postal Service offers more leave benefits than the civilian sector and they offer fewer incentives for employees to accumulate leave. Further, you determined that some supervisors were not complying with attendance control procedures related to unscheduled absences.

We believe that the measurement and comparison of incentives for accumulated sick leave can only be subjectively determined. Employees who accumulate sick leave for the Postal Service can use those hours to count toward their overall time-in-service, generating a greater retirement annuity. In addition, hours that were saved at pay rates in effect at the time they were saved, are paid out at a much higher rate of pay when they are actually used. Finally, many in the civilian sector are not allowed to accumulate sick leave benefits to the extent Postal Service employees are allowed. As the OIG Audit report reveals "...the Postal Service offers more leave benefits than the civilian sector...."<sup>1</sup>. This alone is an incentive to accumulate leave in anticipation of potential long term absences later in an employee's work life.

Relative to the control procedures, the audit estimated that supervisors did not comply with Postal policies and procedures regarding unscheduled absences. Causes that were claimed included a lack of training; supervisors not using the Enterprise Resource Management System (eRMS) to control unscheduled absences and a lack of oversight. The report also indicated that Labor Relations did not have the resources to adequately monitor attendance control, and as a

<sup>1</sup> Reference page 1, Draft Audit Report, "Conclusion" section.

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result, overtime was used to cover 17.4% of the unscheduled sick leave resulting in \$4.0 million in overtime costs.

**Recommendation #1** – Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

**Response :**

The Eastern Area agrees with the recommendation. This training will be provided by each local District by the end of this fiscal year.

**Recommendation #2** – Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).

**Response :**

The Eastern Area agrees with the recommendation. Internal controls that have been implemented in the past such as attendance audits and reviews, will continue. These are ongoing and repetitive throughout each fiscal year and Districts as such cannot be constrained to an individualized completion date. In addition, each supervisor is subject to midyear evaluations of their performance as part of the Performance Evaluation System (PES) process. FY-2010 goals and objectives include elements of overtime and attendance control. The eRMS Coordinator for each District, along with the District Manager, Labor Relations, will be responsible for coordinating attendance related training and evaluations of supervisor compliance with unscheduled leave policies and procedures. Results of supervisor compliance evaluations will be provided to the Executive staff of each District for review and District Managers, Plant Managers, Managers Distribution Operations and Postmasters will be held individually responsible to ensure supervisor compliance. They will also make sure appropriate action is taken as necessary when these directives are not followed.

**Recommendation #3** – Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

**Response :**


The Eastern Area agrees with the recommendation. The use of the eRMS however, is conditioned upon the attached Step-4 National settlement awards between the United States Postal Service and the American Postal Worker's Union; National Association of Letter Carriers Union and National Postal Mail their responsibilities Handler's Union. The settlements mandate that supervisors

utilize the eRMS in a manner which is in concert with our responsibilities under the terms and conditions of the National Agreements. Refresher training will be provided to Supervisors and Managers concerning leave control policies and procedures. They will also be required to use the Enterprise Resource Management System (eRMS), which they should be doing already.

Finally, your finding that overtime was used to cover 17.4% of the unscheduled sick leave<sup>2</sup> used cannot be squared with the myriad of reasons that can and do contribute to the causes of overtime use. Fluctuations in mail volume arrival times; logistical issues associated with transportation; machine malfunctions and other associated maintenance issues; lack of equipment; influence of other leave usage<sup>3</sup>; staffing issues associated with internal bidding; Article 12 excessing adjustments just to name a few, all contribute significantly to overtime usage. In addition, overtime hours may have been used in situations where they could not be avoided, even if unscheduled sick leave were/or were not used. A more accurate reflection would be the cost at the straight time rate paid to the employee(s) taking the unscheduled leave as opposed to associating it with overtime costs. Frequently, unscheduled absences are covered by supplemental employees like casuals or Transitional Employees (TEs). These categories of employees are paid at a much lower rate of pay than even the straight time rate used by the employee taking the leave.

We do not believe this report or management's response thereto, contain any information that may be exempt from disclosure under the Freedom Of Information Act.

If you have any questions regarding this response please contact Rick Acker, Area Labor Relations Manager at (614) 469-4555.

  
Megan J. Brennan  
Vice President Area Operations  
Eastern Area

<sup>2</sup> According to the OIG audit analogy, the overtime used to cover 17.4% of the unscheduled sick leave used, equated to \$4.0 million in additional costs.

