



Office of Inspector General | United States Postal Service

Audit Report

Tort Claims Management – Capital and Houston Districts

Report Number DR-AR-19-001 | November 26, 2018



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Highlights

Objective

The objective of our audit was to assess the effectiveness of controls over paid tort claims in the Capital and Houston districts.

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.

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. In FYs 2016 and 2017, the Capital and Houston districts paid about \$1.2 million for 576 tort claims, which includes 31 claims, for payments over \$5,000, requiring National Tort Center adjudication.

We selected the Capital and Houston districts for audit based on the highest number and cost of tort claim payments of the high-risk districts in FYs 2016 and 2017.

What the OIG Found

Management controls over tort claims paid in the Capital and Houston districts were not always effective. Based on our analysis of a statistical sample of 151 tort claims payments totaling about \$296,000, in FY 2016 and 2017, we determined that none of the claims were processed correctly. We found the following deficiencies:

- Fifty-four of the 151 payments (36 percent) totaling \$105,514, were not supported with evidence of the damages.
- All 151 tort claim files (100 percent) contained missing and/or incomplete forms and documentation required to be in the file.

- Eighty-nine of the 151 tort claim files (59 percent) were inaccurately recorded in the Tort Claims System.

In addition, tort claim coordinators (TCC) in the Capital and Houston districts settled and paid 545 claims for up to \$5,000, totaling about \$981,346, without second-level management approval, although management did not require second-level approval in their district.

These conditions occurred because district management did not provide sufficient oversight to manage the tort claim payment process and avoid potential risks to the Postal Service. Specifically:

- District management did not ensure TCCs consistently followed Handbook PO-702, *Tort Claims*.
- TCCs were not always trained prior to adjudicating claims, or required refresher training on tort claim processes.
- TCCs were unaware of the required forms in the tort claim files. In addition, postal facilities did not complete required accident investigation forms or did not forward them to the TCCs.
- 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 to conform to the Postal Service's internal control standards.

Improved management controls and oversight could reduce the potential for errors and fraud associated with tort claims payments. As a result, we estimated the Capital and Houston districts incurred unsupported questioned costs of about \$211,000 annually for improperly adjudicated tort claim payments.

What the OIG Recommended

We recommended management:

- Conduct periodic management review of the tort claim process to ensure TCCs are adjudicating claims in accordance with Handbook PO-702.
- Ensure employees processing or reviewing tort claims are trained prior to adjudicating claims and receive periodic refresher training on claim processing.
- Direct managers to ensure postal facilities are completing all required accident investigation forms and develop a checklist/guide to ensure district TCCs include all required documents and forms in the tort claim files.
- Reinforce the importance of recording accurate information in the Tort Claims System and updating the system with accurate data with the TCCs.
- Establish a second-level approval of tort claim payments authorized by TCCs.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

November 26, 2018

MEMORANDUM FOR: SALVATORE N. VACCA
DISTRICT MANAGER, CAPITAL DISTRICT

DAVID W. CAMP
DISTRICT MANAGER, HOUSTON DISTRICT

A digital signature of Janet M. Sorensen is shown within a rectangular box. The signature is in black ink and appears to be "Janet M. Sorensen". Above the signature, the name "Janet Sorensen" is printed in a small font. To the right of the signature, there is a small yellow icon with a question mark.

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

SUBJECT: Audit Report – Tort Claims Management – Capital and
Houston Districts (Report Number DR-AR-19-001)

This report presents the results of our audit of Tort Claims Management – Capital and Houston Districts (Project Number 18RG012DR000).

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

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Tort Claims Management – Capital and Houston Districts (Project Number 18RG012DR000). The objective of our audit was to assess the effectiveness of controls over paid tort claims in the Capital and Houston districts. 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 Capital and Houston districts paid about \$1.2 million for 576 tort claims¹ in FYs 2016 and 2017. Most claims were for motor vehicle

accidents. We selected the Capital and Houston districts for audit based on the highest number and cost of tort claim payments, of the high-risk districts, in FYs 2016 and 2017.

