



Office of Inspector General | United States Postal Service

Audit Report

Postal Service Disability Retirement Application Process

Report Number HR-AR-18-005 | June 11, 2018



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Highlights

Objective

Disability retirement is an employee benefit intended for employees who are unable to complete a normal career due to disease or injury. To be eligible for retirement disability, employees must meet prescribed statutory, regulatory, and administrative criteria.

The objective of our audit was to assess the U.S. Postal Service's effectiveness in processing disability retirement applications.

The Office of Personnel Management (OPM) administers disability retirements for the Postal Service and the federal government, including approving/disapproving disability retirement applications. The Postal Service's Human Resources Shared Services Center (HRSSC) and Eagan Accounting Service Center (ASC) are responsible for helping employees complete the disability retirement application, collecting the applicants' financial information, and submitting the application to OPM.

In fiscal year 2017, there were 23,426 Postal Service employees who retired, which accounted for about 25 percent of all federal government retirees. In addition, about 2,000 more employees applied for disability retirement.

What the OIG Found

The Postal Service is effective in processing retirement disability applications and submitting them to OPM in time to meet its informal timeliness goals; however, as of September 30, 2017, there were 1,195 employees who had been waiting over six months for an application decision from OPM. Of those employees, 398 had been waiting for a decision for over a year. We statistically sampled 94 of the 398 applications submitted by these employees. The Postal Service processed 95 percent (89 of 94 cases) of disability retirement applications in time to meet its informal goals.

Postal Service Human Resource management meets with OPM monthly to discuss various human resources issues, including the status of disability retirement applications. According to Postal Service management, OPM does not always provide sufficient information regarding disability retirement application status, nor does it always notify the Postal Service of application decisions.

When disability retirement decisions are not rendered timely, there can be an adverse impact on the employee, including loss of income and loss of health and life insurance benefits. Of the 94 applications we reviewed, 20 employees had been in leave without pay status for more than one year and had their health and life insurance benefits lapse. Additionally, the Postal Service cannot hire new employees to backfill positions occupied by employees in a leave without pay status while waiting for an application determination.

What the OIG Recommended

We recommend management continue to coordinate with the Office of Personnel Management to address disability retirement application delays, and if necessary, escalate concerns to Office of Personnel Management oversight bodies, such as Congress, the Government Accountability Office, and the Office of Personnel Management Office of Inspector General.

“The Postal Service processed 95 percent (89 of 94 cases) of disability retirement applications in time to meet its informal goals.”

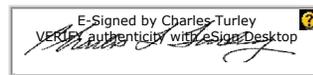
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

June 11, 2018

MEMORANDUM FOR: SIMON M. STOREY
VICE PRESIDENT, EMPLOYEE RESOURCE
MANAGEMENT



FROM: Charles L. Turley
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – Postal Service
Disability Retirement Application Process
(Report Number HR-AR-18-005)

This report presents the results of our audit of the U.S. Postal Service's Disability Retirement Application Process (Project Number 18SMG006HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lucine M. Willis, Director, Human Resources and Support, 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 U.S. Postal Service's Disability Retirement Application Process (Project Number 18SMG006HR000). Our objective was to assess the Postal Service's effectiveness in processing disability retirement applications.

The Postal Service had 23,426 employees who retired in fiscal year (FY) 2017, accounting for about 25 percent of all federal government retirees. In addition, about 2,000 more employees applied for disability retirement. Our scope included evaluating a statistical sample of 94 applications pending one year or more as of September 30, 2017.

Background

Disability retirement is an employee benefit intended for those employees who are unable to complete a normal career due to disease or injury. Employees must meet statutory, regulatory, and administrative criteria when applying for disability retirement.

The Office of Personnel Management (OPM) administers disability retirement for the Postal Service and the federal government, including approving/disapproving disability retirement applications. The Postal Service's Human Resources Shared Services Center (HRSSC) and Eagan Accounting Service Center (ASC) are responsible for helping employees complete the disability retirement application, collecting the applicants' financial information, and submitting the application to OPM. The financial information is necessary to calculate benefit amounts.

Employees who have applied for disability retirement can be in either a pay or leave without pay (LWOP) status. Pay status indicates the employee is working in at least a limited-duty capacity or is using annual or sick leave; whereas an employee who has exhausted their sick and annual leave may elect to take LWOP. LWOP provides no income but allows the employee to retain health and

life insurance benefits for up to one year while their disability retirement application is pending.

Employees can also select an optional retirement,¹ which allows them to receive a portion of their monthly pension as interim payment and retain health and life insurance benefits while their disability retirement application is pending approval. However, disability retirement applicants do not receive pension payments until their application is approved.