<sup>3</sup> Leave Without Pay; Annual Leave; AWOL; Court Leave; Continuation of Pay; Military Leave; Union Steward and Union time; etc., all contribute to potential overtime usage.

JO ANN FEINDT  
VICE PRESIDENT, GREAT LAKES AREA OPERATIONS



January 11, 2010

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postal Service Absenteeism (Report Number HM-AR-10-DRAFT)

**Recommendation (1)**

Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

**Response**

We agree with this recommendation in principle. We agree that refresher training is appropriate when needed however; we don't agree that a blanket refresher training for all supervisors is needed. We will continue to train those supervisors who are found needing the refresher information.

**Recommendation (2)**

Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).

**Response**

We agree in principle that supervisors should comply with all leave policies and procedures. We believe that controls should be developed at the national level and incorporated into the ERMS system rather than each Area developing and implementing local controls.

**Recommendation (3)**

Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

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**Response**

We disagree with this recommendation. Based on current MOUs with various unions corrective actions and grievance data is not to be documented in an open system. As such, requiring supervisors and labor relations specialists to document this information in ERMS could be viewed as a violation.



Jo Ann Feindt

MANAGER, HUMAN RESOURCES (AREA)  
NORTHEAST AREA OFFICE



January 21, 2009

Lucine Willis, Director Audit Operations  
1735 North Lynn Street  
Arlington, VA 22209-20202

SUBJECT: Draft Audit Report – Postal Service Absenteeism (Report Number HM-AR-10-DRAFT)

Dear Ms. Willis,

Thank for the opportunity to review and comment on the subject draft audit report.

The Northeast Area concurs with the findings in the OIG draft audit report on Absenteeism in the Postal Service and that opportunities exist to reduce unscheduled absences in all eleven districts in the Northeast Area.

The Vice President Area Operations for the Northeast Area will direct district managers to take the following actions to reduce sick leave usage in the Northeast Area in accordance with the report recommendations:

Recommendation (1)

Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

Response

Assess whether or not supervisors and managers have had training in attendance control measures since FY 2008. Supervisors and managers who have not been recently trained will receive refresher training no later than July 1, 2010.

Recommendation (2)

Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).

Response

Supervisors and managers will be held accountable for administering USPS leave policies. Supervisor/manger attendance actions will monitored by regular reviews from both the District and Area level using the Enterprise Resource Management System (ERMS). A review schedule will be developed no later than February 5, 2010.

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- 2 -

Recommendation (3)

Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

Response

1. Labor Relations will monitor all action taken for attendance to insure the integrity of the action taken and that there are no procedural errors in the construction of the action. Additionally, labor relations specialists will be provided with refresher training on how to handle attendance-related discipline. Refresher training will be provided for labor relations specialists no later than March 15, 2010.
2. Supervisors/managers/labor relations specialists will be instructed to use the ERMS, as designed, to monitor corrective action taken. This instruction will be issued no later than February 5, 2010.

Additionally, the AVP will initiate an Area-wide communications plan which includes the following:

- Reinforcing supervisor/manager responsibility for managing absences
- Promoting the value of not using sick leave
- Weekly employee service talks about attendance and the value of maintaining a sick-leave balance to provide security in the event of a catastrophic illness.

We do not believe that this report and management's response contains information which may be exempt from disclosure under the Freedom of Information Act.

Sincerely,



Alice Newman

cc: Timothy C. Haney, Vice President Area Operations  
Andrea Deadwyler, Director, Human Resources and Security  
Sally Haring, Government Relations & Public Policy  
Dolores Gentry, Audit Response Analyst

DREW T. ALIPERTO  
VICE PRESIDENT, PACIFIC AREA OPERATIONS



January 15, 2010

LUCINE WILLIS  
DIRECTOR, AUDIT OPERATIONS  
1735 NORTH LYNN ST  
ARLINGTON, VA 22209-2020

SUBJECT: DRAFT AUDIT REPORT – POSTAL SERVICE ABSENTEEISM  
REPORT NUMBER HM-AR-10-DRAFT

Ms. Willis,

Thank you for the opportunity to review and comment on the subject draft audit report.

The Pacific Area agrees with the OIG findings that opportunities exist to improve the Postal Service absenteeism rate. We recognize that there is room to improve our compliance with attendance control procedures and agree that unnecessary expenses are incurred when unscheduled absences are not controlled. We do believe that this report contains proprietary or business information that is exempt from disclosure under the Freedom of Information Act.

