



**OFFICE OF
INSPECTOR GENERAL**
UNITED STATES POSTAL SERVICE

**Utilization of
Data by the
General
Counsel and
Executive Vice
President**

Audit Report

Report Number
MI-AR-15-001

January 23, 2015





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service depends on data to manage its business strategies and daily activities.

With effective and efficient access to appropriate internal and external data, the Postal Service can make more informed business decisions.

Background

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

The Postal Service depends on data to manage its business strategies and daily activities. With effective and efficient access to appropriate internal and external data, the Postal Service can make more informed business decisions.

This audit report, one in a series, focuses on the use of data by the general counsel and executive vice president (general counsel). The general counsel's office is responsible for corporate and postal business law, as well as legal strategy and policy.

Our objective was to determine whether the general counsel effectively uses internal and external business data to manage business activities and mitigate risk.

What The OIG Found

The general counsel effectively uses internal and external data to manage business activities and mitigate risk. For example,

the office of general counsel extracts and analyzes data, performs trend analysis of law activities, and restricts access to sensitive data. However, opportunities exist to use data more effectively for decision-making and risk management.

The general counsel's tort claim management system tracks individual tort claims of \$5,000 or more. On average, about 3,600 tort claims are recorded in system and about \$52 million are paid annually. However, the system does not allow a user to run sortable reports directly from the system. Instead, either information technology staff must develop specialized data searches and reports for a user or the user must manually search for data.

In addition, the Postal Service should change the way it establishes repair costs related to motor vehicle tort claims. Almost \$170 million in motor vehicle tort claims were paid in the past 3 fiscal years (including vehicle repair, medical, pain and suffering, wage loss, and miscellaneous property damage). The process used to pay these claims involves obtaining two repair estimates and selecting the lower estimate for payment. However, the insurance industry uses regional and national vehicle damage repair cost trend data to determine payment amounts. The Postal Service could use similar commercially available information to help ensure repair costs are reasonable and mitigate overpayment.

Finally, our work identified two metrics the office of general counsel does not use to analyze and understand data. One metric is the frequency of monitoring of ethics violations more frequently than annually and the other monitors advice time on internal legal matters. These metrics are important to developing timely and actionable management data. During the audit, the office of general counsel agreed these metrics are needed and will be available by Quarter 1 of fiscal year 2016.

What The OIG Recommended

We recommended the general counsel implement a program to improve the data and claim search capability of the tort claim management system and use a commercial vendor to provide vehicle repair cost trend data to validate vehicle repairs costs. Finally, we recommended the general counsel continue his efforts to establish metrics to monitor ethics compliance and advice time for internal legal matters by Quarter 1 of fiscal year 2016.

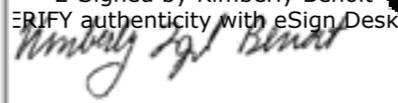
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 23, 2015

MEMORANDUM FOR: THOMAS J. MARSHALL
GENERAL COUNSEL AND EXECUTIVE VICE PRESIDENT

E-Signed by Kimberly Benoit
VERIFY authenticity with eSign Desktop


FROM: Kimberly Benoit
Deputy Assistant Inspector General
for Technology, Investment and Cost

SUBJECT: Audit Report – Utilization of Data by the General Counsel and
Executive Vice President (Report Number MI-AR-15-001)

This report presents the results of one in an agency-wide series of audits that review the U.S. Postal Service's use of data – in particular Utilization of Data by the General Counsel and Executive Vice President (Project Number 14WG003DP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael L. Thompson, director, Major Investments, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

The general counsel's office effectively uses internal and external data to manage business activities and mitigate risk.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's Utilization of Data by the General Counsel and Executive Vice President (Project Number 14WG003DP000). Our objective was to determine whether the general counsel and executive vice president (general counsel) effectively uses internal and external business data to manage business activities and mitigate risks. The general counsel's office is responsible for corporate and postal business law, as well as legal strategy and policy.

The U.S. Postal Service Office of Inspector General (OIG) initiated a Postal Service-wide series of audits to review the Postal Service's use of data. These audits include discussions and analyses of the data used by the deputy postmaster general and the executive vice presidents. The OIG engaged the Corporate Executive Board (CEB)¹ Company to identify the best practices for data use for corporate functions. See [Appendix A](#) for additional information about this audit.

Conclusion

The general counsel's office effectively uses internal and external data to manage business activities and mitigate risk. For example, the office extracts and analyzes data, performs trend analysis of law activities, such as discrimination allegations, and restricts access to sensitive data in LawManager.² However, opportunities exist to further use data for decision-making and risk management.