Finding #1: Management Oversight of Tort Claim Payments

Based on our analysis of 151 tort claim payments in the Capital and Houston districts, we identified 54 payments (36 percent) that were not supported by evidence of the damages for which the settlements were based (see [Table 1](#)). The tort claims payment errors included:

- Twenty-four payments that exceeded the submitted estimates and receipts in the files.
- Ten payments for unrecoverable expenses, including rental car collision and liability insurance payments and a Department of Motor Vehicle fee.
- Ten payments with insufficient accident investigation documentation to establish Postal Service negligence or that the employee was in the scope of employment.
- Four payments to the incorrect real party of interest.
- One payment made on an invalid claim, specifically a claim that should have been processed through the leasing contract.
- One payment for damages that exceeded accident investigation facts.
- One payment for rental car expenses to claimants, who had previously accepted a settlement payment for their claim.

“Fifty-four payments (36 percent) were not supported by evidence of the damages for which the settlements were based.”

¹ The 576 tort claims include 545 claims for payments of \$5,000 and below which can be settled locally and 31 of the 576 claims were for payments over \$5,000 which require NTC approval.



- Two payments where Postal Service was not at fault for the accident or contributory negligence² was not applied to the claim.
- One payment mistakenly made to the insurance company after claim was already settled with the owner.

**Table 1. OIG Analysis - Unsupported District Tort Claims
FYs 2016 and 2017**

District	Tort Claim Coordinator (TCC) Adjudicated Tort Claims Paid	Tort Claims Reviewed	Number of Unsupported Tort Claims	Unsupported Tort Claim Payments
Capital	327	86	29	\$57,537
Houston	249	65	25	47,976
Total	576	151	54	\$105,513

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of Postal Service tort claims files.

These conditions occurred because district management did not provide sufficient oversight to manage the tort claim payment process and avoid potential risks to the Postal Service. Specifically, district management did not ensure TCCs consistently followed Postal Service policy³ by providing periodic management review of the districts' tort claim process. In addition, some district TCCs made errors during the claim process or were unaware of the policy and did not follow specific tort claim policy. In addition, at least one TCC had not received formal tort claims training prior to adjudicating claims.

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

- Evidence is in the file documenting the damages upon which settlement is based.

² A plaintiff who fails to observe ordinary care for his own safety is contributory negligent and is barred from all recovery, regardless of a defendant's negligence. Applies to District of Columbia and Maryland in our sample.

³ Handbook PO-702, *Tort Claims*, Sections 142d, 144.1, 432.2, 444.1, 444.2, 451.1, and 451.52, updated with *Postal Bulletin* revisions through December 18, 2008.

- 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.⁴
- Claims may only be paid if it is determined 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.
- Claims for damage to leased or rented vehicles driven by Postal Service employees should be resolved under the terms or procedures of the contract.

The Federal Tort Claims Act⁵ states that 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 U.S. and against the employee of the government whose act or omission gave rise to the claim, by reason of the same subject matter.

Improved management controls and oversight could reduce the potential for errors and fraud associated with tort claims payments. As a result, we estimated the Capital and Houston districts incurred unsupported questioned costs of about \$211,000⁶ annually for improperly adjudicated tort claims payments.⁷

Recommendation #1

We recommend **the Managers, Capital and Houston districts**, conduct periodic management review of the tort claims process to ensure tort claim coordinators are adjudicating claims in accordance with Handbook PO-702, *Tort Claims*.

Recommendation #2

We recommend **the Managers, Capital and Houston districts**, ensure employees processing or reviewing tort claims are trained prior to adjudicating claims and receive periodic refresher training on claim processing.

Finding #2: Missing or Incomplete Forms and Documentation

The Capital and Houston districts tort claim accident files had missing or incomplete forms and documentation. Our analysis of 151 claim files identified all 151 files (100 percent) were missing or had incomplete required 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 file documentation review disclosed the following deficiencies in the files:

Our analysis of 151 claim files identified 100 percent had missing and / or incomplete required forms and documentation.

- One hundred fifty 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.
- One hundred eight 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

⁴ Rental car operating expenses such as gasoline and oil, and collision and liability insurance are generally deducted from the cost of renting a replacement vehicle.

⁵ 28 U.S. Code §2672, Administrative adjustment of claims.

⁶ We estimated total unsupported questioned costs of \$421,952.

⁷ 28 out of 54 unsupported claims had portions that were adequately supported, but not subtracted from the unsupported questioned costs as the full payment amount was not supported.

