

September 28, 2000

GARY L. MCCURDY
VICE PRESIDENT, ALLEGHENY AREA OPERATIONS

SUBJECT: Audit Report – Lancaster Performance Cluster's Process for Administering
Continuation of Pay Leave Benefits
(Report Number HC-AR-00-003)

This report presents the results of our self-initiated audit of the Lancaster Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (Project Number 00RA058HC001). This report is the third of seven reports we plan to issue concerning the process for approving and tracking continuation of pay leave benefits in the Allegheny Area.

The audit revealed opportunities for improving the process of administering these benefits and complying with Postal Service policies. We provided four recommendations to improve the process. Management agreed with our finding and recommendations and the actions taken or planned should correct the issues discussed in this report. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions, please contact Ms. Katherine K. Johnson, director, Health Care Fraud, or me at (703) 248-2300.

Billy Sauls
Assistant Inspector General
for Business Protection

Attachment

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EXECUTIVE SUMMARY

Introduction

We completed a self-initiated audit to determine whether the Allegheny Area's process for approving and tracking the use of continuation of pay leave benefits for injured employees complied with the Department of Labor, Office of Workers' Compensation Programs and United States Postal Service policies. This report on the Allegheny Area's Lancaster Performance Cluster is the third of seven reports we plan to issue concerning the process for approving and tracking continuation of pay leave benefits in the Allegheny Area.

Results in Brief

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

Summary of Recommendations

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

In response to our discussion with Postal Service managers concerning issues in this report, management took immediate corrective action to prevent the inappropriate payment of continuation of pay leave benefits by issuing a memorandum on June 9, 2000, to Postal Service managers in the Lancaster Performance Cluster. The memorandum instructed those managers to request prior authorization of all continuation of pay leave benefits from the injury compensation control office staff.

**Summary of
Management's
Comments**

Management agreed with our recommendations and has taken corrective actions. Management implemented the following corrective actions by (1) issuing on September 15, 2000, an addendum to the June 9, 2000, district-wide policy memorandum, (2) developing a process to document the reconciliation of Workers' Compensation-Injury on Duty report each accounting period, (3) instituting a new management control procedure to perform front-end reconciliation of continuation of pay hours, and (4) instructing the manager, Injury Compensation to re-emphasize using the Continuation of Pay/Leave Without Pay-Injured on Duty Timekeeping Worksheet to monitor continuation of pay hours and days.

Management's comments, in their entirety, are included in Appendix E.

**Overall Evaluation of
Management's
Comments**

Management's comments were responsive to our recommendations and we believe the actions taken should correct the issues identified in this report.

INTRODUCTION

Background

The Department of Labor, Office of Workers' Compensation Programs has sole responsibility for administering the Federal Employees' Compensation Act. The Code of Federal Regulations, Title 20, Part 10, April 1, 1999, establishes the rules for claiming benefits under the Federal Employees' Compensation Act. Specifically, Section 10.200 of the Code of Federal Regulations states, in part, that the employer must continue an employee's regular pay for up to a maximum of 45 calendar days of wage loss due to disability and/or medical treatment after a traumatic injury. This provision is called continuation of pay (COP). COP is considered regular income and unlike workers' compensation wage loss benefits, COP is subject to income taxes and other payroll deductions applicable to regular income. The intent of the COP provision is to eliminate interruption of the employee's income during the period immediately after a job-related traumatic injury, while the Office of Workers' Compensation Programs adjudicates¹ the employee's injury claim. After entitlement to COP leave benefits expires, the employee may apply for workers' compensation wage loss benefits or use personal leave.

The United States Postal Service (Postal Service) is geographically segmented into ten decentralized areas including the Allegheny Area and Metro Operations. During fiscal years (FY) 1998 and 1999, postal-wide payments for COP leave benefits averaged \$22.5 million annually for approximately 23,000 employees. The Allegheny Area averaged \$2.2 million in annual COP benefit payments for approximately 2,400 employees over the same two-year time span.

The Allegheny Area is geographically divided into ten performance clusters including the Lancaster Performance Cluster. The Postal Service's Injury Compensation Control Office (the Control Office) personnel manage all injury claims for each of the performance clusters. In addition, Control Office personnel are responsible for authorizing employee-requested COP leave benefits.

