

Office of Inspector General | United States Postal Service

Audit Report

Tort Claims Management – Western Area

Report Number DR-AR-18-004 | May 8, 2018



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Highlights

Objective

The objective was to assess the effectiveness of controls over paid tort claims in the Western Area.

A tort is a wrongful act, injury, or damage, not involving a breach of contract, for which a civil lawsuit may be brought. U.S. Postal Service tort claims are claims for damage to or loss of property, or claims for personal injury or death to non-Postal Service personnel caused by the negligent or wrongful act or omission of an employee acting within the scope of his or her employment.

Tort claims are initially processed at the district level, where district managers and their designees have the authority to pay up to \$5,000 to resolve tort claims locally. Claims that cannot be settled locally, but demand less than \$50,000 are handled by the Accounting & Control Specialists from the St. Louis Accounting Service Center. Claims from any accident that include demands of \$50,000 or greater should be sent to the National Tort Center.

In fiscal year (FY) 2017, the Postal Service made more than 12,000 tort claim payments totaling almost \$80 million. Under the Federal Tort Claims Act, payment decisions should be based on whether the Postal Service is legally responsible for the accident in question due to a negligent or wrongful act or omission by an employee, while in the scope of their employment.

The Western Area and its 12 districts paid \$12.8 million for about 3,500 tort claims in FYs 2016 and 2017. The majority of the claims were for motor vehicle accidents. We selected the Western Area for audit based on the high number and cost of tort claim payments in FYs 2016 and 2017.

What the OIG Found

Management controls over tort claims paid in the Western Area were not always effective. Our analysis of a judgmental sample of 113 tort claim payments totaling

about \$400,000 identified only 10 of the claims had been processed correctly. We found the following deficiencies:

- 26 of the 113 payments (23 percent) for about \$97,000 were not supported by evidence of the damages upon which the settlements were based.
- 99 of the 113 tort claim files (88 percent) contained missing and/or incomplete forms and documentation required to be in the file.
- 52 of the 113 tort claim files (46 percent) were inaccurately recorded in the Tort Claims System.

In addition, six district tort claim coordinators (TCC) settled and paid about 1,500 claims for up to \$5,000, without any second level management approval.

These conditions occurred because district management did not ensure TCCs consistently followed Handbook PO-702, *Tort Claims* to manage the tort claim process. Also,

- District management did not adequately review and oversee the tort claim process and related payment decisions.
- TCCs were not always trained, or required refresher training on tort claim processes.
- TCCs did not consistently update the Tort Claim System as additional information was obtained, or actions were taken on the claim.
- District management had not established adequate oversight and controls over payments authorized by the district TCCs.

Improved management controls and oversight could reduce the potential for errors and fraud associated with tort claim payments. In addition, the Western Area incurred questioned costs of \$48,705 annually for the 26 unsupported tort claims.

What the OIG Recommended

We recommended management:

- Issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically.
- Ensure employees processing or reviewing tort claims receive adequate training on claim processing.
- Direct all districts to ensure their TCCs include all required documents and forms in the tort claim accident investigation report.
- Reinforce to all districts the importance of recording accurate tort claim information in the Tort Claims System.
- Require the Central Plains, Dakotas, Hawkeye, and Portland districts to establish a second level approval of tort claim payments authorized by the TCC.

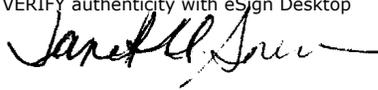
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 8, 2018

MEMORANDUM FOR: GREGORY G. GRAVES
VICE PRESIDENT, WESTERN AREA

E-Signed by Janet Sorensen
VERIFY authenticity with eSign Desktop 


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

SUBJECT: Audit Report – Tort Claims Management – Western
Area (Report Number DR-AR-18-004)

This report presents the results of our audit of the Tort Claims Management – Western Area (Project Number 18RG001DR000).

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: Corporate Audit Response Management
Postmaster General

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Tort Claims Management – Western Area (Project Number 18RG001DR000). Our objective was to assess the effectiveness of controls over paid tort claims in the Western Area. See [Appendix A](#) for additional information about this audit.

