



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Utilization of Postal Service Data by the Chief Human Resources Officer

Audit Report

Report Number
HR-AR-15-005

April 7, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The CHRO did not have access to critical U.S. Department of Labor data that could improve management of the Postal Service's workers' compensation program and help ensure accurate billing for workers' compensation benefits.

Background

The U.S. Postal Service Office of Inspector General (OIG) initiated a U.S. Postal Service-wide series of audits to review its use of data. These audits included discussions about and analyses of the data the deputy postmaster general and the executive vice presidents use.

This audit focuses on the use of data by the chief Human Resources officer and executive vice president (CHRO), who leads the Postal Service's Human Resources (HR) functional area. This area includes two groups – Employee Resource Management and Labor Relations. Our objective was to determine whether the CHRO effectively uses internal and external business data to manage business activities and mitigate risk.

What The OIG Found

The CHRO effectively used internal data to manage strategic goals and mitigate risk; however, the Postal Service could improve the CHRO's ability to more efficiently access internal data to monitor and manage strategic goals if it consolidated HR legacy systems. An integrated HR system is in line with the current trend among best-in-class organizations to build comprehensive, end-to-end HR systems to replace stand-alone systems. Currently, the CHRO is seeking funding for an integrated HR system to allow more timely access to internal data.

Additionally, the CHRO did not have access to critical U.S. Department of Labor data that could improve management of the Postal Service's workers' compensation program and help ensure accurate billing for workers' compensation benefits. The Department of Labor bills the Postal Service annually for its workers' compensation fees; however, it suspended Postal Service access to workers' compensation records needed to reconcile fees paid from July 2013 to June 2014, because it concluded the Postal Service's use of the data would violate claimants' privacy rights.

In October 2014, the Department of Labor restored Postal Service access to workers' compensation data; however, as of March 2015, the CHRO had not given the data to HR staff because it still contained some personally identifiable information that the Postal Service did not require; therefore, the Postal Service had not reconciled data for the July 2013 to June 2014 billing period. As a result, we estimate \$13 million (about 1 percent) in disbursements at risk due to potential billing inaccuracies.

What The OIG Recommended

We recommended the CHRO instruct the HR staff to reconcile workers' compensation data and billing for July 2013 through June 2014, to ensure accuracy.

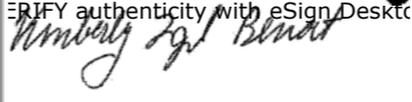
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

April 7, 2015

MEMORANDUM FOR: JEFFREY C. WILLIAMSON
CHIEF HUMAN RESOURCES OFFICER AND
EXECUTIVE VICE PRESIDENT

E-Signed by Kimberly Benoit
VERIFY authenticity with eSign Desktop


for

FROM: Janet M. Sorensen
Deputy Assistant Inspector General
for Revenue and Resources

SUBJECT: Audit Report – Utilization of Postal Service Data
by the Chief Human Resources Officer
(Report Number HR-AR-15-005)

This report presents the results of our audit of the Utilization of Postal Service Data by the Chief Human Resources Officer (Project Number 14YG016HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

The DOL bills the Postal Service annually for its workers' compensation fees; however, it suspended Postal Service access to workers' compensation records needed to reconcile fees paid from July 2013 to June 2014.

Introduction

This report presents the results of our review of the Utilization of Postal Service Data by the Chief Human Resources Officer and Executive Vice President (Project Number 14YG016HR000). Our objective was to determine whether the chief Human Resources officer and executive vice president (CHRO) effectively uses internal and external business data to manage business activities and mitigate risk.

The U.S. Postal Service Office of Inspector General (OIG) initiated a U.S. Postal Service-wide series of audits to review the agency's use of data. These audits included discussions about and analysis of data the deputy postmaster general and executive vice presidents use. The OIG engaged the Corporate Executive Board (CEB) Company to identify the best practices for data use for corporate functions.