¹The process whereby Office of Workers' Compensation Programs considers all information submitted by the employee, employer, and from its own investigation to reach a decision regarding entitlement to Federal Employees' Compensation Act benefits.

**Objective, Scope, and
Methodology**

Our audit objective was to determine whether the Allegheny Area, Lancaster Performance Cluster's process for approving and tracking the use of COP was in compliance with the Department of Labor, Office of Workers' Compensation Programs and Postal Service policies. In addition, we reviewed the management controls applicable to COP leave benefits.

To accomplish our objectives, we reviewed Postal Service policies and procedures associated with COP leave benefits. We interviewed representatives from the Postal Service Headquarters, Health and Resource Management office and Lancaster Performance Cluster, Control Office. In addition, we contacted representatives from the Department of Labor, Office of Workers' Compensation Programs to discuss certain aspects of the COP guidance.

This audit was limited to FY 2000 COP injury claims administered by the Lancaster Performance Cluster for pay periods 20 through 26 in calendar year 1999 and pay periods 1 through 7 in calendar year 2000. The Lancaster Performance Cluster was randomly selected as one of several performance clusters for an Allegheny Area projection. We identified 75 COP injury claims in the Lancaster Performance Cluster's payroll sample frame for the audited period. We randomly selected 40 out of the 75 COP injury claims for review.

The performance cluster sample size was calculated based on an area-wide design and projection. Therefore, the sample size in any one of the performance clusters is not designed to provide a specific performance cluster dollar estimate with tight enough precision to be useful to a performance cluster. Consequently, we will not project audit results by individual performance clusters; instead, at this time we will only report actual unprojected audit results.²

We relied extensively on computer-processed payroll data contained in the Postal Service Payroll Pay Data and Employees Master Files. We also relied on prior audit work performed by the Postal Service Office of Inspector General on the FY 1999 Postal Service financial statement audit to

²Appendix A contains an overview of our statistical sampling design methodology for the area-wide projection.

assess the payroll function's general and application controls. In addition, we traced statistically-selected data from the Payroll Pay Data and Employee Master Files to the source documentation. Based on prior audit results and alternative testing procedures performed during the audit, we assessed the reliability of these data, including relevant general and application controls, and found them adequate. As a result of tests and assessments, we consider the computer-processed data significantly reliable to satisfy the audit objectives.

We conducted the audit fieldwork from April 2000 through September 2000, in accordance with generally accepted government auditing standards and included such tests of management controls as were considered necessary under the circumstances. We also discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

Since February 1996, the President's Council on Integrity and Efficiency issued one consolidated audit report on workers' compensation to include COP issues. In addition, the Postal Service Office of Inspector General, issued two audit reports related to the Eagan, Minnesota, Information Systems and Accounting Service Center for the FY ended September 30, 1999. The Eagan, Minnesota, Information Systems and Accounting Service Center has four departments. Our prior audit focused on two out of the four departments. Of these, the Integrated Business Systems Solutions Center concentrates on support and development for payroll and other clients. In addition, the accounting service center is responsible for a variety of accounting activities to include the payroll function. See Appendix B for prior audit report details.

AUDIT RESULTS

Continuation of Pay Benefits

The Lancaster Performance Cluster supervisors and Control Office staff did not always process and monitor COP leave benefits properly. Specifically, we found that 21 out of the 40 COP injury claims reviewed contained COP benefit errors. The listing of COP injury claims recorded in error is provided in the table. The incorrect processing of COP leave benefits occurred because supervisors did not always follow established procedures for authorizing and documenting COP leave benefits. In addition, the Control Office staff did not effectively monitor COP usage. Consequently, management controls over the processing of COP leave benefits were ineffective to prevent 51 unnecessary pay adjustments needed to correct employees' applicable sick, annual, or other leave balances. The cost to process those pay adjustments was estimated at \$3,825.³ In addition, we identified COP overpayments totaling approximately \$328.⁴