“Employees who have applied for disability retirement can be in either a pay or LWOP status.”

Finding #1: Timeliness of Processing Disability Retirement Applications

Postal Service personnel at the HRSSC and the Eagan ASC generally processed disability retirement applications timely. Specifically:

- HRSSC personnel processed 95 percent of applications (89 of 94, or 378 projected over the 398 universe) within the 70-day goal;² and
- Eagan ASC personnel processed 100 percent of applications (all 94) within the 12-day goal.

After initially submitting a disability retirement application to the HRSSC, an applicant has 60 days to provide all additional required documents. HRSSC personnel generally process these documents within 10 days of receipt, depending on their workload. Upon receipt of the application package from the HRSSC, Eagan ASC personnel generally have up to 12 days³ to verify the applicant's retirement eligibility date and salary information and enter the information into the appropriate computer system.⁴

¹ For optional retirement, employees must meet certain requirements, such as age and time in service.

² We used 70 days as a measure of timeliness because, according to HRSSC standard operating procedures, applicants have up to 60 days to submit all documents and HRSSC personnel generally have another 10 days to process the last document received. Overall, we considered applications taking more than 70 days to process as not timely.

³ Complicated cases, such as those involving applicants who have multiple personnel actions to process, require more time and may exceed 12 days for Eagan ASC personnel to process.

⁴ Applications from former employees are processed manually because their electronic personnel files are closed.

Four of the five cases were not processed timely because employees' supervisors submitted documents late⁵ and the remaining case was not processed timely due to an oversight error by HRSSC personnel.⁶ See Table 1 for applications not processed within 70 days.

Table 1. Applications Not Timely Processed at the HRSSC

Application	Number of Days Beyond 70	Reason
1	126	Employee's supervisor did not submit document timely, as required.
2	77	
3	59	
4	12	
5	1	Employee's application not processed timely due to HRSSC personnel oversight.

Source: OIG analysis.

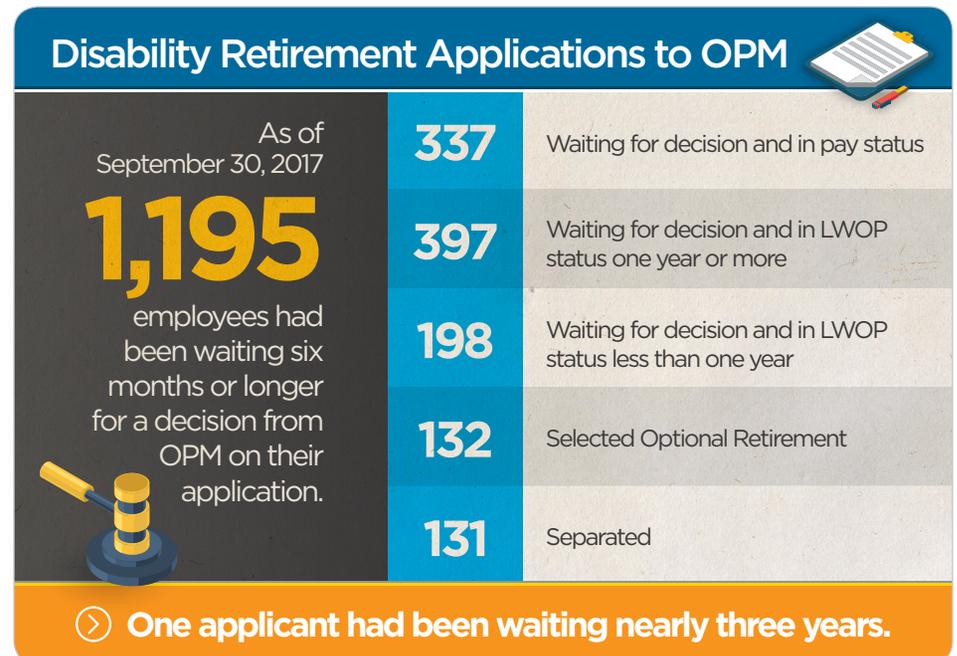
The HRSSC and Eagan ASC had the following well-defined processes and internal controls in place to ensure applications were processed timely:

- Procedures for counseling applicants on how to complete forms and gather supporting documents within 60 days and receiving/assigning documents to responsible personnel for processing (HRSSC).
- Standard operating procedures and worksheets for personnel to perform their daily work assignments (Eagan ASC).
- Controls for preparing and reviewing daily production metrics, monitoring status of applications, and conducting quality assurance reviews (HRSSC).