The CHRO leads the Postal Service's Human Resources (HR) functional area. The CHRO oversees all aspects of HR, including labor management relations, talent acquisition and retention programs, and health and medical programs. In addition, the CHRO performs activities to manage and monitor injury compensation cases associated with employees who sustain work-related injuries. To manage day-to-day activities, the CHRO uses data stored in various systems, many of which were custom-built for specific purposes. See [Appendix A](#) for additional information about this audit.

Conclusion

The CHRO effectively used internal data to manage strategic goals and mitigate risk; however, the Postal Service could improve the CHRO's ability to efficiently access internal data to monitor and manage strategic goals by consolidating HR legacy systems.¹ Best-in-class organizations build comprehensive, end-to-end HR systems to replace stand-alone systems. The CHRO is promoting the development of an integrated HR system to consolidate and further automate stand-alone HR data systems to access internal data faster.

Additionally, the CHRO did not have access to U.S. Department of Labor (DOL) workers' compensation data that could improve workers' compensation case management procedures. The DOL bills the Postal Service annually for its workers' compensation fees; however, it suspended Postal Service access to workers' compensation records needed to reconcile fees paid from July 2013 to June 2014, concluding the Postal Service's use of the data would violate claimants' privacy rights.

In October 2014, the DOL restored Postal Service access to workers' compensation data; however, as of March 2015, the CHRO had not given the data to HR staff because it still contained some personally identifiable information (PII) that the Postal Service did not require. Because the Postal Service had not reconciled the data with the DOL's billing statements, we estimate \$13 million of the \$1.3 billion cost (about 1 percent) in disbursements is at risk of error.

Internal Data

The CHRO effectively used internal data to manage strategic goals and mitigate risk. The CHRO uses predictive analytics to analyze retirement trends, plan employee complement, and determine future retiree healthcare funding. In addition, the CHRO dashboard tracks more than 50 key metrics covering labor relations, workforce composition and movement, and HR Shared

¹ In computing, a legacy system is an old method, technology, computer system, or application program that may continue to be used for various reasons, such as risk and cost of replacing the system.

Three separate systems — iComplaints, the Grievance Arbitration Tracking System (GATS), and the Workplace Environment Tracking System — track data related to workplace assault and harassment. These systems do not interface, so staff members needing this type of data must use multiple systems.

Service Center² performance. However, the Postal Service could improve the CHRO's ability to efficiently access internal data by consolidating HR legacy systems that do not share data and functionality with other systems.

Some Postal Service HR systems are stand-alone and customized for specific purposes. For example, three separate systems — iComplaints, the Grievance Arbitration Tracking System (GATS), and the Workplace Environment Tracking System — track data related to workplace assault and harassment. These systems do not interface, so staff members needing this type of data must use multiple systems.

To mitigate the legacy system issue, the CHRO is promoting the development of a cloud-based integrated HR system. The new, more robust enterprise system would consolidate and further automate HR data, among other benefits. It could facilitate real-time data and analysis, thereby promoting more informed business decisions.

An integrated system would improve the HR staff's ability to obtain information and make effective management decisions, more accurately track and assess the progress of HR strategic goals and initiatives, and guide staff and inform stakeholders in a timely manner. The CHRO is seeking funding for an integrated HR system and plans to deploy it within the next 3 years. As a result, we are not making a recommendation at this time.

Workers' Compensation External Data

The CHRO did not have access to critical external data that could improve management of the Postal Service's workers' compensation program and help ensure accurate billing for workers' compensation benefits. This occurred because the DOL suspended Postal Service access to workers' compensation records needed to reconcile the DOL's chargeback billing³ covering chargeback year (CBY) 2014.⁴

The DOL's Office of Workers' Compensation Program (OWCP) must obtain personal and medical information on individuals to fulfill its mandate to administer the workers' compensation program for federal employees under the Federal Employees' Compensation Act (FECA). Consequently, the DOL has the exclusive authority to control access to and disclosure of workers' compensation records. Prior to CBY 2014, the DOL gave the Postal Service access to workers' compensation records through bi-monthly electronic transfers. The HR staff used the records to review the DOL's chargeback billings for reasonableness and accuracy in accordance with Postal Service policy and applicable regulations.⁵ The HR staff resolved any identified issues or discrepancies, including potential erroneous payments, with the DOL throughout the year. On July 1, 2013, the DOL suspended Postal Service access to workers' compensation records, concluding that the Postal Service's use of the records would violate the DOL's Privacy Act obligations.⁶

2 The Postal Service's HR Shared Service Center is the centralized processing site for HR activities including benefits, compensation, retirements, separations, and job bidding.