Continuation of Pay Leave Benefits Processed In Error Lancaster Performance Cluster Pay Adjustments			
Injury Claims With Errors	Record ID Number	Number of Pay Adjustments	Cost at \$75 per Adjustment
1	3	2	\$150.00
2	4	9	675.00
3	5	1	75.00
4	10	1	75.00
5	13	3	225.00
6	16	1	75.00
7	18	3	225.00
8	20	6	450.00
9	22	1	75.00
10	23	1	75.00
11	25	5	375.00
12	30	1	75.00
13	33	7	525.00
14	38	2	150.00
15	39	1	75.00
16	43	1	75.00
17	44	1	75.00
18	55	1	75.00
19	60	1	75.00
20	66	2	150.00
21	69	1	75.00
Totals		51	\$3,825.00

³The Postal Service estimates each pay adjustment costs \$75 on average and in some extreme cases, pay adjustments could cost as much as \$175 based on the time expended by responsible Postal Service employees. For audit reporting purposes, we used the lower estimate of \$75 per pay adjustment.

⁴COP overpayments result when COP hours are paid in error and the employee does not have any available sick or annual leave to cover the absence mistakenly recorded as COP hours. COP overpayments also result when COP hours are paid in error while the employee is simultaneously receiving wage compensation payments from the Office of Workers' Compensation Programs. Consequently, recovery procedures must be executed to collect overpaid COP hours from the employee.

Authorizing
Continuation of Pay
Leave Benefits

Following established procedures for authorizing COP leave benefits are essential in preventing unauthorized COP leave benefits and unnecessary pay adjustments. On April 17, 1997, the district manager, Lancaster Performance Cluster, issued a memorandum⁵ addressing the authorization process for COP leave benefits. The memorandum stated the unauthorized input of COP leave benefits resulted in overpayments of COP leave benefits and costly pay adjustments to the Lancaster Performance Cluster to correct those errors.

The COP authorization process required supervisors to inform the Control Office staff of any and all COP benefit payments. In addition, employees' requests for COP leave benefits on PS Forms 3971, Request for or Notification of Absence, had to be sent to the Control Office staff for prior authorization. The memorandum further stated complying with this authorization process would facilitate better management of COP hours and reduce the number of unnecessary pay adjustments.

Supervisors did not always follow the authorization process authorizing COP leave benefits implemented in April 1997. Specifically, supervisors did not receive proper authorization from the Control Office staff before approving employee COP leave benefits for 12 out of the 21 injury claims we identified with COP errors. Furthermore, 5 out of the 12 injury claims represented uninjured employees who received unauthorized COP leave benefits instead of the appropriate annual, sick, or other leave benefits. The supervisors' failure to request and receive proper authorization from the Control Office staff for COP leave benefits led to 22 unnecessary pay adjustments and COP overpayments totaling approximately \$230.

When uninjured employees receive unauthorized COP leave benefits, the Postal Service is essentially allowing these employees an approved absence from work, unrelated to an on-the-job injury. Moreover, the uninjured employees' applicable sick or annual leave balances are not reduced and remain overstated.

⁵See Appendix C for the full text of the April 17, 1997, memorandum.

Documenting Requests
for Continuation of Pay
Leave Benefits

Proper timekeeping and accounting procedures are essential for effective management and administration of the injury compensation program. Postal Service timekeeping and accounting guidelines provided special requirements for COP. For instance, a supervisor must ensure a Form 3971 is completed promptly after being advised of an employee request for COP leave benefits. When a traumatic injury occurs and employees are unable to initiate the Form 3971 to request COP leave benefits, supervisors are expected to perform this function. The senior installation official is required to retain Forms 3971 for two years from the date the leave is taken or disapproved. Contrary to this guidance, supervisors did not always follow established procedures for documenting requests for COP leave benefits. Our review disclosed that Forms 3971 for 34 out of the 40 injury claims were either improperly prepared or did not exist. We were unable to reconcile requested COP leave benefits with paid COP hours due to improperly completed or missing Forms 3971.

Although Forms 3971 were improperly prepared or missing, we used other injury claim file documentation to determine appropriate COP leave benefits. Employees must complete a Form 3971 to document requested COP leave benefits, which are not automatically provided to injured employees. Therefore, improperly prepared or missing Forms 3971 made it difficult to determine whether employees initially requested any COP leave benefits. Consequently, without an adequate audit trail, we are not reasonably assured that all COP hours recorded in the payroll system resulted from employee requests for COP leave benefits.