- Controls for entering documents into a tracking system,⁷ mailing applications to OPM using Express or Priority Mail, and recording tracking information in a log book⁸ or tracking system, as necessary (Eagan ASC).

OPM Processing

Although the Postal Service is processing and submitting disability retirement applications to OPM in time to meet its informal goals, as of September 30, 2017, there were 1,195 employees who had been waiting six months or longer for a decision from OPM on their application. Of those employees, 398 had been waiting for a year or longer. One applicant had been waiting nearly three years. See Table 2 for a summary of applicant wait time and status.



⁵ Beginning in August 2017, HRSSC implemented a new escalation procedure to address situations where supervisors do not submit documents timely.
⁶ The personnel processing specialist closed the case in error, but a system-generated report identified the error and the case was processed to completion.
⁷ Payroll Automation Management System – Data Analysis System.
⁸ Postal Service Form 3877 – Firm Mailing Book for Accountable Mail.

Table 2. Applicant Wait Time and Status as of September 30, 2017

Applicant Status	6 Months to 1 Year	1 Year or More	Total
Waiting for decision and in pay status	219	118	337
Waiting for decision and in LWOP status one year or more	273	124	397
Waiting for decision and in LWOP status less than one year	171	27	198
Selected Optional Retirement	50	82	132
Separated ⁹	84	47	131
Total	797	398	1,195

Source: OIG analysis.

OPM does not have a published time goal for processing disability retirement applications; however, for comparative purposes, for FY 2017, the Social Security Administration (SSA) averaged 111 days to process disability retirement applications, meeting its goal of an average of 113 days.¹⁰ SSA also informs applicants that it may take three to five months to process their disability retirement applications.¹¹ HRSSC personnel advise Postal Service applicants that OPM may take four to 12 months to render a decision even though OPM does not have a formal time goal for processing disability retirement applications.

Postal Service Human Resource management meets with OPM monthly to discuss various human resources issues, including the status of disability retirement applications. However, management stated that OPM does not always provide sufficient information regarding application status and does not always notify the Postal Service of application decisions.

⁹ Separated employees are no longer on the payroll and may have resigned or been removed.

¹⁰ SSA, *Annual Performance Report Fiscal Years 2017 - FY 2019*.

¹¹ SSA publication, *Disability Benefits*, January 2017.

¹² 5 CFR §890.303(e) Continuation of enrollment.

¹³ 5 CFR §870.508(a) Life Insurance, Non-pay Status.

“As of September 30, 2017, there were 1,195 employees who had been waiting six months or longer for a decision from OPM on their application. Of those employees, 398 had been waiting for a year or longer.”

According to GAO’s Standards for Internal Control in the Federal Government, an entity’s management should externally communicate the necessary quality information to achieve the entity’s objectives. If time goals are established for processing disability retirement applications, this would allow for additional transparency and accountability in the process. When disability retirement decisions are not rendered timely, there can be an adverse impact to both the employee and the Postal Service, such as:

- Loss of income.
- Loss of health insurance benefits (if on LWOP for over one year). Health insurance benefit enrollment continues for no more than 365 days for employees in a non-pay status.¹²
- Loss of life insurance benefits (if on LWOP for over one year). Life insurance benefit coverage continues for 12 consecutive months for employees in a non-pay status and then lapses.¹³
- Inability to backfill positions with new hires for employees in LWOP status.

Of the 94 disability retirement applications we reviewed, 20 postal employees had been on LWOP for more than one year and had their health and life insurance benefits lapse.

Postal Service management indicated they have communicated challenges with OPM's processing of disability retirement applications, and the impact of these delays on their employees to OPM both during their monthly coordination meetings and via other correspondence. Postal Service management also stated there has been incremental progress on processing the retirement disability applications; however, the backlog of applications for decisions to be rendered still remains.

Recommendation #1

The Vice President, Employee Resource Management, continue to coordinate with the Office of Personnel Management to address disability retirement application delays, and if necessary, escalate concerns to Office of Personnel Management oversight bodies, such as Congress, the Government Accountability Office, and the Office of Personnel Management Office of Inspector General.

Management's Comments

Management agreed with the report's finding; however, disagreed with the recommendation.

Regarding the recommendation, management expressed "disappointment" that we did not include their suggested changes to the recommendation in the final report. Management stated they will continue to coordinate with OPM to address disability retirement application delays and, if necessary, escalate concerns to OPM. Management's response indicated they have escalated their concerns to the Director of Retirement at OPM in the past and have also shared their concerns with GAO as part of its current review of OPM retirement application processing.

Management further requested support from the OIG by increasing attention to this troubling situation and directing this audit report to OPM's OIG, as they will share the final report with their OPM contacts.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation, as their planned actions satisfy its intent.

