



December 24, 2003

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VICE PRESIDENT, PACIFIC AREA OPERATIONS

SUBJECT: Audit Report – Pacific Area’s Equal Employment Opportunity
Monetary Settlement Process (Report Number HM-AR-04-002)

This report presents the results of our audit of the Pacific Area’s Equal Employment Opportunity Monetary Settlement Process. This review was part of our work conducted during the self-initiated survey of Equal Employment Opportunity monetary settlement agreements (Project Number 03YG046LH000). This is one in a series of reports to be developed from the survey, and is intended to help protect the interests of the Postal Service by surfacing issues as soon as we identify them.

Background

Title VII of the Civil Rights Act of 1964, expressly encourages the settlement of employment discrimination disputes without litigation. The Equal Employment Opportunity Commission’s strong support for settlement attempts at all stages of the Equal Employment Opportunity process is codified in 29 Code of Federal Regulations (C.F.R.) § 1614.603. The regulation states, “Each agency shall make reasonable efforts to voluntarily settle complaints of discrimination as early as possible in, and throughout, the administrative processing of complaints, including the pre-complaint counseling stage.”

The Postal Service’s December 7, 2000, policy required officers and executives¹ who were personally charged with discrimination, to obtain higher level approval² to settle Equal Employment Opportunity complaints against themselves for \$25,000 or more. The policy also favored reasonable settlement of appropriate Equal Employment Opportunity disputes at the earliest possible opportunity. Additionally, the Pacific Area March 2002 policy required the Pacific Area Human Resource manager to approve all

¹The term “officers” as used in this report refers to officials in grade level Postal Career Executive Service II, which includes the postmaster general, deputy postmaster general, chief operating officer, general counsel, chief postal inspector, and all senior vice presidents and vice presidents reporting to them. The term “executives” refers to those officials in grade level Postal Career Executive Service I, which includes many, but not all, managers at headquarters and in the field.

² The term “higher-level” approval as used in this report is approval given by an official who is a higher level than the official against whom the allegation is made.

settlements over \$10,000. According to the Pacific Area policy, authority for settlements of \$10,000 or less was at the discretion of district management.

According to Postal Service Equal Employment Opportunity settlement information, the Pacific Area paid approximately \$2 million in fiscal years (FYs) 2001 and 2002 to settle Equal Employment Opportunity complaints.

Objective, Scope, and Methodology

The overall objective of our audit was to determine whether controls were in place in the Pacific Area to ensure Equal Employment Opportunity monetary settlement agreements, where the officers and/or executives were charged with discrimination, were reviewed and approved by a higher-level official. We based our site selection of the Pacific Area on a hotline complaint that alleged misconduct and mismanagement in the Equal Employment Opportunity program of the Pacific Area. Our sub-objectives were to determine:

- The extent to which the Pacific Area was in compliance with its March 2002 policy concerning Equal Employment Opportunity settlements for amounts over \$10,000.³
- The extent to which the Pacific Area was in compliance with the Postal Service's December 7, 2000, policy, requiring officers and/or executives to obtain higher-level approval for settlements against themselves for \$25,000 or more.
- The extent to which Pacific Area managers/supervisors (below the officer/executive level), charged with discrimination, reviewed and approved their own monetary settlements. However, based on discussions between the Postal Service's managing counsel, Equal Employment Opportunity Commission's legal counsel, and the Office of Inspector General (OIG), the compliance issue associated with this sub-objective was resolved.

To accomplish our objective, we reviewed the Postal Service's and the Pacific Area's settlement policies dated December 2000 and March 2002, respectively. We also reviewed the Equal Employment Opportunity Commission's Management Directive 110, and the Pacific Area districts' settlement policies. Using the Postal Service's Equal Employment Opportunity complaint management systems,⁴ we determined there were 143 Pacific Area settlements⁵ in FYs 2001 and 2002.⁶ We analyzed documentation contained in the complaint files and compared information to policies and procedures in

³ This sub-objective was added during survey work when we found the Pacific Area had a policy that was different than the national policy as it relates to the dollar threshold for settlement approval.

⁴ The Postal Service had two systems--the Equal Employment Opportunity Case Tracking System and the Law Department's "wildcats" system.

⁵ We used the date the settlement document was signed by all parties, as the settlement date.

⁶ We used the Postal Service fiscal years that started September 9, 2000, and ended September 6, 2002.

place at the time of the settlement. We also interviewed Postal Service officials at headquarters, the Pacific Area, and the ten Pacific Area districts.

This audit was conducted from February through December 2003, in accordance with generally accepted government auditing standards and included such tests of internal controls considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

In a prior OIG report entitled, Equal Employment Opportunity Complaint Settlement Agreement (Report Number LB-AR-01-013, dated December 21, 2000), the OIG recommended the Postal Service revise its policies and procedures to require officers and executives to obtain higher-level approval for proposed Equal Employment Opportunity settlements in instances where officers and executives were personally charged with discrimination. In response to the OIG recommendation, the Postal Service revised its policy in December 2000 requiring officers and executives who were personally charged in a complaint to obtain higher-level approval to settle such complaints for \$25,000 or more. The OIG concluded the revised policy met the intent of the recommendation.

Audit Results

Pacific Area March 2002 Policy

The Pacific Area complied with its March 5, 2002, Equal Employment Opportunity policy that required the Pacific Area Human Resource manager to approve all settlements in excess of \$10,000, regardless of the position of the individual being charged. As a result, the inherent risks associated with settlements not receiving proper authorization and approval was minimal.

We determined the Pacific Area settled 54 of its 143 settlements for FYs 2001 and 2002, after the March 2002 policy was issued, and only 15 of the 54 settlements were for more than \$10,000. Of the 15 settlements subject to the requirements of the policy, all had received the proper approval from the Pacific Area Human Resource manager. The total value of the 15 complaints was \$724,301.

Postal Service December 2000 Policy

The Pacific Area was generally in compliance with the Postal Service's December 2000 Equal Employment Opportunity settlement policy requiring officers and executives to obtain higher-level approval to settle complaints against themselves for \$25,000 or more. Specifically, we found 5 of the Pacific Area's 143 Equal Employment Opportunity settlements in FYs 2001 and 2002, involved an officer or executive charged with

discrimination. One of the five settlements was for \$30,000 and did not receive higher-level approval as required by Postal Service policy. Another settlement for \$99,999.99, received higher-level approval. According to Postal Service policy, the three remaining complaints did not require higher-level approval since the settlements were for less than \$25,000 each.

The Pacific Area Human Resource manager told us the San Francisco District Human Resource manager settled the \$30,000 Equal Employment Opportunity complaint without his authorization, and he was not advised of the settlement until after the fact. He stated the San Francisco manager was "admonished" for his failure to follow the policy.

Management agreed the report was accurate with regard to settlement costs in Equal Employment Opportunity Commission cases settled by the Labor Relations personnel and the Law Department in FYs 2001 and 2002.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Chris Nicoloff, director, Human Capital, at (214) 775-9114 or me at (703) 248-2300.

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