Monitoring
Continuation of Pay
Usage

Monitoring COP usage includes actively reviewing injury claim files to ensure appropriate COP leave benefits are provided to employees. Postal Service Handbook, EL-505, Injury Compensation, December 1995, Chapter 13, "Timekeeping and Accounting," provided guidance for monitoring COP. Chapter 13, Section 13.1, "Tracking Time for COP," states the Control Office staff must monitor COP hours and days to ensure employees do not receive COP leave benefits for more than a 45-calendar day period for any one injury associated with the tracking of COP leave benefits. In addition, the guidance requires the Control Office staff to actively manage injury claims to ensure employees receive the COP leave benefits they are entitled.

Our review disclosed situations where the Control Office staff did not effectively monitor COP usage from the inception of the injury claim through its COP eligibility timeframe. We identified 9 properly authorized COP injury claims, out of 21 with COP errors that the Control Office staff did not adequately monitor. In addition to 22 pay adjustments resulting from supervisors' improperly authorizing COP hours, the Control Office staff failure to properly monitor COP hours resulted in 29 additional pay adjustments and COP overpayments totaling about \$98.

Section 13.17, "Recovering Excessive COP Hours," states the Control Office staff should use the "Workers' Compensation–Injury on Duty," report⁶ to review COP data. The report is used to reconcile COP leave benefits after those benefits have been reported and paid. We found the Control Office staff did not reconcile the Workers' Compensation – Injury on Duty report with COP injury claims as required by Postal Service Handbook guidance. Specifically, the Control Office staff only conducted a cursory review to ensure the maximum number of COP hours an employee was entitled to receive per injury was not exceeded. Had the Control Office staff used the existing report tool to reconcile COP hours rather than performing a trend review, the 12 improperly authorized injury claims previously discussed would have been identified for correction prior to our audit.

The existing report is a back-end monitoring control and, if used as intended, can readily identify inappropriately authorized COP leave benefits. However, the existing report was not designed to determine whether employees were initially entitled to COP leave benefits. Therefore, a front-end reconciliation control was needed to assist the Control Office staff in weekly monitoring of COP hours.

We determined the Postal Service already has a front-end reconciliation capability within the electronic time clock system.⁷ The electronic time clock system can generate a

⁶This report is automatically generated each accounting period.

⁷The electronic time clock system is used to report time and attendance for the majority of Postal Service employees in the Lancaster Performance Cluster. However, the electronic time clock system does not capture time and attendance for rural carriers.

time and attendance exception report⁸ (ETC-245P1) to identify COP and other hourly leave categories. In our opinion, the use of this front-end reconciliation capability, if implemented, could reasonably reduce the recording of inappropriate COP hours, thereby avoiding unnecessary payroll adjustments.

Further, we determined the Control Office staff did not annotate the case files to document authorized COP usage. Chapter 13, Section 13.1 states the "COP/Leave Without Pay-Injury on Duty Timekeeping Worksheet," should be used for assisting Control Office staff with tracking actual COP hours and days used by an employee. The Control Office staff did not consistently use the COP/Leave Without Pay-Injury on Duty Timekeeping Worksheet to monitor employee COP hours and days. Had the Control Office staff used the worksheet, the COP leave benefits paid for exceeding the 45-calendar day entitlement period for any one injury and unnecessary pay adjustments could have been avoided. Furthermore, proper use of the COP/Leave Without Pay-Injury on Duty Timekeeping Worksheet provides internal staff and external reviewers the ability to obtain a timely, chronological listing of events that have occurred on each individual injury claim.

Management Action

On June 6, 2000, we verbally reported the results of our review to the Lancaster Performance Cluster management. We stressed while the Control Office staff was working diligently in trying to administer the approval and tracking of COP leave benefits, supervisors were inputting COP hours without prior authorization from the Control Office, causing overpayments of COP leave benefits and costly pay adjustments. We recommended that the district manager, Lancaster Performance Cluster, reissue a district-wide policy requiring every supervisor to request authorization of COP hours from the Control Office staff before any COP hours are input into the payroll system. In addition, the policy letter should require supervisors to submit copies of all COP leave requests to the Control Office. Accordingly,

⁸An electronic time clock exception report should be requested no later than Friday of each week. The review and validation of COP time reporting should be completed before the COP hours are finalized in the payroll system.

the district manager, Lancaster Performance Cluster, issued a memorandum⁹ on June 9, 2000, implementing our recommendation. As a result, we did not include this recommendation in the report.