- requiring the supervisor to indicate whether the employee was within the scope of their duty when the accident occurred.
- One hundred ten 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.
- Forty-nine files were missing photographs of the accident scene or damage to property.
- Twenty-three files were missing the required two repair estimates or one paid invoice.
- Fifteen files contained missing, or incomplete and indefinite claims⁸ (SF 95 or subrogation letters) filed by the claimant, but never corrected or referred to the ASC (see Table 2).

Table 2. Analysis of Tort Claims 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 Estimates or Paid Invoice	Missing, Incomplete and Indefinite Claims
Capital	86	86	85	72	75	31	13	4
Houston	65	65	65	36	35	18	10	11
Total	151	151	150	108	110	49	23	15

Source: OIG analysis.

TCCs in the Capital and Houston districts 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 the TCCs for the two districts were aware of the need to include other required documents and forms, they were reliant on management from local postal facilities to ensure that all required accident investigation documentation was completed and submitted. However, the TCCs indicated that postal officials did not complete required accident investigation forms or did not forward them to the TCCs timely. For missing, or incomplete and indefinite claims, district TCCs were unaware of policies for managing and processing tort claims or were working through a backlog of tort claims and did not have time to request the claimant fill out a new form.

In addition, we observed no best practice checklist used to ensure all required forms and documentation were in the file before adjudication.

In our previous audit report titled *Tort Claims Management – Western Area* (Report Number DR-AR-18-004, dated May 8, 2018), we identified a best practice used in the Arizona District. The district included a checklist on the front page of every tort claim accident file, to ensure all required forms and documentation were in the file before adjudication. In addition, district management intervened to ensure slow responding post offices and stations provided the required accident forms to the TCCs.

According to Postal Service policy,⁹ TCCs must complete all necessary forms related to the processing of the claim. In addition, policy¹⁰ states that upon receipt of an incomplete or indefinite claim, the TCC should request the

⁸ 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.

⁹ Handbook PO-702, Section 443.1e, updated with *Postal Bulletin* revisions through December 18, 2008.

¹⁰ Handbook PO-702, Section 431.42, and 431.43, updated with *Postal Bulletin* revisions through December 18, 2008.

claimant complete a new claim form 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:¹¹

- PS Form 2198.
- PS Form 1700, including 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, 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).

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 Managers, Capital and Houston districts**, direct managers to ensure postal facilities are completing all required accident investigation forms and develop a checklist/guide to ensure District tort claim coordinators include all required documents and forms in the tort claim files.

Finding #3: Tort Claim System Errors

The Tort Claim System, used by the district TCCs to manage and track tort claims, contained inaccurate information for the tort claims paid in the Capital and Houston districts. TCCs inaccurately recorded 89 of the 151 (59 percent) tort claims files in the Tort Claims System.¹² Our analysis identified:

- The name of the claimant did not match the name on the SF-95 or subrogation letter for 31 claims.
- The date the claim was received or adjudicated was recorded incorrectly for 56 claims.
- The claim amount requested or claim payment amount was recorded incorrectly for 27 claims (see Table 3).

“TCCs inaccurately recorded 89 of the 151 (59 percent) tort claims files in the Tort Claims System.”

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
Capital	86	42	13	32	9
Houston	65	47	18	24	18
Total	151	89	31	56	27

Source: OIG analysis of tort claim system.

The Tort Claims System was updated to an Oracle-based application in 2017; however, district TCCs 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,

¹¹ Handbook PO-702, Sections 472, and 473, updated with *Postal Bulletin* revisions through December 18, 2008.

¹² Some of these claims had multiple errors in the Tort Claims System.

but they failed to update it as additional information was obtained, or actions were taken on the claim. Postal Service policy¹³ states the TCC must log receipt of the claim and record the settlement in the Tort Claims System.

Although none of these errors effected the tort claim payments, inaccurate information in the system could impact Postal Service goodwill related to 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 Managers, Capital and Houston districts**, reinforce to tort claim coordinators the importance of recording accurate information in the Tort Claims System and updating the Tort Claims System with accurate data as additional information is obtained or actions are taken on the claim.

Finding #4: Tort Claims Paid Without Intermediate Management Approval

TCCs in the Capital and Houston districts settled and paid 545 tort claims for up to \$5,000, totaling about \$981,346, without any intermediate management approval, although management did not require second level approval in their district. 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.