Regarding management's "disappointment" that we did not include their suggested changes to the recommendation in the final report, these changes were outside the scope of this audit. As we stated to management during the audit scope process and throughout the audit process, we were not auditing OPM's processes; therefore, could not make recommendations directed to OPM. The audit highlighted OPM's processing times and the impact to the Postal Service but did not assess root causes.

Additionally, management indicated they have escalated their concerns to the Director of Retirement at OPM and shared concerns with GAO; however, other OPM oversight bodies exist if the Postal Service is not yielding desired results, including Congress and the OPM OIG. As discussed with Postal Service management, as part of this audit, we informed the OPM OIG of this audit scope and objective. As management is aware, our audit reports are publicly available upon final issuance, which will increase awareness of this issue.

As management's intended actions satisfy the intent of the recommendation, we do not plan to pursue the recommendation through the formal audit resolution process; therefore, we are closing the recommendation upon issuance of this report.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was Postal Service employees who had been waiting for more than one year for OPM to render a decision on their disability retirement applications, as of September 30, 2017.

To accomplish our objective, we:

- Reviewed policies, procedures, laws and regulations, and other sources relevant to the Postal Service's disability retirement application process.
- Interviewed Postal Service Headquarters, HRSSC, and Eagan ASC personnel responsible for processing disability retirement applications to understand their roles and responsibilities. Also discussed audit scope with OPM OIG and GAO.
- Identified data systems the Postal Service uses in the disability retirement application process.
- Statistically selected and reviewed 94 case files for the 398 disability retirement applicants who have been waiting for an OPM decision for more than one year.
- Analyzed additional personnel action data from Postal Service systems to validate that the HRSSC and the Eagan ASC provided data and identify trends and patterns.
- Based on the results of the review of 94 cases, we projected the results to the universe of 398 cases using 95 percent confidence, with no more than 7 percent precision.

We conducted this performance audit from November 2017 through June 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 May 14, 2018, and included their comments where appropriate.

We assessed the reliability of computer-generated data from Remedy and VERB-400 by comparing key information against separately prepared documents provided by Postal Service personnel. We also assessed the reliability of computer-generated data from PAMS-DAS by observing controls, reviewing procedural documents, and interviewing responsible personnel. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews directly related to the objective of this audit within the last five years.

Appendix B: Management's Comments

SEAN M. STORRY
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



June 4, 2018

RICK POLAND
ACTING DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postal Service Disability Retirement Application Process
(Report Number [HR-AR-18-DRAFT])

I am writing in response to the Office of Inspector General (USPS OIG) draft report on the Postal Service's Disability Retirement Application Process. While I agree with the findings of the report, I am disappointed to see that none of our suggested changes to the proposed recommendations contained in the draft report were incorporated into the final report.

Recommendation #1.

The Vice President, Employee Resource Management, continue to coordinate with the Office of Personnel Management to address disability retirement application delays, and if necessary, escalate concerns to Office of Personnel Management oversight bodies, such as Congress, the Government Accountability Office, and the Office of Personnel Management Office of Inspector General.

Management Response/Action Plan.

Management disagrees with this recommendation.

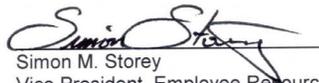
As discussed during our meeting on May 14, 2018, the Vice President, Employee Resource Management, and the Director Compensation & Benefits, have been for over two years and will continue to coordinate with the Office of Personnel Management (OPM) to address disability retirement application delays, and if necessary, escalate concerns to OPM. As noted during our meeting, the Postal Service has in the past escalated its concerns to Director of Retirement at OPM. The Postal Service also has shared its concerns with the Government Accountability Office as part of its current review of OPM's retirement application processing.

In closing, as we discussed and as you confirmed during our meeting, the Postal Service is doing everything within its control and power to improve the disability retirement processing backlog that exists with OPM. The Postal Service recognizes that every number in this report represents an employee who is likely experiencing significant financial hardship. However, as outlined in USPS OIG's report, these delays are the direct

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result of OPM's lack of progress in making a decision on their case, not any deficiency on behalf of the Postal Service's processing of employee applications. Thus, I am asking for your support to further increase attention to this troubling situation by directing this report to OPM's OIG. In order to remedy disability retirement application delays, it is critical that the issues identified in this report are shared with any and all OPM stakeholders that have the ability to address the root cause of these delays. We will share the final report with our OPM contacts. However, we will rely upon you to share the report with your counterparts at the OPM OIG.



Simon M. Storey
Vice President, Employee Resource Management

cc: Manager, Corporate Audit Response Management



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