

September 28, 2001

GARY L. MCCURDY
VICE PRESIDENT, EASTERN AREA

SUBJECT: Audit Report – Columbus Performance Cluster's Process for
Administering Continuation of Pay Leave Benefits
(Report Number HC-AR-01-002)

This report presents the results of our audit of the Columbus Performance Cluster's process for administering continuation of pay leave benefits (Project Number 00RA058HC003). The audit was self-initiated and is the fourth in a series of audits regarding 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 recommendations and the actions taken or planned should correct the issues discussed in this report. Management's comments and our evaluation of those comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Chris Nicoloff, director, Labor Management at (214) 775-9100 or me at (703) 248-2300.

Ronald K. Stith
Assistant Inspector General
for Core Operations

Attachment

cc: Suzanne F. Medvidovich
DeWitt O. Harris
Barbara A. Patterson
Jeffrey L. Bergen
Trent R. Clark
Wayne L. Eggiman
Lisa M. Jordan
Timothy F. O'Reilly
John R. Gunnels

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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 Department of Labor and Postal Service policies. This report on the Columbus Performance Cluster is the fourth report we plan to issue concerning the process for approving and tracking continuation of pay leave benefits in the Allegheny Area.

Results in Brief

The Columbus Performance Cluster supervisors and inquiry compensation staff did not always comply with Department of Labor and Postal Service policies. The audit revealed the Columbus Performance Cluster's process for monitoring continuation of pay leave benefits for injured employees needs improvement. Specifically, supervisors did not always request authorization before continuation of pay leave benefits were paid to employees and injury compensation staff did not always properly monitor continuation of pay leave usage. Consequently, management controls over the processing and monitoring of continuation of pay leave benefits were ineffective to prevent 57 unnecessary leave and earnings pay adjustments. The cost to process those pay adjustments was estimated at \$4,275. In addition, we identified continuation of pay overpayments totaling about \$6,902, which represents funds that could have been put to better use.

Summary of Recommendations

To correct the deficiencies associated with processing continuation of pay leave benefits in the Columbus Performance Cluster, we recommended Postal Service managers issue a cluster-wide policy requiring supervisors to request authorization of continuation of pay leave benefits before those leave benefits are paid to employees. In addition, Postal Service managers should establish management controls for monitoring continuation of pay leave usage and perform a weekly reconciliation of continuation of pay time and attendance reporting. Furthermore, training should be provided to ensure the accurate calculation and documentation of continuation of pay leave benefits.

**Summary of
Management's
Comments**

Management agreed with our recommendations and stated that corrective actions will be initiated and implemented at the beginning of fiscal year 2002. Postal Service management in the Columbus Performance Cluster will reissue a district-wide policy requiring authorization from injury compensation personnel before injury leave hours are entered into the payroll system. Detailed instructions regarding the proper completion and submission of Form 3971, Request for Notification of Absence, for all injured employees will be provided to each manager. Injury compensation personnel will perform a weekly reconciliation of injury leave hours. Refresher training will be provided to all injury compensation personnel on tracking of injury leave hours. In addition, injury compensation personnel will be required to use the Continuation of Pay/Leave Without Pay timekeeping worksheet in all injury claim files to track injury leave hours. Management's comments, in their entirety, are included in the appendix of this report.

**Overall Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendations and we believe the actions taken or planned 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, Employees' Benefits, 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. Continuation of pay (injury leave) is considered regular income and unlike workers' compensation wage loss benefits, it is subject to income taxes and other payroll deductions applicable to regular income. The intent of the injury leave provision is to prevent 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 the injury leave expires, the employee may apply for workers' compensation wage loss benefits or use personal leave.

The Postal Service is geographically segmented into 11 decentralized areas.² The Allegheny Area³ is 1 of the 11 areas. During fiscal years (FYs) 1998 and 1999, postal-wide payments for injury leave benefits averaged \$22.5 million annually for approximately 23,000 employees. The Allegheny Area averaged \$2 million⁴ in annual injury leave benefits for approximately 1,800² employees over the same 2-year period.