Recommendation

We recommend the vice president, Allegheny Area, prevent the improper processing of continuation of pay benefits within the Lancaster Performance Cluster, by directing the district manager to:

1. Issue an addendum to the June 9, 2000, district-wide continuation of pay memorandum to include:
 - a) Instructions detailing supervisory responsibilities for ensuring the proper completion of continuation of pay leave requests.¹⁰
 - b) New management control procedures requiring proper processing of all continuation of pay leave requests to the finance and timekeeping elements and retention of supporting documentation in employee injury claim files.

**Management's
Comments**

Management agreed with the recommendation and on September 15, 2000, issued an addendum to the June 9, 2000, district-wide continuation of pay memorandum. The addendum stressed supervisory responsibilities for ensuring accurate completion of continuation of pay leave requests, processing of all continuation of pay leave requests to the finance and timekeeping elements, and retention of supporting documentation in employee injury claim files.

Recommendation

2. Direct the manager, Human Resources, to require personnel in the injury compensation control office to execute frequent monitoring of continuation of pay usage. Specifically, a process should be established to document the reconciliation of the Workers' Compensation–Injury on Duty report each accounting period and ensure appropriate corrective actions are executed.

**Management's
Comments**

Management agreed with our recommendation and stated the manager, Injury Compensation Control Office will be required to daily monitor and reconcile the Employee

⁹See Appendix D for the full text of the June 9, 2000, memorandum.

¹⁰Employee requests for leave hours are reported on PS Form 3971 "Request for or Notification of Absence."

Activity Report for any erroneous continuation of pay hours input and take appropriate action. In addition, the manager, Injury Compensation Control Office has developed a process to document the reconciliation of the Workers' Compensation-Injury on Duty report each accounting period to ensure appropriate actions are executed.

Recommendation	3. Direct the manager, Human Resources, to implement a new management control procedure to perform a front-end reconciliation of continuation of pay hours. The management control procedure should require injury compensation control office personnel to perform a weekly review and validation of continuation of pay hours before time accounting is finalized in the payroll system.
Management's Comments	Management agreed with our recommendation and stated it has implemented a process to perform front-end reconciliation of continuation of pay hours.
Recommendation	4. Direct the manager, Human Resources, to instruct the manager of the Injury Compensation Control Office to re-emphasize using the Continuation of Pay/Leave Without Pay-Injury on Duty Timekeeping Worksheet to monitor employee COP hours and days. The manager should require each Human Resource specialist to include the worksheet in the injury claim files to facilitate timely internal and external review of the files.
Management's Comments	Management agreed with our recommendation and stated they have instructed the manager, Injury Compensation to re-emphasize using the Continuation of Pay/Leave Without Pay-Injured on duty Timekeeping Worksheet to monitor employee continuation of pay hours and days. In addition, the worksheet will be maintained in the injury compensation claim files.
Evaluation of Management's Comments	Management's comments were responsive to our finding and recommendations and we believe the actions taken should correct the issues identified in this report.

APPENDIX A

STATISTICAL SAMPLING METHODOLOGY OVERVIEW

This appendix summarizes the area-wide sample design and indicates where the Lancaster Performance Cluster fits into that design. We designed a stratified sampling procedure for the Allegheny Area, including the area Control Office and its ten performance clusters. However, we determined the number of COP injury claims identified for the Allegheny Area's Control Office in FY 2000 was insignificant. Therefore, we excluded the Allegheny Area's Control Office from the sample selection process used to determine potential audit locations. The first stratum consisted of the two performance clusters with the smallest number of COP injury claims. We took a census of these two clusters and reviewed all of their injury claims. The second stratum consisted of the other eight performance clusters; we randomly selected four out of the eight performance clusters for audit. Because of the larger number of COP injury claims in the four selected performance clusters, we randomly selected samples of COP injury claims from within those clusters. The Lancaster Performance Cluster was randomly selected as one of the four second-stratum locations to be reviewed.