These conditions occurred because district management in the Capital and Houston 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.

Postal Service policy¹⁴ 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. Postal Service policy¹⁵ 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. Further, policy¹⁶ states segregation of duties means that no one Postal Service employee should be responsible for handling all phases of a financial transaction.

In a previous audit report (*Tort Claims Management – Western Area*), we identified a best practice in the Northland District. The 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.

“TCCs in Capital and Houston districts settled and paid 545 tort claims for up to \$5,000 totaling about \$981,346, without any intermediate management approval.”

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

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

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

16 Handbook F-20A, *Accounting Services Systems and Process*, Section 9-2.

The Postal Service¹⁷ establishes internal controls to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and ascertain that managerial policies and procedures are followed. 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 Managers, Capital and Houston Districts**, establish a second level approval of tort claim payments authorized by tort claim coordinators.

Management's Comments

Management agreed with our findings, recommendations, and monetary impact.

In response to recommendation 1, the Capital District will conduct random quarterly reviews of tort claims received to ensure all documentation is on file for those selected and any payment calculations have been made correctly. The Houston District will implement a review process for payouts over \$1,000 that will be reviewed by higher level management. Management's target implementation date is January 31, 2019.

In response to recommendation 2, the Capital District has implemented the recommendation by sending three employees to St. Louis for Tort Claim training in October 2018. The Houston District's primary and backup TCCs attended training in 2016, 2017, and 2018. Management has also implemented the best practice used by the Arizona District and will include a checklist with each claim to ensure all documents are present. The target implementation date is November 30, 2018.

In response to recommendation 3, the Capital District will ensure compliance with a new standard operating procedure (SOP) for accident investigations that

is currently being drafted. The Houston District re-issued the Tort SOP on the process and required forms. In addition, the TCC is already using the checklist. The target implementation date is December 31, 2018.

In response to recommendation 4, the Capital District implemented the recommendation by sending three employees to St. Louis for Tort Claim training in October 2018 to reiterate correct processes and the importance of accuracy. The Houston District's primary and backup TCCs attended training in 2016, 2017, and 2018. Management has also implemented the best practice used by the Arizona District and will include a checklist with each claim to ensure all documents are present. The target implementation date is January 31, 2019.

In response to recommendation 5, the Capital and Houston districts will require a secondary review of any tort claims with an expected payment of \$1,000 or more by Operations Programs Support personnel to ensure all documents are on file and payment calculations are accurate. The random audit process will also provide another level of review to ensure the secondary review is being conducted. The target implementation date is November 30, 2018 for the Capital District and January 31, 2019 for the Houston District.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

All recommendations require OIG concurrence before closure. The OIG requests written confirmation when corrective actions are completed. 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.

¹⁷ Handbook F-20A, *Accounting Services Systems and Process*, Section 9-1.2.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of the audit focused on Capital and Houston districts tort claims paid in FYs 2016 and 2017, adjudicated by district TCCs. We selected these two districts based on their having the highest number and costs of tort claim payments of all the high-risk districts in FYs 2016 and 2017.

To perform this audit, we:

- Obtained and analyzed FY 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 district level.
- Reviewed applicable laws, regulations, policies, and procedures related to tort claims processing.
- Selected a statistical sample, with a 95 percent confidence level, of 151 torts claim payments from the Capital and Houston districts adjudicated by the districts' TCCs during FYs 2016 and 2017 (see Table 4).
- Analyzed the tort claim files for the sample 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 Capital and Houston districts to obtain a better understanding of tort claims processing procedures, controls and oversight over the process, and specific decisions for settlement/payment of the statistical sample tort claims.

Table 4. Sample Selection and Claims Totals

District	Universe	Universe Payment Amount	Sample Size	Sample Size Payment Amount
Capital	327	\$724,182	86	\$179,930
Above \$5,000	27	183,190	7	59,317
\$5,000 and Below	300	540,992	79	120,613
Houston	249	462,152	65	116,518
Above \$5,000	4	21,798	1	5,188
\$5,000 and Below	245	440,354	64	111,330
Grand Total	576	\$1,186,334	151	\$296,448

Source: EDW Accounting DataMart and OIG analysis.