The Allegheny Area is geographically divided into ten performance clusters including the Columbus Performance Cluster. Personnel in the Columbus Performance Cluster's

¹The process whereby the 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.

²As of September 8, 2001, the Postal Service was geographically reorganized into nine decentralized areas.

³Effective with the Postal Service reorganization on September 8, 2001, the Allegheny Area no longer exists and was absorbed into a new geographical area, which is now the Eastern Area.

⁴The amounts previously reported in the Erie, Lancaster, and South Jersey Performance Clusters were changed due to revised continuation of pay data for the Allegheny Area.

Injury Compensation Control Office (Control Office) manage all injury claims for the entire performance cluster. In addition, Control Office personnel are responsible for authorizing employee requests for injury leave.

**Objective, Scope, and
Methodology**

Our audit objective was to determine whether the Columbus Performance Cluster's process for approving and tracking the use of injury leave benefits was in compliance with the Department of Labor and Postal Service policies. In addition, we reviewed internal controls applicable to these benefits.

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

This audit was limited to FY 2000 injury leave claims administered by the Columbus Performance Cluster for pay periods 20 through 26 in calendar year 1999 and pay periods 1 through 7 in calendar year 2000. We reviewed all injury leave claims for the 50 employees covered by the audit scope. The results from this location will be incorporated in a subsequent audit report as part of the overall projected results for the entire Allegheny Area.

We relied extensively on computer-processed payroll data contained in the Postal Service Payroll Paydata and Employees Master Files. We also relied on prior audit work performed by the Postal Service Office of Inspector General (OIG) on the FY 1999 Postal Service financial statement audit to assess the payroll function's general and application controls. In addition, we traced statistically selected data from 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.

Our audit was conducted from May 2000 through September 2001, in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our findings and recommendations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

South Jersey Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (HC-AR-00-001), dated September 28, 2000, concluded that the process for monitoring injury leave benefits needed improvement. Specifically, supervisors and injury compensation control office staff did not always properly process and monitor injury leave benefits. Postal Service management concurred with the recommendations and actions taken or planned should correct the issues identified in our report.

Erie Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (HC-AR-00-002), dated September 28, 2000, concluded that the process for monitoring injury leave benefits was generally sufficient. Postal Service management concurred with the recommendations and actions taken or planned should correct the issues identified in our report.

Lancaster Performance Cluster's Process for Administering Continuation of Pay Leave Benefits (HC-AR-00-003), dated September 28, 2000, concluded that the process for monitoring injury leave benefits needed improvement. Specifically, supervisors and injury compensation control office staff did not always properly process and monitor injury leave benefits. Postal Service management concurred with the recommendations and actions taken or planned should correct the issues identified in our report.

Consolidated Report on the Audit of Employing Agency Workers' Compensation Programs, (02-96-223-04-431), dated February 16, 1996, issued by the President's Council on Integrity and Efficiency, Audit Committee, was designed to evaluate the effectiveness and efficiency of employing agency workers' compensation programs. Of the 13 inspector general agencies included in the audit, the

Department of Transportation, Office of Inspector General was the only agency that reported on injury leave benefits. The Department of Transportation, Office of Inspector General reported that 26 percent of the claims reviewed received injury leave benefits 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.

Overall, employing agency officials agreed that improvements were needed in the workers' compensation program.

AUDIT RESULTS

Administration of Injury Leave Benefits Not Always in Compliance with Policies

The Columbus Performance Cluster supervisors and Control Office staff did not always comply with Department of Labor and Postal Service policies. We found that 26 out of the 50 injury leave claims reviewed contained errors estimated to cost the Postal Service \$4,275.⁵ These errors are listed in the table below. The incorrect processing of injury leave benefits occurred because supervisors did not always follow established procedures for authorizing and documenting such benefits. In addition, Control Office staff did not effectively monitor injury leave usage. Consequently, internal controls over the processing of injury leave benefits were ineffective to prevent 57 unnecessary pay adjustments needed to correct employees' applicable sick, annual, or other leave balances. Furthermore, we identified injury leave overpayments totaling \$6,902,⁶ which represents funds that could have been put to better use.