The sample size in any one of the performance clusters is not designed to provide a specific performance cluster dollar estimate with tight enough precision to be useful to a performance cluster. Consequently, we will not project audit results by individual performance clusters; instead, at this time we will only report actual unprojected audit results. After all statistically selected locations have been audited, we will perform a weighted projection of the overall COP audit results. We will relate the area-wide projection results in a consolidated report for the Allegheny Area.

APPENDIX B. PRIOR AUDIT COVERAGE

The Postal Service, Office of Inspector General issued an audit report number FR-AR-00-006, Fiscal Year 1999 Postal Service Financial Statement Audit – Eagan Information Service Center, February 25, 2000. The audit report detailed the results of an audit on the financial activities and accounting records at the Eagan, Minnesota Information Systems and Accounting Service Center (formerly the Minneapolis Information Systems and Accounting Service Center) for the fiscal year ended September 30, 1999. The audit was conducted in support of the independent public accounting firm's overall Postal Service financial statement audit. The objectives of the audit were to determine whether:

1. Financial accounting policies and procedures provide for an adequate internal control structure and are in compliance with generally accepted accounting principles.
2. General ledger account balances for assets, liabilities, equity, income, expenses, and commitments of the Postal Service are fairly stated in the national consolidated trial balance in accordance with generally accepted accounting principles.
3. General ledger account balances conform to the general classification of accounts of the Postal Service on a basis consistent with that of the previous year.

The audit disclosed that management's policies, accounting procedures, and internal controls conformed with generally accepted accounting principles. The audit report did identify two internal control weaknesses concerning the accuracy of back pay awards and terminal leave payments. As part of the review, they reviewed the internal controls, tested transactions, and verified account balances. The audit was conducted from November 1998 through February 2000 in accordance with generally accepted government auditing standards and included such tests of internal controls, as were considered necessary under the circumstances.

The Postal Service, Office of Inspector General also issued an audit report number FR-AR-99-009, Fiscal Year 1999 Information System Controls, Minneapolis Information Service Center, September 29, 1999. The audit report detailed the results of an audit on the information system controls at the Minneapolis Information Service Center. The audit was performed as part of the FY 1999 financial statement audit. The objective of the audit was to evaluate the adequacy of general controls over information systems at the Minneapolis Information Service Center. The audit concluded that general controls over software and data security at the Minneapolis Information Service Center (now referred to as the Eagan Information Service Center) were generally adequate. The audit report did identify issues requiring corrective actions regarding mainframe security, application change control, local area network security, and UNIX security. This audit

was conducted from December 1998 to August 1999 in accordance with generally accepted government auditing standards and included tests of internal controls as were considered necessary.

The President's Council on Integrity and Efficiency, Audit Committee issued a consolidated audit report number 02-96-223-04-431, Consolidated Report on the Audit of Employing Agency Workers' Compensation Programs, February 16, 1996, on workers' compensation. The Department of Labor, Office of Inspector General led this audit of 13 Inspector General agencies. The audit was designed to evaluate the effectiveness and efficiency of employing agency workers' compensation programs and the audit report summarizes the results of those 13 audits. Specifically, the audit report provided an observation on continuation of pay leave benefits.

The Department of Transportation, Office of Inspector General was the only agency who reported on continuation of pay leave benefits. The Department of Transportation, Office of Inspector General reported 26 percent of the claims reviewed received continuation of pay although:

- The Office of Workers' Compensation Programs denied compensation claims.
- The time for eligible use had expired.
- No claim had been submitted to the Office of Workers' Compensation Programs.

The Department of Transportation, Office of Inspector General recommended employees' leave should be charged retroactively. Each Office of Inspector General was responsible for follow-up action on specific recommendations made to employing agency officials. Overall, employing agency officials agreed that improvements were needed in the workers' compensation program.

APPENDIX C. CONTINUATION OF PAY POLICY

LANCASTER CUSTOMER SERVICE & SALES DISTRICT



April 17, 1997

**MEMORANDUM FOR PLANT MANAGERS/SUPERVISORS
POSTMASTERS/OICs
MANAGER, FINANCE**

SUBJECT: Authorization for Continuation of Pay for Work Related Injuries

A recent Lost Work Day Audit conducted at the Lancaster District on March 13 and 14, 1997 by the Allegheny Area, revealed that Continuation of Pay (COP, code 71) hours are being input without prior authorization from the Injury Compensation Office.