We conducted this performance audit from June through November 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions

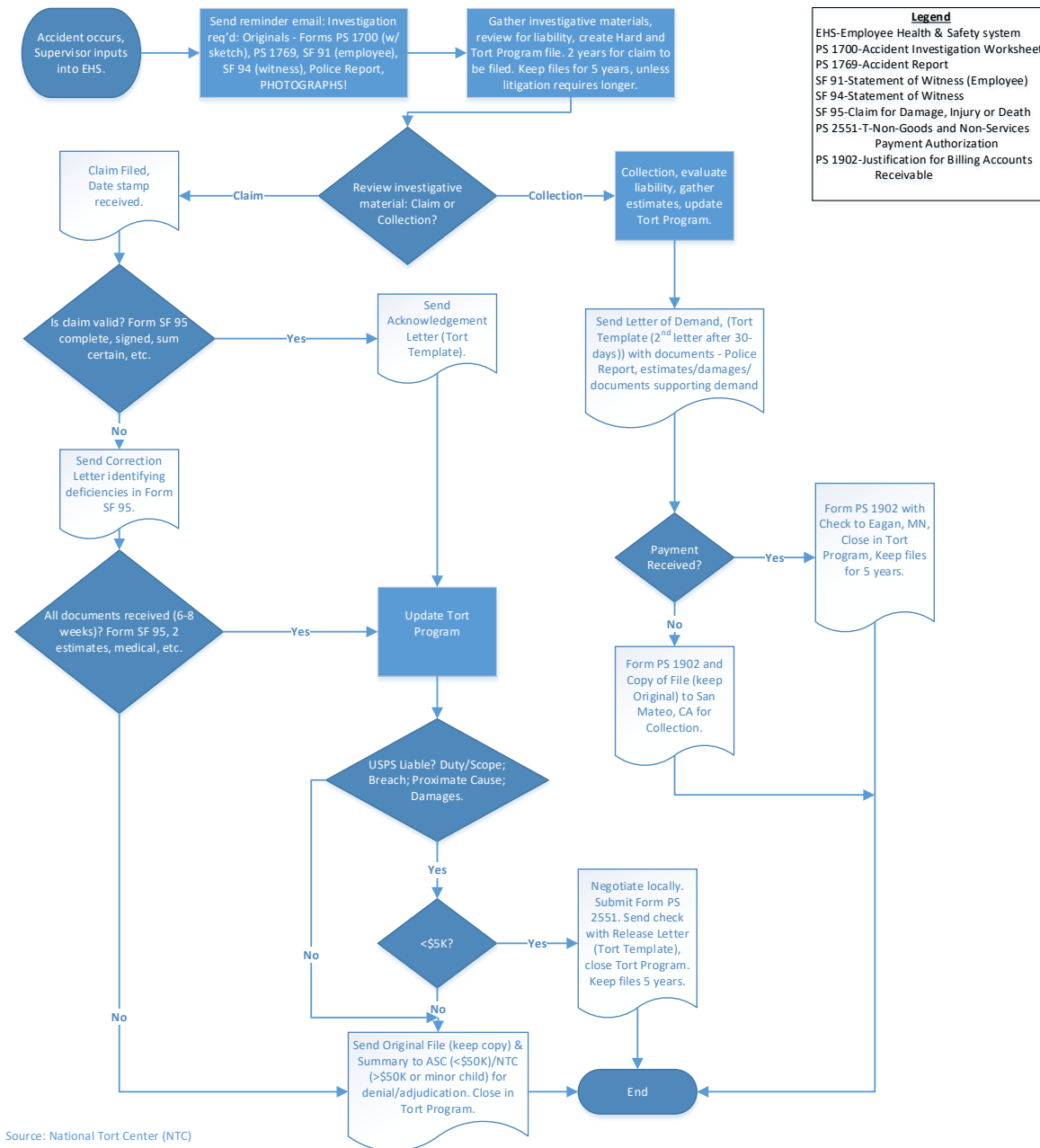
based on our audit objective. We discussed our observations and conclusions with management on October 26 and 30, 2018, and included their comments where appropriate.