3 Chargeback billing is the process the Postal Service uses to reimburse the DOL for all workers' compensation benefits it provides to injured employees, as well as administrative fees.

4 Chargeback years begin July 1 and end June 30 of the following calendar year.

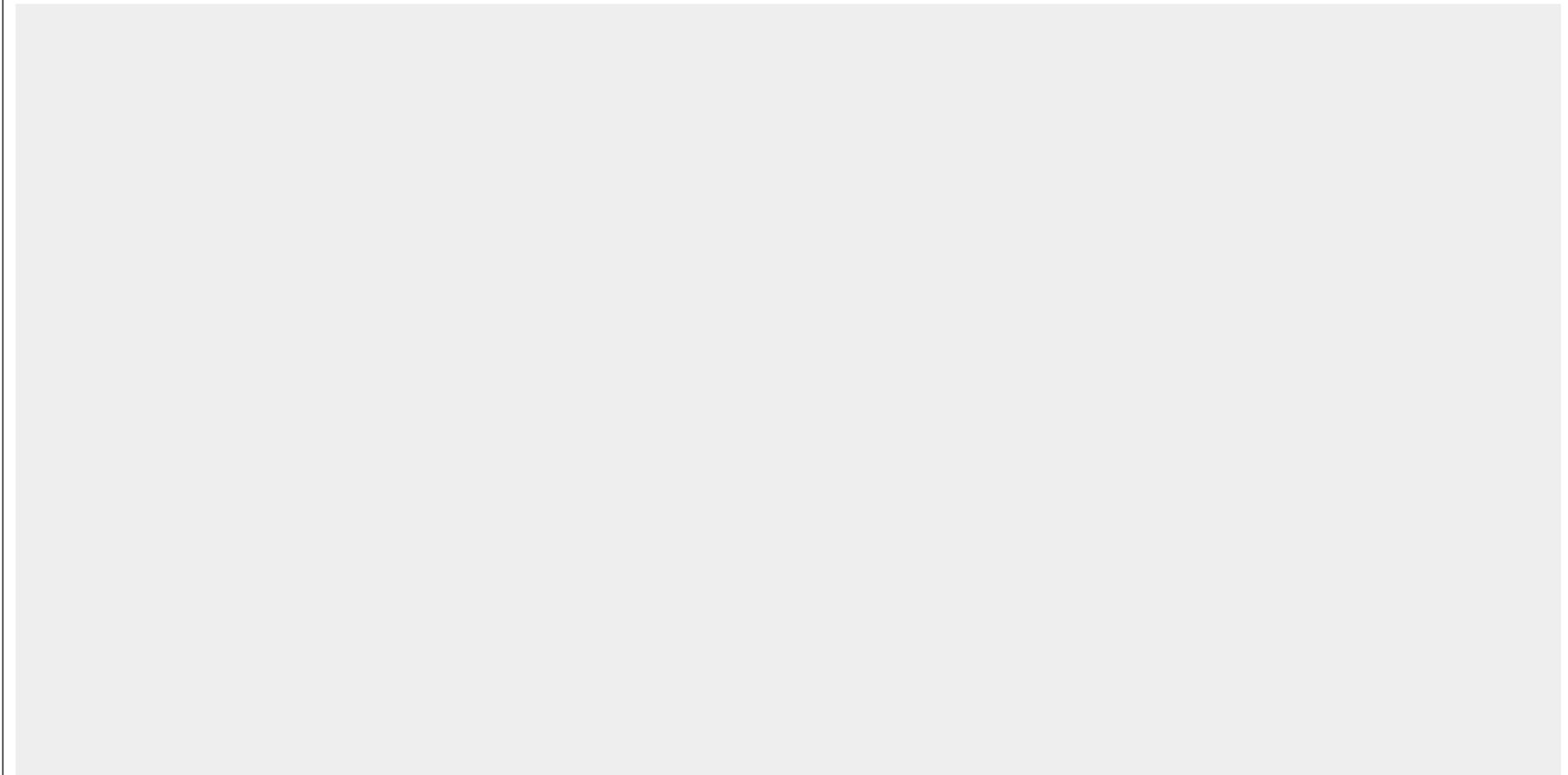
5 Handbook EL-505, *Injury Compensation*, §12.5, December 1995, requires review of the DOL chargeback report each accounting period. The Sarbanes-Oxley Act of 2002 requires documentation of the Postal Service's significant processes and controls related to financial reporting.