This unauthorized input has resulted in overpayments of COP. An example is when COP payments were made for employees who did not have traumatic injuries, but filed occupational claims (COP is not a benefit for an occupational claim). Another example is employees with traumatic injuries on file, without medical documentation to support a disability for work, have been entered as COP.

Pay adjustments are being processed to correct these errors; every pay adjustment is very costly to our District. Therefore, it is imperative that the Injury Compensation Office is aware of any and all payments of COP. All requests for COP on PS 3971s must be sent to the Injury Compensation Office for prior authorization.

Your anticipated compliance is appreciated.


G. L. McCurdy
District Manager
Lancaster, PA 17602-9991

cc: Injury Compensation

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APPENDIX D. REISSUED CONTINUATION OF PAY POLICY

LANCASTER CUSTOMER SERVICE & SALES DISTRICT



June 9, 2000

MEMORANDUM FOR PLANT MANAGERS/SUPERVISORS
POSTMASTERS/OICs
MANAGER, FINANCE

A recent USPS Inspector General evaluation conducted at the Lancaster District May 22, 2000 to June 2, 2000 revealed that Continuation of Pay (COP, Codes 03/71) hours are being entered without prior authorization from the Injury Compensation Control Office (ICCO).

This unauthorized input has resulted in overpayments of COP. Approximately 3% of all COP hours this fiscal year have been due to unauthorized overpayments. Unauthorized input of COP results when:

- a. COP is paid for occupational injuries – COP is only authorized for traumatic injuries.
- b. COP is paid for time that employees worked. COP should only be paid for time lost – usually total disability or medical treatment.
- c. COP is erroneously entered when another timecard code is intended.
- d. COP is paid without supporting medical documentation.
- e. COP is paid beyond the period of eligibility or in excess of the maximum allowable amount.

Pay adjustments are processed to correct errors, however every pay adjustment is very costly to the Lancaster District. Therefore, it is imperative that the ICCO approves all payments of COP. Requests for COP on PS Form 3971 must be sent to the ICCO for prior authorization.

Your compliance is projected to save the Lancaster District approximately \$10,000 annually in COP costs.


Michael W. Benson
District Manager

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APPENDIX E. MANAGEMENT'S COMMENTS

ALLEGHENY AREA OFFICE

GARY L. MCCURDY
VICE PRESIDENT, ALLEGHENY AREA OPERATIONS



September 18, 2000

Billy J. Sauls
Assistant Inspector General
For Business Protection
Office of Inspector General

SUBJECT: Transmittal of Draft Report – Lancaster Performance Cluster
Process for Administering Continuation of Pay Leave Benefits
(Report Number HC-AR-00-DRAFT)

The draft report of the Lancaster Performance Cluster has been reviewed. The recommendations provided to prevent the improper processing of continuation of pay leave benefits will be implemented as follows:

On June 9, 2000, the Lancaster performance cluster reissued a district-wide policy requiring every supervisor to request authorization of continuation of pay hours from the Lancaster Injury Compensation Office to prevent overpayments and costly pay adjustments. An addendum to the June 9th district-wide COP memorandum was issued on September 15th. The memorandum contains instructions detailing supervisory responsibilities for ensuring proper completion of continuation of pay leave requests and new management control procedures requiring proper processing of all continuation of pay leave requests to the finance and timekeeping elements, including retention of supporting documentation in employee injury claim files.

The Manager, Injury Compensation will be required to daily monitor and reconcile the Employee Activity Report for any erroneous continuation of pay hours input and take appropriate action. The Manager has developed a process to document the reconciliation of the Workers' Compensation-Injury on Duty report each accounting period to ensure appropriate actions are executed. Specifically, the Manager, Injury Compensation produces the report and disseminates it, by geographical area of responsibility, to the Injury Compensation Specialists. The Injury Compensation Specialists annotate on the report whether COP was properly paid or if adjustment(s) are required. The annotated report is returned to the Manager, Injury Compensation, who conducts a review to ensure that the adjustments have been initiated by the Injury Compensation Specialists.

412 454 2512 P.125