Concerning your recommendations, we offer the following comments:

Recommendation #1

"Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them."

Response:

Management agrees with this finding. Supervisors promoted within the Pacific Area through the former Associate Supervisor Program (ASP) were provided with training which includes a module on attendance control. Furthermore, attendance control training has been periodically provided throughout the Pacific

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Area so that every supervisory employee has had multiple opportunities to receive this training. However, we recognize that refresher training for supervisors would be beneficial in addressing our high absenteeism rates. We agree that attendance control training is needed and initiate steps to provide this training this fiscal year.

Recommendation #2

"Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews)."

Response:

Management agrees with this finding. There is a need to ensure compliance with Postal Service attendance control processes and procedures. We will take steps to develop and implement controls to monitor supervisory compliance with our existing attendance control processes and ensure that measures are taken to hold supervisors accountable for their performance.

Recommendation #3

"Require supervisors and labor relations specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data."

Response:

Management agrees with this finding. ERMS is a valuable tool to assist supervisors with attendance control. As such, we will include ERMS training as a module in any planned attendance control training for our supervisors.

In summary, we will take steps to develop attendance control training and auditing processes that will address the recommendations that you have made and will provide this training in phases during the rest of this fiscal year. We expect to complete this training by July 30, 2010. The training program will be developed by the Area Labor Relations Department, with training provided to the field by District Labor Relations Specialists.

If you need further information, please contact Mike Thomas, Manager Labor Relations at 858-674-3184.



Drew T. Aliperto

cc: Rizza Hambric

TERRY J. WILSON  
VICE PRESIDENT, AREA OPERATIONS  
SOUTHEAST AREA



January 11, 2010

LUCINE M. WILLIS  
DIRECTOR, AUDIT OPERATIONS

Subject: Draft Audit Report – Postal Service Absenteeism (Report Number HM-MA-09-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report.

We are unable to agree or disagree with the conclusions or monetary amounts identified in the subject audit, as most of this was supported by interviews of randomly selected employees. However, we do agree with the recommendations outlined in the draft audit.

**Recommendation #1:**

Area Vice President require District Managers to provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

**Recommendation #2:**

Area Vice President require District Managers to establish and implement internal controls to evaluate supervisors' compliance with unscheduled leave policies and procedures (e.g. performance measures or periodic management reviews).

**Recommendation #3:**

Area Vice President require District Managers to require supervisors and labor relations specialists to use the Enterprise Resource Management System to record an employee's inability to meet position requirements, the corrective actions taken and grievance data.

**Management Response to all 3 recommendations:**

Management agrees with all the recommendations and has initiated actions to accomplish them via the letter attached from the Area Vice President to District Managers dated January 8, 2010.

We do not feel any portion of this report is exempt from disclosure under the FOIA.

If you have any questions, please contact Jeanne McAfee, Area Accounting Manager, at 901-747-7546.



Terry J. Wilson

Attachment

225 N HUMPHREYS BLVD  
MEMPHIS TN 38166-0100  
901-747-7333  
FAX: 901-747-7444

## DISTRICT MANAGERS

SUBJECT: Attendance Control Programs

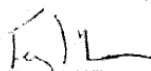
The Office of Inspector General (OIG) recently conducted an audit of the Postal Service's attendance control policies and procedures. The report concluded that supervisors have failed to comply with Postal Service policies and procedures regarding unscheduled absences and recommended the following three actions: provide refresher training to supervisors, establish and implement internal controls to evaluate and ensure supervisors compliance, and mandate the use of the Enterprise Resource Management System.

We have continually discussed on performance telecons the lack of accountability around the attendance control programs within your districts and the negative impact unscheduled absences have on finances and service. This report only reinforces what we already know. Accordingly, the following actions are required effective immediately.

All newly promoted supervisors will be provided classroom leave control training within 90 days of promotions and refresher eLearning training to seasoned supervisors as described below beginning this quarter.

Employees' absence analysis (form 3972) must be reviewed each quarter by every immediate supervisor's manager. In the initial review, if it is determined that inadequate corrective action has been taken by the supervisor, the supervisor shall be required to take/repeat the eLearning course. If the supervisor fails to address irregular attendance in subsequent quarterly reviews, corrective action will be taken. Records must be maintained to ensure continued compliance. As the District Manager, you will be required monthly to submit to me a report of your performance with respect to attendance control and actions taken to correct deficiencies of managers/supervisors under their control. Your first report is due in my office February 1, 2010 and should be broken out by POOM area and plants.