Columbus Performance Cluster Estimated Processing Costs and Overpayments			
Injury Claims With Errors	Number of Pay Adjustments	Cost @ \$75 per Adjustment	Overpayment Amounts
1	2	\$150.00	
2	2	\$150.00	
3	1	\$75.00	
4	3	\$225.00	
5	1	\$75.00	
6	2	\$150.00	
7	3	\$225.00	
8	1	\$75.00	
9	1	\$75.00	
10	2	\$150.00	
11	2	\$150.00	\$1,343.00
12	1	\$75.00	
13	6	\$450.00	\$1,031.00
14	2	\$150.00	
15	1	\$75.00	
16	4	\$300.00	
17	1	\$75.00	
18	1	\$75.00	
19	6	\$450.00	
20	1	\$75.00	
21	1	\$75.00	
22	2	\$150.00	
23	1	\$75.00	
24	8	\$600.00	\$4,528.00
25	1	\$75.00	
26	1	\$75.00	
Totals	57	\$4,275.00	\$6,902.00

⁵The 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.

⁶Injury leave overpayments result when injury leave hours are paid in error and the employee does not have available sick or annual leave to cover the absence mistakenly recorded. Injury leave overpayments also result when 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 hours from the employee.

Injury Leave Benefits
Approved Without
Proper Authorization

Supervisors did not always follow the process for authorizing injury leave benefits. Postal Service policy⁷ requires that injury leave should not be input until supervisors receive authorization from the Control Office staff and injury leave must be requested via leave slips.⁸ However, supervisors did not receive proper authorization from Control Office staff before approving injury leave benefits for 14 out of the 26 injury leave claims we identified with injury leave errors. Furthermore, 5 out of the 14 injury leave claims represented uninjured employees who received unauthorized injury leave benefits instead of the appropriate annual, sick, or other leave benefits. The supervisors' failure to request and receive proper authorization from Control Office staff before approving injury leave led to 29 unnecessary pay adjustments and overpayments totaling approximately \$2,375.

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

Requests for Injury
Leave Benefits Not
Properly Documented

Proper timekeeping and accounting procedures are essential for effective management and administration of the injury compensation program. Postal Service timekeeping and accounting guidelines require that a supervisor ensure a leave slip is completed promptly after being advised of an employee request for injury leave. When a traumatic injury occurs and employees are unable to complete a leave slip to request injury leave, supervisors are expected to perform this function. The senior installation official is required to retain leave slips for 2 years from the date leave is taken or disapproved. Contrary to this guidance, supervisors did not always follow established procedures for documenting requests for injury leave. Our review disclosed that leave slips for 41 out of the 50 injury leave claims were either

⁷Postal Service Handbook, EL-505, Injury Compensation, December 1995, Chapter 3, Section 3.11, "Completing and Forwarding Claim Information," states supervisors should ensure that employees' requests for injury leave benefits are authorized by the Control Office staff.

⁸Employee requests for injury leave hours are reported on PS Form 3971, "Request for or Notification of Absence."

improperly prepared or did not exist. We were unable to reconcile requested injury leave benefits with paid hours due to improperly completed or missing leave slips.

Although leave slips were improperly prepared or missing, we used other injury claim file documentation such as medical information, payroll journals, and clock rings and hours history reports to determine appropriate injury leave benefits. Employees must complete a leave slip to document requested injury leave benefits because such benefits are not automatically provided to injured employees. Therefore, improperly prepared or missing leave slips made it difficult to determine whether employees initially requested any injury leave benefits. Consequently, without an adequate audit trail, we were not reasonably assured that all injury leave hours recorded in the payroll system resulted from employee requests for injury leave benefits.