6 The Privacy Act of 1974, 5 U.S.C. §552a, requires the DOL, as administrator of FECA, to protect the privacy rights of FECA claimants by preventing the unauthorized use and disclosure of FECA documents.

The Postal Service and the DOL reached an agreement on October 23, 2014, to restore Postal Service access to the data, including the data covering CBY 2014.

During the course of our audit, the Postal Service and the DOL reached an agreement (on October 23, 2014) to restore Postal Service access to the data, including the data covering CBY 2014.⁷ The CHRO's HR staff has a process for reconciling previously suspended chargeback billing data. The reconciliation process requires applicable HR staff to review the data, verify any overpayments or discrepancies, and notify the DOL to request credit(s) owed. However, as of March 2015, the CHRO had not given the previously suspended data to the HR staff because it still contained some sensitive PII that the Postal Service did not require. The DOL should ensure that it only provides information necessary to manage the workers' compensation program.⁸ As a result, the data covering CBY 2014 was not reconciled with the DOL's chargeback billing statement. The CHRO plans to release the data once the DOL removes the extraneous information.

The DOL charged the Postal Service \$1.3 billion for workers' compensation benefits paid to Postal Service employees and \$69 million in administrative fees for CBY 2014. We estimate the Postal Service will have \$13 million (about 1 percent) in disbursements at risk due to potential billing inaccuracies if it does not complete the reconciliation for CBY 2014.



⁷ Memorandum of Understanding regarding the release of FECA records between the DOL's OWCP, the Postal Service, and the National Labor Relations Board, dated August 18, 2014.

⁸ The Postal Service does not need all the workers' compensation data the DOL provided, such as bank routing information and social security numbers. The CHRO is currently working with the DOL to remove the extraneous fields from all workers' compensation data transferred to the Postal Service in the future.

Recommendation

We recommend management release U.S. Postal Service workers' compensation data and instruct the Human Resources staff to reconcile data and chargeback billing for July 2013 through June 2014 to ensure accuracy.

We recommend the chief Human Resources officer and executive vice president:

1. Release U.S. Postal Service workers' compensation data and instruct the Human Resources staff to reconcile data and chargeback billing for July 2013 through June 2014 to ensure accuracy.

Management's Comments

In subsequent correspondence, management stated that they agreed with the finding. Management agreed with the recommendation and stated they will begin the process of reconciling the data and chargeback billing for July 2013 through June 2014, once they remove unnecessary PII from the data and make corrections to the Injury Compensation Performance Analysis System (ICPAS). The target implementation date is July 30, 2015.

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 and corrective actions should resolve the issues identified in the report.

The OIG considers the recommendation significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

Appendices

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Appendix A: Additional Information

Background

The OIG initiated a Postal Service-wide series of audits to review executives' use of data. These audits included discussions about and analysis of data used by executive vice presidents and vice presidents in seven functional areas.

The OIG used CEB, the leading member-based advisor company, to identify the best practices for data use for corporate functions. CEB combines the best practices of thousands of member organizations with its research methodologies and human capital analytics to provide senior leaders and teams with insight and actionable solutions that transform operations.