Background

A tort is a wrongful act, injury, or damage, not involving a breach of contract, for which a civil lawsuit may be brought. U.S. Postal Service tort claims are claims for damage to or loss of property, or claims for personal injury or death to non-Postal Service personnel caused by the negligent or wrongful act or omission of an employee acting within the scope of his or her Postal Service employment. Two of the most common accidents resulting in tort claims are motor vehicle accidents involving vehicles operated by Postal Service employees resulting in injury to a private party or damage to private property and trips and falls in and around buildings owned, leased, or used by the Postal Service.

Tort claims are initially processed at the district level, where district managers and their designees have the authority to pay up to \$5,000 to resolve tort claims locally. Claims that cannot be settled locally, but demand less than \$50,000 are handled by the Accounting & Control Specialists from the St. Louis Accounting Service Center (ASC). Claims from any accident that include demands of \$50,000 or greater, should be sent to the National Tort Center (NTC). See [Appendix B](#) for a flowchart of the tort claim process.

In fiscal year (FY) 2017, the Postal Service made more than 12,000 tort claim payments totaling almost \$80 million. Under the Federal Tort Claims Act, payment decisions should be based on whether the Postal Service is legally responsible for the accident in question or if there was a negligent or wrongful act or omission by an employee. The Western Area and its 12 districts paid \$12.8 million for approximately 3,500 tort claims in FYs 2016 and 2017. Most claims were for motor vehicle accidents. We selected the Western Area for audit, based on the high number and cost of tort claim payments in FYs 2016 and 2017.

Finding #1: Unsupported Tort Claim Payments

Our analysis of 113 tort claim payments¹ in the Western Area identified 26 payments (23 percent) from the Arizona, Colorado/Wyoming, Northland, and Seattle districts that were not supported by evidence of the damages upon which the settlements were based (see [Table 1](#)). The tort claim payment errors included:

- Fourteen payments that exceeded the submitted estimates and receipts in the files.
- Three payments for unrecoverable expenses, including rental car insurance, an appraisal fee, and an appearance allowance.²
- Two payments with insufficient accident investigation documentation to establish Postal Service negligence.
- One payment for property damage to the driver of a vehicle instead of the owner.
- One payment made on an invalid claim submitted more than two years after the date of the accident.
- One payment to repair damages that exceeded the fair market value of the vehicle prior to the accident.
- Four payments for rental car expenses to claimants who had previously accepted a settlement payment for their claim. When combined with the previous payments to these claimants, the Colorado/Wyoming District twice exceeded their \$5,000 authority to settle the claims, without obtaining written authorization from the NTC to pay a specific greater amount.

“26 payments (23 percent) were not supported by evidence of the damages upon which the settlements were based.”

¹ Of the 113 claim payments, 98 of these claims were adjudicated by the district tort claim coordinators (TCC) and 15 were adjudicated by the Accounting & Control Specialists from the St. Louis ASC.

² An appearance allowance is agreed compensation from the insurance company for repairs not performed, sometimes appropriate for superficial damage.

Table 1. OIG Analysis of Unsupported District FY 2016 and 2017 Tort Claims

District	Total FY 2016 and 2017 TCC and ASC Adjudicated Tort Claims Paid	Tort Claims Reviewed	Number of Unsupported Tort Claims	Unsupported Tort Claim Payments
Alaska	17	1	0	\$0
Arizona	410	27	4	30,332
Colorado/ Wyoming	447	27	12	44,348
Dakotas	159	9	0	0
Northland	379	22	1	30
Seattle ³	526	27	9	22,699
Total	1,938	113	26	\$97,409

Source: U.S. Postal Service Office of Inspector General (OIG) Analysis of Postal Service Tort Claim files.

The Federal Tort Claims Act,⁴ states the acceptance by the claimant of any such award, compromise, or settlement shall be final and conclusive on the claimant, and shall constitute a complete release of any claim against the United States and against the employee of the government whose act or omission gave rise to the claim, by reason of the same subject matter.

Postal Service policy⁵ states to ascertain whether a settlement is appropriate, TCCs are to consider the following:

- Evidence is contained in the file to document the damages upon which settlement is based.
- Documentation submitted by the claimant should be analyzed to determine whether all damages claimed resulted from the accident, and whether the costs claimed are reasonable.⁶
- Claims may only be paid if it is determined that the damage was caused by the negligent or wrongful act or omission of a Postal Service employee while acting within the scope of employment.
- The proper claimant is either the owner of the vehicle (regardless of who was driving the vehicle) or an insurance company which has paid for the damage.
- Valid claims must be presented within two years of the date of the accident.
- Cost to repair plus loss of use exceeds the fair market value⁷ of the damaged vehicle prior to the accident.