Injury Leave Usage
Not Adequately
Monitored

Our review disclosed situations where Control Office staff did not effectively monitor injury leave usage from the inception of the injury leave claim through its injury leave eligibility timeframe. Postal Service Handbook, EL-505, Injury Compensation, Chapter 13, "Timekeeping and Accounting," requires that Control Office staff monitor injury leave hours to ensure employees do not receive such benefits for more than a 45-calendar day period. We identified 12 properly authorized injury leave claims out of 26 claims with injury leave errors that the Control Office staff did not adequately monitor. In addition to the previously reported 29 pay adjustments resulting from supervisors' improperly authorizing injury leave benefits, the Control Office staff's failure to properly monitor injury leave usage resulted in 28 additional pay adjustments and injury leave overpayments totaling about \$4,528.

We found the Control Office staff did not reconcile the "Workers' Compensation-Injury on Duty" report⁹ with injury leave claims as required by Postal Service Handbook guidance. Chapter 13, Section 13.17, which addresses recovery of excessive injury leave hours, states the Control Office staff should use the "Workers' Compensation-Injury

⁹This report is automatically generated each accounting period.

on Duty," report to review injury leave data. The report is used to reconcile injury leave benefits after those benefits have been reported and paid. Had the Control Office staff used this report to reconcile injury leave hours, the 26 injury claims with injury leave errors would have been identified for correction prior to our audit. Because the existing report is a back-end monitoring control and the report is not designed to determine whether employees are entitled to injury leave benefits, we believe a front-end reconciliation control is needed to assist the Control Office staff in performing weekly monitoring of injury leave hours.

While the Postal Service does not currently have a front-end reconciliation capability within the Postal Source Data System for monitoring injury leave hours,¹⁰ we noted the Postal Service is implementing a new time and attendance reporting system¹¹ that will allow a front-end monitoring of injury leave and other hourly leave categories. The Columbus Performance Cluster implemented the new timekeeping system in March 2001.¹² In our opinion, the use of this front-end reconciliation capability, if implemented, could reasonably reduce the recording of inappropriate injury leave hours, thereby avoiding unnecessary payroll adjustments.

Further, we determined Control Office staff did not properly annotate case files to document authorized injury leave usage. Chapter 13 of the handbook states that a timekeeping worksheet¹³ should be used to assist Control Office staff with tracking actual injury leave hours and days used by employees. The Control Office staff either improperly prepared or did not use the timekeeping worksheet to monitor employee injury leave hours and days for 38 out of 50 injury leave claims. In addition, no timekeeping worksheet existed for 10 of the 38 injury leave claims. Had the Control Office staff used or properly prepared the timekeeping worksheets, the incorrect injury leave benefits paid for any one injury and the resulting

¹⁰The Postal Source Data System is used to report time and attendance for the majority of Postal Service employees in the Columbus Performance Cluster.

¹¹The new time and attendance reporting system is entitled, "Time and Attendance Collection System."

¹²Queries of the Time and Attendance Collection System should be performed weekly, no later than Friday of each week. The review and validation of injury leave time reporting should be completed before the injury leave hours are finalized in the payroll system.

¹³The timekeeping worksheet is specifically entitled, "COP/Leave Without Pay Injury on Duty Timekeeping Worksheet."

unnecessary pay adjustments could have been avoided. Furthermore, proper use of the 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 leave claim.

Recommendation

We recommend the vice president, Eastern Area Operations, direct the district and plant managers to

1. Issue a cluster-wide policy requiring every supervisor to request authorization from the Control Office staff before any injury leave hours are entered into the payroll system.
 - The policy should include instructions detailing supervisory responsibilities for ensuring the proper completion of leave requests.¹⁴
 - The policy should require the processing of all injury 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. A district-wide policy will be reissued requiring supervisors to request authorization from Control Office personnel before any injury leave hours are input into the payroll system. Detailed instructions regarding the proper completion of Form 3971, "Request for Notification of Absence," for all injured employees will be provided to each manager. In addition, Postal Service managers will be required to submit the completed leave requests to the appropriate finance department and send a copy to the Control Office for retention in the employee's injury claim file.