We assessed the reliability of computer-generated tort claim payment data by tracing the payments from the statistical sample to supporting source documents in the corresponding district tort claim files. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Tort Claims Management - Western Area</i>	Assess the effectiveness of controls over paid tort claims in the Western Area.	DR-AR-18-004	5/8/2018	\$97,409

Appendix B: Tort Claims Flowchart



Appendix C: Management's Comments



November 16, 2018

LAZERICK POLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Tort Claims Management- Capital and Houston Districts (Report Number DR-AR-19-DRAFT)

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report, "Tort Claims Management- Capital and Houston Districts". Management does agree with the findings noted in the audit report. Management agrees with the recommendations as outlined in the audit response per the action plans shown below.

Regarding the monetary impacts identified as unsupported questioned costs of \$421,952, we agree that better training and oversight would result in accurate claim resolution. By following required procedures we will reduce or eliminate unnecessary payments and ensure all documentation is available to support payments made.

Recommendation #1

We recommend the Managers, Capital and Houston districts, conduct periodic management review of the tort claims process to ensure tort claim coordinators are adjudicating claims in accordance with Handbook PO-702, *Tort Claims*.

Management Response/Action Plan

Management agrees with this recommendation. Capital District will conduct random quarterly reviews of tort claims received to ensure all documentation is on file for those selected and any payment calculations have been made correctly. Houston will implement a review process for payouts over \$1,000 reviewed by the MPOS/MOD, as mentioned in recommendation #5.

Target Implementation Date

January 2019

Responsible Official

Manager Operations Programs Support

Recommendation #2

We recommend the Managers, Capital and Houston districts, ensure employees processing or reviewing tort claims are trained prior to adjudicating claims and receive periodic refresher training on claim processing.

Management Response/Action Plan

Management agrees with this recommendation and has already implemented by sending three employees to Saint Louis for Tort Claim training in October. Houston primary and backup coordinators have attended Torts training (Course 10012858VM55) in 2016, 2017, and 2018. We have also implemented the best practice used by Arizona and will include a checklist with each claim to ensure all documents are present.

Target Implementation Date

November 2018

Responsible Official
Manager Operations Programs Support

Recommendation #3

We recommend the Managers, Capital and Houston districts, direct managers to ensure postal facilities are completing all required accident investigation forms and develop a checklist/guide to ensure District tort claim coordinators include all required documents and forms in the tort claim files.

Management Response/Action Plan

Management agrees with this recommendation. Capital District will implement by ensuring compliance with a new SOP for accident investigations that is currently being drafted. Houston re-issued the Torts SOP on the process and forms required. As mentioned in recommendation #2, the checklist is already being utilized by the tort claim coordinator.

Target Implementation Date
December 2018- Capital District

Responsible Official
Manager Operations Programs Support

Recommendation #4

We recommend the Managers, Capital and Houston districts, reinforce to the tort claim coordinators the importance of recording accurate information in the Tort Claims System and updating the Tort Claims System with accurate data as additional information is obtained or actions are taken on the claim.

Management Response/Action Plan

Management agrees with this recommendation and has already implemented by sending three employees from Capital District to Saint Louis for Tort Claim training in October to reiterate correct processes to use and the importance of accuracy. Houston primary and backup coordinators have attended Torts training (Course 10012858VM55) in 2016, 2017, and 2018. We have also implemented the best practice used by Arizona and will include a checklist with each claim to ensure all documents are present.

Target Implementation Date
January 2018

Responsible Official
Manager Operations Programs Support

Recommendation #5

We recommend the Managers, Capital and Houston Districts establish a second level approval of tort claim payments authorized by the tort claim coordinators.

Management Response/Action Plan

Management agrees with this recommendation. Capital and Houston Districts will implement by requiring a secondary review of any tort claims with an expected payment of \$1,000.00 or more by Operations Programs Support to ensure all documents are on file and payment calculations are accurate. The random audit process will also provide another level of review to ensure the secondary review is being conducted.

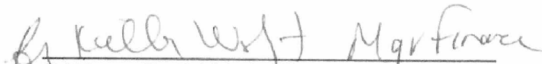
Target Implementation Date

November 2018- Capital District

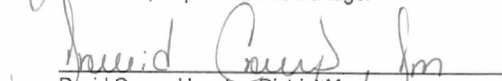
January 2019- Houston District

Responsible Official

Manager, Delivery Programs



Sal Vacca, Capital District Manager



David Camp, Houston District Manager

cc: Manager, Corporate Audit & Response Management



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