These conditions occurred because district management did not ensure TCCs consistently followed Handbook PO-702, *Tort Claims* to manage the tort claim and payment processes with periodic management review and oversight to avoid potential financial and operational risks to the Postal Service. In addition, some District TCCs said they believed a mistake was made during the claim process or they were unaware of this specific tort claim policy and they were not followed. In addition, at least two of the TCCs adjudicating claims had not received formal tort claims training.⁸

Improved management controls and oversight could reduce the potential for errors and fraud associated with tort claims payments. We estimated the Western Area incurred unsupported questioned costs of \$97,409 for the 26 improperly adjudicated tort claim payments for FYs 2016 and 2017.⁹

³ One of the nine Seattle District unsupported claims was adjudicated by the St. Louis ASC.

⁴ 28 US Code §2672, Administrative adjustment of claims.

⁵ Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Section 432.2, 444.1, 444.2, 451.1, 451.52, and 451.6.

⁶ Rental car operating expenses such as gasoline, oil, and collision and liability insurance are generally deducted from the cost of renting a replacement vehicle.

⁷ Measure of damages is the fair market value less the salvage value.

⁸ Two of the Colorado/Wyoming District TCCs that had adjudicated claims were unable to provide evidence they had attended the National Center for Employee Development Tort Claims Course.

⁹ Portions of these 26 claims were adequately supported, but were not subtracted from the unsupported questioned costs as the full payment amount was not supported.

Recommendation #1

We recommend the Vice President, Western Area issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically.

Recommendation #2

We recommend the Vice President, Western Area ensure employees processing or reviewing tort claims receive adequate training on claim processing.

Finding #2: Missing or Incomplete Forms and Documentation

The Alaska, Arizona, Colorado/Wyoming, Dakotas, Northland, and Seattle districts tort claim accident files had missing or incomplete forms and documentation. These deficiencies did not affect the accuracy of the tort claim payments, but could potentially impact the fair adjudication of a claim and/or the defense of the adjudication from litigation if a settlement was deemed not appropriate.

Our analysis of 113 claim files identified 99 files (88 percent), had missing and/or

“99 files (88 percent), had missing and/or incomplete required forms and documentation.”

incomplete required forms and documentation. Our file documentation review disclosed the following deficiencies in the files:

- Eighty files were missing the required Postal Service (PS) Form 2198, *Accident Report – Tort Claim*, which documents the TCC’s description of the accident and opinion regarding negligence of the employee and whether submitted bills and estimates are proper.
- Fifty-one files for claims involving motor vehicle accidents were missing the required Standard Form (SF) 91, *Operator’s Report of Motor Vehicle Accident*. This form includes a section for the employee driver’s statement, which is important for determining negligence, and a section requiring the supervisor to indicate whether the employee was within the scope of their duty when the accident occurred.
- Fifty-one 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 files were missing photographs of the accident scene or damage to property.
- Twenty files had only one estimate provided, instead of the required two or one paid invoice.
- Eighteen files contained incomplete or indefinite claims¹⁰ (SF 95s or subrogation letters) filed by the claimant, but never corrected (see [Table 2](#)).

¹⁰ Claim forms were incomplete or indefinite if they were not signed and/or dated by the claimant or subrogee, or did not contain a sum certain amount requested for the damage cause by the Postal Service.

Table 2. OIG Analysis of Tort Claim Files with Missing/Incomplete Forms/Documentation

 District	 Tort Claims Reviewed	 Missing or Incomplete Forms and Documentation	 Missing PS Form 2198	 Missing SF 91	 Missing or Incomplete PS Form 1700	 Missing Photos	 Missing Estimate or Paid Invoice	 Incomplete or Indefinite Claims
 Alaska	1	1	0	0	1	0	0	0
 Arizona	27	25	24	2	1	0	4	3
 Colorado/Wyoming	27	27	27	19	14	6	6	8
 Dakotas	9	9	9	7	9	0	2	1
 Northland	22	11	0	8	6	1	2	3
 Seattle	27	26	20	15	20	4	6	3
Total	113	99	80	51	51	11	20	18

Source: OIG Analysis.