This audit focuses on the HR functional area. The CHRO leads this area, overseeing all aspects of HR and managing one of the largest HR Shared Services and Human Capital Enterprise Systems in the U.S. The HR functional area generally consists of two groups — Employee Resource Management (ERM) and Labor Relations.

The vice president (VP), ERM, directs programs covering talent acquisition and retention programs, training and development, diversity, personnel services, selection, safety, and health and medical issues. Additionally, the VP, ERM, manages Human Resources Shared Services, organizational design and workforce effectiveness, and the ergonomics and risk reduction program. Although the Postal Service's ERM group manages and monitors employees' injury compensation cases as part of its health and medical program, the DOL's OWCP has exclusive authority to administer the workers' compensation program for federal employees under FECA.⁹

The VP, Labor Relations, directs the design, implementation, and evaluation of national policies, procedures, programs, and standards governing labor management relations.

A variety of systems process data elements relevant to the Postal Service HR functional area, many of which were custom-built for specific purposes. They include:

- Human Capital Enterprise System (HCES) — a multi-platform system that houses employee personnel and payroll data and includes functionalities such as complement and staffing data.
- ICPAS — an application designed to assist in management of accident prevention and claims made under safety programs.
- Employee Health & Safety (EHS) — a module of HCES for reporting accidents and injuries. EHS streamlines the reporting and management of accidents, injuries, and claims for supervisors of the Safety and Health & Resource Management staffs.
- GATS — a national site Labor Relations professionals use to track the status of grievances through the grievance process.

Data utilization describes end-users' ability to effectively access, manipulate, share, and create data without assistance from information technology personnel. Dashboards¹⁰ can be an effective tool for using data. The CHRO uses an HR dashboard, which is a spreadsheet with drill-down capability consisting of several worksheets with related metrics. The metrics include the number of external new hires, enrollment in leadership programs, voluntary turnover ratio, grievance cases pending arbitration, and

⁹ The FECA, which is administered by the Division of Federal Employees' Compensation of the OWCP, provides a variety of benefits to federal civilian employees who sustain workplace injuries or illnesses.

¹⁰ A dashboard is an easy to read, often single-page, real-time user interface showing a snapshot and historical trends of an organization's key performance indicators to enable instantaneous and informed decision making.

non-career healthcare enrollment. Many of the HR dashboard metrics have targets, some of which are based on benchmarking against other government agencies. The metrics continue to evolve, depending in large part on the behaviors the organization is trying to drive.

Objective, Scope, and Methodology

Our objective was to determine whether the CHRO effectively uses internal and external business data to manage business activities and mitigate risk. Specifically, we determined whether the Postal Service's HR functional area:

- Has sufficient data analysis tools available.
- Could use underutilized, yet available, internal or external data to improve operations.
- Could acquire useful data, currently unknown or unavailable to Postal Service employees, to improve operations.
- Is proactively identifying sources of internal data or performing data mining to support oversight functions (such as absenteeism, Equal Employment Opportunity complaints, mail theft, etcetera).
- Restricts access to Postal Service data that hinders efficient operations.

To accomplish this objective we:

- Discussed data applications, systems, and challenges with the executive vice president and management, with a focus on the HR functional area.
- Obtained and reviewed CEB best practices for data use and interviewed HR management to determine how the Postal Service lined up with benchmarked organizations.
- Reviewed the May fiscal year (FY) 2014 Interim HR dashboard.
- Reviewed prior audit coverage regarding the Postal Service's workers' compensation program, documentation related to the workers' compensation data transfer, and policies and procedures applicable to workers' compensation case management.
- Interviewed relevant Postal Service workers' compensation staff.

We conducted this performance audit from May 2014 through April 2015, 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 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 March 4, 2015, and included their comments where appropriate.