Recommendation

2. Require the manager, Human Resources, to execute frequent monitoring of injury leave 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. The Control Office will be required to conduct reconciliation of the Workers' Compensation-Injury on Duty report every accounting period. All unauthorized and erroneous injury

¹⁴Employee requests for leave hours are reported on PS Form 3971, "Request for or Notification of Absence."

leave hours will be documented, along with the appropriate corrective action taken to resolve the incorrect injury leave hours.

Recommendation	3. Require the manager, Human Resources, to direct the Control Office staff to perform a front-end reconciliation of injury leave hours on a weekly basis. The weekly review will allow validation of injury leave hours before time accounting is finalized in the payroll system.
Management's Comments	Management agreed with our recommendation. Control Office personnel will be required to reconcile injury leave hours on a weekly basis. Since the Columbus Performance Cluster is currently using the Time and Attendance Control System, the weekly reconciliation can be completed each Friday before the hours are finalized in the payroll system.
Recommendation	4. Require the manager, Human Resources, to provide refresher training in computing and tracking injury leave to Control Office personnel. <ul style="list-style-type: none">• The training should provide detailed instructions on how to accurately compute the 45-day injury leave entitlement period.• The training should mandate the use of the timekeeping worksheet¹⁵ to monitor employee injury leave hours and days.• The training should direct the Human Resource specialists to include the timekeeping worksheet in each injury leave claim file to facilitate timely internal and external review of the files
Management's Comments	Management agreed with our recommendation. Refresher training will be provided for all Control Office personnel on the tracking of injury leave hours. Also, Control Office personnel will be required to use the Continuation of Pay/Leave Without Pay timekeeping worksheet in every injury claim file to track injury leave hours.
Evaluation of Management's Comments	Management's comments are responsive to our recommendations and we believe the actions taken and planned should correct the issues identified in this report.

¹⁵The timekeeping worksheet is specifically entitled, "COP/Leave Without Pay Injury on Duty Timekeeping Worksheet."

APPENDIX. MANAGEMENT'S COMMENTS

GARY L. MCCURDY
VICE PRESIDENT, AREA OPERATIONS
ALLEGHENY AREA



August 23, 2001

BILLY SAULS
ASSISTANT INSPECTOR GENERAL
1735 N LYNN ST
ARLINGTON VA 22209-2020

SUBJECT: Transmittal of Draft Report- Columbus Performance Cluster
Process for Administering Continuation of Pay Leave Benefits
(Report Number HC-AR-01-DRAFT)

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

The Columbus Performance Cluster will reissue a district-wide policy requiring every supervisor to request authorization of continuation of pay hours from the Injury Compensation Control Office before any continuation of pay hours are input into the system. Each manager will receive detailed instructions regarding the proper completion of Form 3971, Request for Notification of Absence for all injured employees requesting continuation of pay. They will be required to submit the completed form to the appropriate finance department and send a copy to the Injury Compensation Control Office for retention in the employee's injury file.

The Injury Compensation Control Office has been directed to reconcile continuation of pay transactions on a weekly basis. Under the new Time and Attendance Control System, this weekly reconciliation can be completed each Friday before the hours are finalized in the payroll system. The Injury Compensation Control Office will conduct reconciliation of the Workers' Compensation Injury on Duty report every accounting period. All unauthorized and erroneous COP payments will be documented, along with the appropriate corrective action taken to resolve the incorrect payment.

The Manager, Human Resources will ensure that the injury compensation staff is provided with training in continuation of pay tracking. In addition, the specialists will be required to use the COP/LWOP timekeeping worksheet in every injury claim file.

ONE MARQUIS PLAZA
5315 CAMPBELLS RUN ROAD
PITTSBURGH PA 15277-7010
412-494-2510
FAX: 412-494-2582

These recommendations will be initiated at the beginning of fiscal year 2002. The Columbus Performance Cluster appreciates the feedback and recommendations provided by the audit team to improve continuation of pay processing. If you have any additional questions, please contact Sharon Lave at 216-443-4753.

fw: 
Gary L. McCurdy
Vice President, Area Operations
Allegheny Area