According to Postal Service policy,¹¹ TCCs must complete all necessary forms related to the processing of the claim, including PS Form 2198. In addition, policy¹² states that upon receipt of an incomplete or indefinite claim, the TCC should request the claimant fill out a new claim form completely and consult with the NTC if the deficiency is not resolved within 30 days. The following items are required for all accident investigation report files:¹³

- PS Form 2198.
- PS Form 1700. This must include a scale diagram of the accident scene.
- Photographs of the accident scene and damage to property.
- Investigator's accident summary report.
- SF 91 (motor vehicle accidents only).
- Two repair estimates signed by the estimator and stating the name and address of the business, or an itemized repair bill marked paid (motor vehicle accidents only).
- SF 95, Claim for Damage, Injury or Death, or another written claim (if available).

Five of the 6 district TCCs said they were unaware that PS Form 2198 was required for all claims, and not just claims forwarded to the ASC or NTC, located in St. Louis, MO for adjudication. In addition, while all districts were aware of the need to include the other required documents and forms, they indicated they were reliant on management from local Post Offices and stations to ensure that all required accident investigation documentation were completed and submitted to the TCCs. However, the TCCs often did not receive them or received only partially completed forms. For incomplete or indefinite claims, district TCCs stated they either were unaware of the policies that were not followed or that it had been a TCC oversight in processing the claim.

As a best practice, the Arizona District included a checklist on the front page of every file, to ensure all required forms and documentation were in the tort claim file before adjudication (see Figure 1). In addition, district management intervened to ensure slow responding Post Offices and stations provided the required accident forms to the TCCs.

Figure 1. Tort Claim File Checklist

<u>Missing Information Needed/Received</u>	
1769	
1700	
CUSTOMER / POV Driver Information	
POV Insurance Information	
POV Vehicle Information	
Postal Employee Info	
2 Hr Notification	
Sketch	
Photos	
SF91	
Statements; Employee/ Customer/ Witness/Mgmt	
Police Report	
Citation & Outcome	
Discipline	
RIMS / DMS	
Notification to VMF / Maintenance	

Source: OIG photograph taken February 6, 2018.

Obtaining an accurate, objective, written account of the incident, and documenting all pertinent facts in anticipation of a tort claim, is critical in ensuring tort claims are fairly adjudicated and litigation can be defended when settlement is not appropriate. It is imperative that the Postal Service knows when it is responsible for an accident. If evidence of Postal Service responsibility is ignored or suppressed, later events may bring out the evidence, which could result in greater expense to the Postal Service.

Recommendation #3

We recommend the Vice President, Western Area direct all districts to ensure their tort claim coordinators include all required documents and forms in the tort claim accident investigation report.

11 Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Section 443.1e.

12 Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Section 431.42, 431.43, and 431.44.

13 Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Section 472 and 473.

Finding #3: Tort Claim System Errors

The Tort Claim System, used by the district TCCs to manage and track their tort claims, contained inaccurate information on the tort claims paid in the Alaska, Arizona, Colorado/Wyoming, Dakotas, Northland, and Seattle districts. TCCs inaccurately recorded fifty-two (46 percent) of the 113 tort claim files in the Tort Claims System.

“TCCs inaccurately recorded fifty-two (46 percent) of the 113 tort claim files in the Tort Claims System.”

Our analysis identified:

- The name of the claimant did not match the name on the check for 19 claims.
- The date the claim was received, forwarded, or adjudicated was recorded incorrectly for 37 claims.
- The claim amount requested or claim payment amount was recorded incorrectly for 18 claims (see Table 3).

Table 3. OIG Analysis of Tort Claim Files with System Errors

District	Tort Claims reviewed	Tort Claim System Errors	Incorrect Claimant Name	Incorrect Dates	Incorrect Claim Amounts
Alaska	1	1	0	1	1
Arizona	27	5	0	3	2
Colorado/Wyoming	27	14	8	11	6
Dakotas	9	5	4	2	0
Northland	22	15	6	14	1
Seattle	27	12	1	6	8
Total	113	52	19	37	18

Source: OIG Analysis of Tort Claim System.

¹⁴ Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Sections 441, 460.2, and 460.3.

¹⁵ During the audit, the Arizona and Seattle Districts took corrective action and established a second level approval of payments authorized by the TCC.

Postal Service policy¹⁴ states the TCC must log receipt of the claim and record the settlement in the Tort Claims System. The Tort Claims System was updated in 2017 to an Oracle-based application, however, district TCCs said that the errors were due to their oversight in recording the claim information incorrectly into the system and not correcting the errors. Many of the errors were created from using the information they had at the time of data entry, but they failed to update it as additional information was obtained, or actions were taken on the claim.