Finally, all supervisors and Labor Relations Specialists will use the eRMS System and maintain all corrective action and grievance information within the system for review. There shall be no exceptions to this requirement.

  
Terry J. Wilson

cc: Area Office Executives  
PCES Plant Managers

ELLIS A. BURGOYNE  
VICE PRESIDENT, SOUTHWEST AREA OPERATIONS



January 11, 2010

LUCINE M. WILLIS  
DIRECTOR, AUDIT REPORTING

SUBJECT: Postal Service Absenteeism Draft Report

This is in response to the draft OIG report regarding its study of Absenteeism in the Postal Service. The Southwest Area has had a concerted effort to address absenteeism for the past two years. Although we have a long way to go, we have experienced some improvements in most of our districts.

With regard to the recommendations of the report, the Southwest Area agrees and will enhance our already structured critical processes to address and implement the recommendations.

1. *Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.*

USPS Headquarters developed a training entitled Fundamental Attendance Control Training (FACT) last year. The Southwest Area has provided the training to all its' Districts. We will review the Districts to ensure all the training has been provided and as needed, conduct refresher training to those who need it by April 30, 2010.

2. *Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).*

Our Rio Grande District has established internal controls to continuously monitor and communicate with supervisors and managers their responsibility and accountability to properly administer the USPS policies on attendance. We are in the process of adopting this as a "best practice" for all our districts and will have implementation completed by March 31, 2010.

3. *Require supervisors and labor relations specialists to use the Enterprise Resource Management System (eRMS) to record employees' inability to meet position requirements, corrective actions taken and grievance data.*

This is currently a requirement in the Southwest Area but we will reissue this directive by January 29, 2010.

We do not believe that this report contains any propriety or business information and may be disclosed pursuant to the Freedom of Information Act. Should you have any questions regarding this response, please contact Peter Sgro, Area Manager Human Resources at 214-819-8660.

A handwritten signature in dark ink, appearing to read "Ellis A. Burgoyne".

Ellis A. Burgoyne

cc: Andrea Deadwyler  
Sally Haring  
Dee Gentry

PO Box 224748  
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214-819-8650  
FAX: 214-905-9227

SYLVESTER B. ACK  
VICE PRESIDENT, WESTERN AREA OPERATIONS



January 11, 2010

Lucine M. Willis  
Director, Audit Operations  
Office of the Inspector General  
1735 North Lynn Street  
Arlington, VA 22209-2020

Subject: Postal Service Absenteeism (Report Number HM-AR-10-Draft)

The Western Area has reviewed the subject Draft Audit Report (Report Number HM-AR-10-Draft) and is in agreement with the findings and recommendations. We have no Freedom of Information Act (FOIA) issues related to this audit.

**Recommendation #1:**

Provide refresher training to supervisors to ensure they are aware of unscheduled leave policies and procedures and the importance of following them.

**Response:**

The Western Area agrees with the recommendation. In assessing District activity related to absenteeism, we found that refresher training is being provided and ongoing. The Western Area Vice President issued a memorandum on January 8, 2010, reinforcing consistent follow-up and directed senior management to review and identify remedial training needs and provide training where appropriate. The memorandum also stressed accountability and the importance of continually following leave policies and procedures.

**Recommendation #2:**

Establish and implement internal controls to evaluate and ensure supervisors' compliance with unscheduled leave policies and procedures (for example, performance and accountability measures or periodic management reviews).

**Response:**

The Western Area agrees with the recommendation. In assessing District activity, we found that internal measures have been established to evaluate supervisory compliance with unscheduled leave policies and procedures. The Western Area Vice President reinforced follow-through with these measures outlined in the memorandum issued on January 8, 2010.

**Recommendation #3:**

Require supervisors and Labor Relations Specialists to use the Enterprise Resource Management System to record employees' inability to meet position requirements, corrective actions taken, and grievance data.

**Response:**

The Western Area agrees with the recommendation. In assessing District actions with the use of eRMS, we found that supervisors and Labor Relations personnel have been using the system for their respective roles. Reinforcement with this issue was reiterated in the directive memorandum sent by the Western Area Vice President on January 8, 2010.

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If you have any questions regarding this response, please contact Thom Kraft, Area Accounting Manager, at (303) 313-5712.

A handwritten signature in black ink, appearing to read 'Sylvester Black', written in a cursive style.

Sylvester Black

Enclosure