We did not assess the reliability of any computer-generated data for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Management of Detail Assignments Follow-Up</i>	DP-AR-14-007	9/26/2014	\$17.8
<p>Report Results: Our report found that Postal Service areas and headquarters do not have a comprehensive tracking system to monitor detail assignments. Specifically, cost issues have precluded ERM from obtaining an automated employee detail assignment tracking system. Although the Postal Service plans to implement a system to address its inability to track detail assignments and associated costs within 2 years, we recommended implementing an interim tracking system. Management disagreed with the recommendation; however, they plan to develop an interim report by January 2015 to track executive administrative schedule employees on detail assignments and associated travel costs of 80 hours or more for any pay period.</p>			
<i>U.S. Postal Service Data Governance</i>	DP-AR-13-004(R)	4/23/2013	None
<p>Report Results: Our report found the Postal Service could improve its management of critical data to assist managers and employees in achieving strategic and operational goals. We identified 148 data-related issues in OIG reports issued in FYs 2009 through 2012. Although the Postal Service defined a structure for a data governance program in 2003, full roles and responsibilities were not uniformly adopted. We identified best practices used by companies with successful data governance programs. Management agreed with the finding and, subsequent to their formal response, the recommendation in the report. Management has begun establishing a formal, enterprise-wide data governance program.</p>			
<i>Workers' Compensation Data Systems</i>	HR-AR-13-001	12/24/2012	None
<p>Report Results: Our report found that ICPAS does not provide the reports needed to effectively measure performance, identify trends, and improve the workers' compensation program due to system limitations. Information available in standard reports is not always provided in a usable format and HR officials must obtain and analyze information from other databases because the information is not available in standard ICPAS reports. Management agreed with our recommendation to assess options to enhance and integrate the reporting capabilities of ICPAS.</p>			

Appendix B: Management's Comments

JEFFREY C. WILLIAMSON
CHIEF HUMAN RESOURCES OFFICER
AND EXECUTIVE VICE PRESIDENT



March 23, 2015

Lori Lau Dillard
Director, Audit Operations
1735 North Lynn Street
Arlington, VA 22209-2020

SUBJECT: Utilization of Postal Service Data by the Chief Human Resources Officer (Report Number HR-AR-15-DRAFT)

This memorandum responds to the subject audit report dated March 9. The audit report presents the results of the Utilization of Postal Service Data by the Chief Human Resources Officer to determine whether the Chief Human Resources Officer and Executive Vice President (CHRO) effectively uses internal and external business data to manage business activities and mitigate risk.

Recommendation:

Release U.S. Postal Service workers' compensation data and instruct the Human Resources staff to reconcile data and chargeback billing for July 2013 through June 2014 to ensure accuracy.

Management Agrees with this Recommendation.

Management Response/Action Plan:

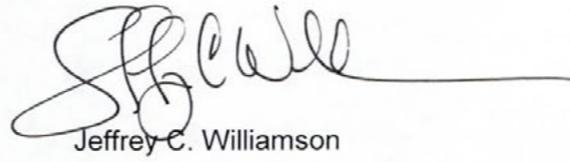
The workers compensation data for the time period of July 2013 through June 2014 has been released by the Department of Labor/ Office of Workers Compensation (DOL/OWCP) to the Postal Service. The data feed is currently going through an IT correction to remove the bank account information. The system that houses the workers compensation information, the Injury Compensation Performance Analysis System (ICPAS) is also going through an IT correction to eliminate the display of bank account information. The bank account information is Personally Identifiable Information (PII) that is not necessary for the Postal Service to perform their activities in monitoring the case management of our claims by the DOL/OWCP as permitted by law.

When the IT data feed and ICPAS corrections have been completed, and the data has been loaded into ICPAS, the Postal Service Injury Compensation and Medical Services team will immediately begin the process of reconciling the data and chargeback billing for July 2013 through June 2014 to ensure accuracy.

Target Implementation Date: July 30, 2015

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WASHINGTON DC 20260-4000
www.usps.com

Responsible Official: Robert Souhrada, Manager, Injury Compensation and
Medical Services

A handwritten signature in black ink, appearing to read 'J. Williamson', with a long horizontal line extending to the right.

Jeffrey C. Williamson

cc: Mr. Godlewski
Ms. Haring



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