Although none of these errors effected the tort claim payments, inaccurate information in the system could impact TCCs efforts to research and resolve customer claims, respond to customer inquiries, and ensure that the claims are processed and adjudicated in an appropriate and timely manner. In addition, reports generated from the system for analysis of the tort claims and to estimate contingent liabilities were unreliable.

Recommendation #4

We recommend the Vice President, Western Area reinforce to all districts the importance of recording accurate tort claim information in the Tort Claims System.

Finding #4: Tort Claims Paid Without Intermediate Management Approval

TCCs in 6 of the 12 Western Area’s districts (50 percent), settled and paid approximately 1,500 tort claims for up to \$5,000 without any intermediate management approval (see Table 4). Specifically, the Arizona, Central Plains, Dakotas, Hawkeye, Portland, and Seattle districts¹⁵ had no second level approval for payments authorized by the TCC. The TCCs in these districts received, processed, adjudicated, submitted for payment, and distributed the tort claim checks for all tort claims up to \$5,000. There was no manager or supervisor at these districts to authorize or approve transactions or validate the accuracy and legitimacy of the payments.

Table 4. Western Area Tort Claim Settlement Authority

District	District Manager	Intermediate Manager	TCC
Alaska	X		
Arizona			X
Central Plains			X
Colorado/ Wyoming		X	
Dakotas			X
Hawkeye			X
Mid-America		X	
Nevada-Sierra		X	
Northland	X		
Portland			X
Salt Lake City	X		
Seattle			X
Total	3	3	6

Source: Postal Service District Management.

Postal Service policy¹⁶ states district managers have the authority to settle personal injury and property damage claims against the Postal Service for up to \$5,000 and can select designees to utilize that authority. TCCs generally are selected as the district manager’s designee, although intermediate management approval may be required in some districts before payment is made. Additionally,

Postal Service policy¹⁷ also states field unit and headquarters unit managers are expected to maintain a strong internal control posture within the Postal Service through a commitment to standards including dedication to internal control practices including segregation of duties, authorization, and/or approval of transactions, accurate and timely financial reports, and timely and complete reconciliation of accounts, among others.

These conditions occurred because district management in six of the districts had not established adequate oversight and controls over payments authorized by the district TCCs to conform to the Postal Service’s internal control standards. Some districts indicated Handbook PO-702, *Tort Claims* does not specifically require second level approval of tort claim payments, so they believed TCC approval was sufficient.

As a best practice, the Northland District used PS Form 2198 to document second level approval for payments authorized by the TCC. This form includes sections for a description of the accident, an opinion regarding negligence of the employee and sufficiency of the bills and estimates submitted, and signature blocks for the TCC and approving official. The Mid-America, Nevada-Sierra, and Salt Lake City districts also used PS Form 2198 as a best practice to document the second level approval.

Without adequate oversight and controls over payments authorized by the district TCCs, there is an increased risk for improper and/or fraudulent tort claim payments.

Recommendation #5

We recommend the Vice President, Western Area require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator.

¹⁶ Handbook PO-702, *Tort Claims*, updated with Postal Bulletin revisions through December 18, 2008, Section 444.3.

¹⁷ Handbook F-1, *Accounting and Reporting Policy*, Section 2-5.1.

Management's Comments

Management agreed with recommendations 1, 2, 3, and 4 but disagreed with recommendation 5 and the monetary impact.

In response to recommendation 1, management stated that Area Finance will conduct random reviews of district tort claim files quarterly through FY 2019. The review and any findings will be documented to the District Manager, Area Controller, and Area Delivery Programs for remediation. Management's target implementation date is September 30, 2019.

In response to recommendation 2, management stated TCCs for Western Area's 12 districts have received the mandatory 36-hour training course. Refresher training for TCCs and reviewing personnel will be conducted. Management's target implementation date is August 31, 2018.

In response to recommendation 3, management stated Western Area districts will implement a "required forms" checklist based on the policy requirements. Management's target implementation date is June 30, 2018.

In response to recommendation 4, management stated Area Finance and Delivery Programs will share the findings from the audit with district TCCs with emphasis on accurate reporting of information to the Tort Claims System. Periodic reviews of the tort claims files will include a review of the system entries. Management's target implementation date is May 31, 2018.

In response to recommendation 5, management disagreed with requiring the Central Plains, Dakotas, Hawkeye, and Portland districts to establish a second level approval of tort claim payments authorized by the TCC. Management stated Western Area districts will follow policy cited in PO-702, which does not mandate intermediate management approval for claims under \$5000 and the audit did not specify findings in these districts. Management stated that support for accurate and timely payment of claims will be evidenced with the activities outlined in the previous four recommendations.

Management disagreed with the total unsupported questioned costs, contending that the \$97,409 cited are for "claim amounts paid", which included cost other

than the individual items being cited as unsupported or questioned costs. They stated the OIG overstated the unsupported costs by \$20,053.57.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 2, 3, and 4 and corrective actions should resolve the issues identified in the report; however, management's comments on recommendation 5 are unresponsive.

Regarding management's disagreement with recommendation 5, we acknowledge that Handbook PO-702, *Tort Claims* does not require intermediate management approval for claims under \$5,000 settled by the TCC. We maintain that other Postal Service policies, such as Handbook F-1, *Accounting and Reporting Policy*, Section 2-5.1, state that field unit and headquarters unit managers are expected to maintain a strong internal control posture within the Postal Service through a commitment to standards including dedication to internal control practices, including segregation of duties, *authorization, and/or approval of transactions*, accurate and timely financial reports, and timely and complete reconciliation of accounts, among others.

The OIG considers tort claim payments made at the district level, where a sole TCC is responsible for receiving, processing, adjudicating, submitting for payment, and distributing tort claim checks for up to \$5,000, to be a transaction, and should require approval to conform to these standards. This standard was sufficiently implemented by 8 of the 12 districts in the Western Area. We consider management's comments unresponsive and view the disagreement as unresolved until we coordinate a resolution with management.

Regarding management's disagreement with the monetary impact for unsupported questioned costs, the OIG evaluated each tort claim payment based on whether the payment amount was supported by adequate evidence in the tort claim file. Tort claim payments that were not fully supported were considered unsupported questioned costs, as the overall payment made on the claim was not in accordance with policy or required procedures. As we acknowledged

in the report, some portions of the 26 unsupported claims were adequately supported. However, the monetary impact for unsupported questioned costs does not represent individual errors identified in the TCC's calculation of the claims reviewed, but the overall claim payments made by the Postal Service that were unsupported. As such, unsupported questioned costs was correctly calculated as outlined in the report.

Recommendations 1, 2, 3, and 4 require OIG concurrence before closure. 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

Our objective was to assess the effectiveness of controls over paid tort claims in the Western Area.

To accomplish our objective, we:

- Obtained and analyzed FYs 2016 and 2017 tort claim payment data from the Enterprise Data Warehouse (EDW) Accounting DataMart and identified tort claim payments adjudicated by the TCCs at the area and district level, the St. Louis ASC, and the NTC.
- Reviewed applicable laws, regulations, policies, and procedures related to tort claims processing.
- Selected a judgmental sample of 113 tort claim payments from the Alaska, Arizona, Colorado/Wyoming, Dakotas, Northland, and Seattle districts adjudicated by the Western Area TCCs (98) and the Accounting & Control Specialists from the St. Louis ASC (15) during FYs 2016 and 2017 (see Table 5).

Table 5. Western Area Tort Claim Sample by District

District	Sample Size	Dollar Value of Sample Claims	Count of all FY 2016 and 2017 TCC and ASC Adjudicated Claims Paid	Amounts of all FY 2016 and 2017 TCC and ASC Adjudicated Claim Paid
Alaska	1	\$1,208	17	\$35,430
Arizona	27	123,717	410	1,305,423
Central Plains			211	553,405
Colorado/Wyoming	27	86,404	447	1,066,214
Dakotas	9	34,195	159	383,077

District	Sample Size	Dollar Value of Sample Claims	Count of all FY 2016 and 2017 TCC and ASC Adjudicated Claims Paid	Amounts of all FY 2016 and 2017 TCC and ASC Adjudicated Claim Paid
Hawkeye			260	572,816
Mid-America			236	657,977
Nevada-Sierra			133	437,438
Northland	22	55,905	379	990,428
Portland			303	793,735
Salt Lake City			233	550,981
Seattle	27	88,070	526	1,592,702
Western Area			10	64,813
Total	113	\$389,499	3,324	\$9,004,438

Source: EDW Accounting DataMart and OIG Analysis.
Note: Dollar amounts may not add due to rounding.

- We initially judgmental selected 32 claims from the Alaska (1), Dakotas (9), and Northland (22) districts to review. As the audit progressed, we selected three additional Western Area districts for review (Arizona, Colorado/Wyoming, and Seattle), as these districts had the largest number of claim payments, adjudicated by the TCCs in the Western Area and the St. Louis ASC. We judgmentally selected 27 claims from each of the three districts, divided equally from 3 tiers of claim payment amounts (9 claims from each tier):
 - Tier 1: \$5,000 and over,
 - Tier 2: \$1,000 through \$4999.99,
 - Tier 3: \$0 through \$999.99.

- Analyzed the tort claim files for the judgmental sample of 113 tort claim payments and identified claims improperly adjudicated and claim file deficiencies that could potentially impact the fair adjudication of a claim and/or the defense of the adjudication from litigation if a settlement was deemed not appropriate.
- Interviewed Postal Service officials responsible for tort claim payments at the Western Area districts, St. Louis ASC, and NTC to gain a better understanding of tort claims processing procedures for claims adjudicated by the district and ASC, controls and oversight over the process, and specific decisions for settlement/payment of the judgmental sample tort claims.

We conducted this performance audit from October 2017 through May 2018 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 objectives. We believe

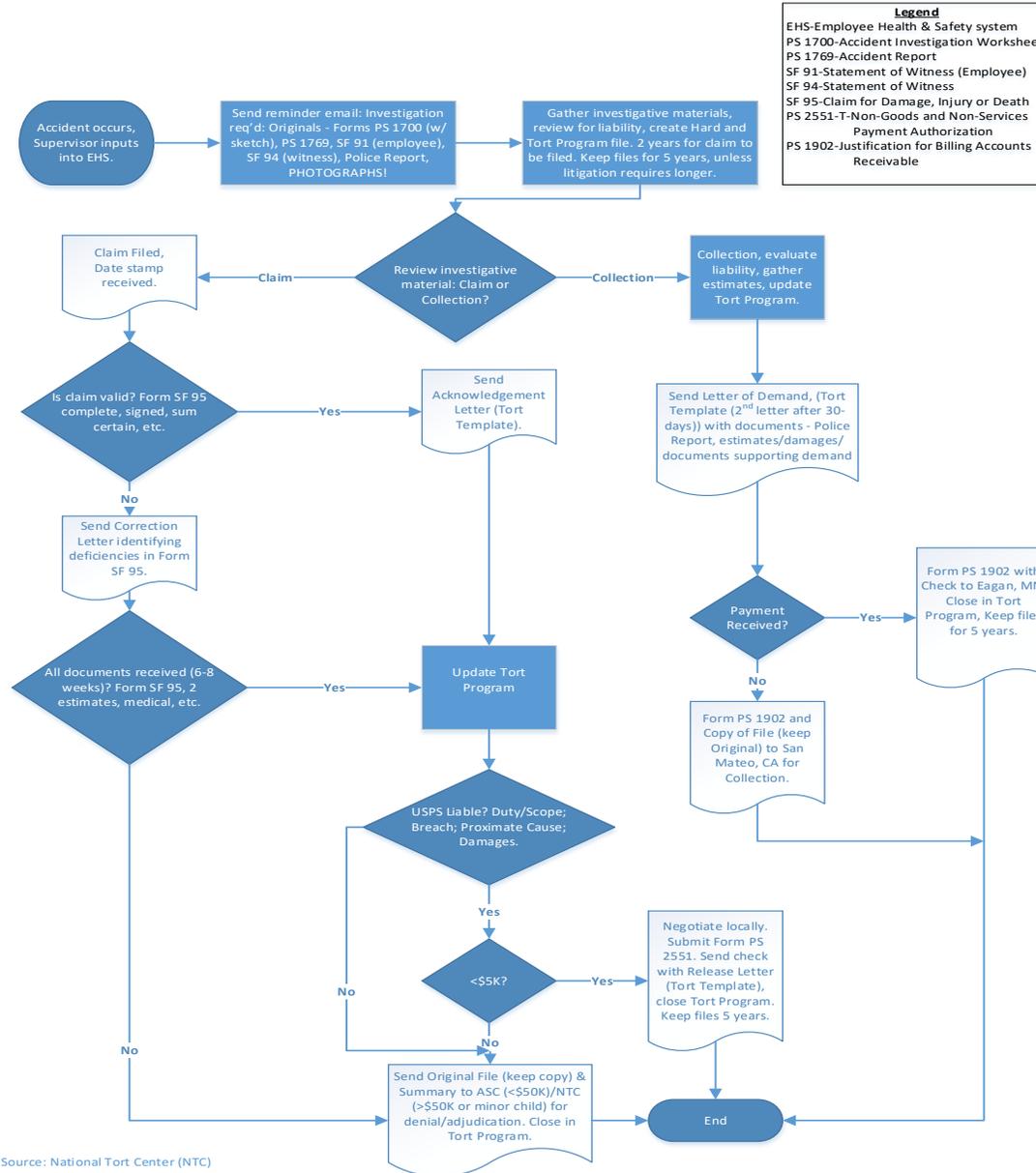
that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on April 2, 2018, and included their comments where appropriate.

We assessed the reliability of computer generated tort claim payment data from the EDW Accounts Payable Database by tracing the payments from the judgmental sample to supporting source records in the corresponding district and ASC tort claim files. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

Appendix B: Tort Claim Flowchart



Appendix C: Management's Comments

GREGORY G. GRAVES
VICE PRESIDENT, WESTERN AREA OPERATIONS



April 30, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Tort Claims Management- Western Area
(Report Number DR-AR-18-DRAFT)

We disagree with the total amount cited in monetary impacts and ask that the OIG recalculate based on the documents reviewed during the audit. The OIG's tort claims audit asserts monetary impacts in the amount of \$97,409 for unsupported questioned costs. The amounts cited are for "claim amounts paid". Some of these amounts included costs other than the individual items being cited as unsupported or questioned costs. See items in Table 1 (attached) for comments from one district audited, the OIG overstated the unsupported cost by \$20,053.57.

Recommendation #1: We recommend the Vice President, Western Area issue a directive instructing districts to ensure tort claim payments and related supporting documentation are reviewed periodically.

Management Response/Action Plan:

Management agrees with the recommendation. Area Finance will conduct random reviews of District tort claim files quarterly through FY 19. The review and any findings will be documented to the District Manager, Area Controller, and Area Delivery Programs for remediation.

Target Implementation Date:

Quarterly, starting Q4 FY18 through Q4 FY19

Responsible Official:

Area Finance

Recommendation #2: We recommend the Vice President, Western Area ensure employees processing or reviewing tort claims receive adequate training on claim processing.

Management Response/Action Plan:

Management agrees with the recommendation. Tort Claims Coordinators (TCC) for Western Area's 12 districts have received the mandatory 36-hour training course. Refresher training for TCCs and reviewing personnel will be conducted.

Target Implementation Date:

August 2018

Responsible Official:

Area Finance
Area Delivery Programs
District Tort Claims Coordinators

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GREGORY G. GRAVES
VICE PRESIDENT, WESTERN AREA OPERATIONS

Recommendation #3: We recommend the Vice President, Western Area direct all districts to ensure their tort claim coordinators include all required documents and forms in the tort claim accident investigation report.

Management Response/Action Plan:

Management agrees with the recommendation. Western Area districts will implement a "required forms" checklist based on the policy requirements.

Target Implementation Date:

June 2018

Responsible Official:

Area Finance
Area Delivery Programs

Recommendation #4: We recommend the Vice President, Western Area reinforce to all districts the importance of recording accurate tort claim information in the Tort Claims System.

Management Response/Action Plan:

Management agrees with the recommendation. Area Finance and Delivery Programs will share the findings from the audit with District TCC's with emphasis on accurate recording of information to the Tort Claims System. Periodic reviews of the tort claims files will include a review of the system entries.

Target Implementation Date:

May 2018

Responsible Official:

Area Finance
Area Delivery Programs

Recommendation #5: We recommend the Vice President, Western Area require the Central Plains, Dakotas, Hawkeye, and Portland Districts to establish a second level approval of tort claim payments authorized by the Tort Claim Coordinator.

Management Response/Action Plan:

Management disagrees with this recommendation. Western Area districts will follow policy cited in PO-702; Authority to Pay Claims; 444. Authority to pay claims states "intermediate management approval *may be* required before payment is made"; it is not, however a mandate for claims under \$5000 and the audit did not specify findings in these districts. Support for accurate and timely payment of claims will be evidenced with the activities outlined in the previous four recommendations.



Gregory G. Graves

cc: *Manager, Corporate Audit Response Management*

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