The Postal Service could improve the functionality of LawManager, the general counsel's tort claim management system, which tracks individual tort claims of \$5,000 or more. On average, about 3,600 tort claims are recorded in LawManager and about \$52 million are paid annually.³ However, LawManager does not allow a user to run sortable reports directly from the system. Instead, either information technology (IT) staff must develop specialized data searches and reports for a user or the user must manually search for information.

In addition, to helping ensure that repair costs relating to tort claims are reasonable, the Postal Service should consider adopting the insurance industry's approach to determining those costs. The Postal Service obtains two repair estimates and uses the lower one for payment. However, the insurance industry uses external data⁴ on regional and national vehicle damage repair cost trends to determine payments.

Finally, we identified two metrics the office of general counsel could use to monitor ethics compliance and advice time for internal legal matters. These metrics are important for providing timely and actionable management data. During the audit, the office of general counsel agreed these metrics are needed and will be available by Quarter (Q) 1, FY 2016.

Organization of Tort Data in LawManager

Opportunities exist for the general counsel to improve the use of tort data for decision-making and risk management, particularly in the tort claim processors at the National Tort Claim (NTC) Center and the Accounting Service Center (ASC) in St. Louis, MO.

-
- ¹ An advisory company with membership programs for senior executives and their teams to drive corporate performance by identifying and building on the practices of companies.
 - ² A third-party legal case management software designed specifically for government agencies and corporate legal departments.
 - ³ Fiscal years (FY) 2012-2014.
 - ⁴ A third-party vendor that audits auto shop estimates with software combining industry-leading databases.

Additional drop-down selections, search capabilities, and enhanced reporting in the system would help reduce time spent on manually entering data, searching for cases, and performing analysis.

Use of external data could improve the reasonableness of tort claim vehicle repair costs and mitigate overpayment.

The LawManager system processes individual tort claims of \$5,000 or more. On average, about 3,600 tort claims are recorded in LawManager and about \$52 million are paid annually. However, LawManager does not allow a user to run sortable reports directly from the system. Instead, either IT staff must develop specialized data searches and reports for a user or the user must manually search for the information. The additional search functionality is not available because of budget constraints and a lack of internal coordination.

During the audit, we learned about the limited search capabilities of LawManager. Specifically:

- The system does not allow users to sort by injury type or anticipated payout date for historical data purposes.
- The unstructured data⁵ entered in a narrative box is not organized into searchable fields.
- Categories and subcategories, such as vehicle accidents and slip and fall, that the Postal Service uses to classify tort claims do not tie into the categories the Enterprise Data Warehouse (EDW)⁶ uses to classify tort payments.
- Tort claim payments data can only be entered at an aggregate level instead of by specific costs, such as vehicle damage repair, medical, wage loss, and pain and suffering.

In addition, LawManager cannot automatically report the data management needs to plan and manage anticipated tort claim payouts. Instead, supervisors manually transfer anticipated payout data extracted from LawManager into spreadsheets, which management uses to forecast anticipated payouts. This manual process is time-consuming and increases the risk of error.

The chief counsel for torts stated that additional drop-down selections, search capabilities, and enhanced reporting in the system would help reduce time spent on manually entering data, searching for cases, and performing analysis. System functionality issues hinder the end users' ability to effectively analyze, evaluate results, manage a schedule of significant cases, and make timely and informed business decisions. The integration and support manager stated that a LawManager workgroup met on November 21 and December 12, 2014, to identify system enhancements and obtain feedback on the feasibility of implementing the requested changes. Changes to the system should be implemented in FY 2015.

Assessing the Reasonableness of Vehicle Repairs With External Data

Use of external data⁷ could improve the reasonableness of tort claim vehicle repair costs and mitigate overpayment. The Postal Service obtains two repair estimates and uses the lower estimate for payment⁸ and paid almost \$170 million in motor vehicle tort claims in the past 3 fiscal years⁹ using this approach. However, the insurance industry uses regional and national vehicle damage repair cost trend data to determine payment amounts. The Postal Service's use of similar commercially available external data would help ensure repair costs are in line with insurance industry standards and that tort claim processors do not pay inflated estimates.

⁵ Unstructured data refers to information that either does not have a pre-defined data model or is not organized in a pre-defined manner. Unstructured data is typically text-heavy, but may contain data such as dates, numbers, and facts as well.

⁶ The EDW is the main source for storing data across functional areas throughout the Postal Service.

⁷ A third-party vendor that audits auto shop estimates with software combining industry-leading databases.

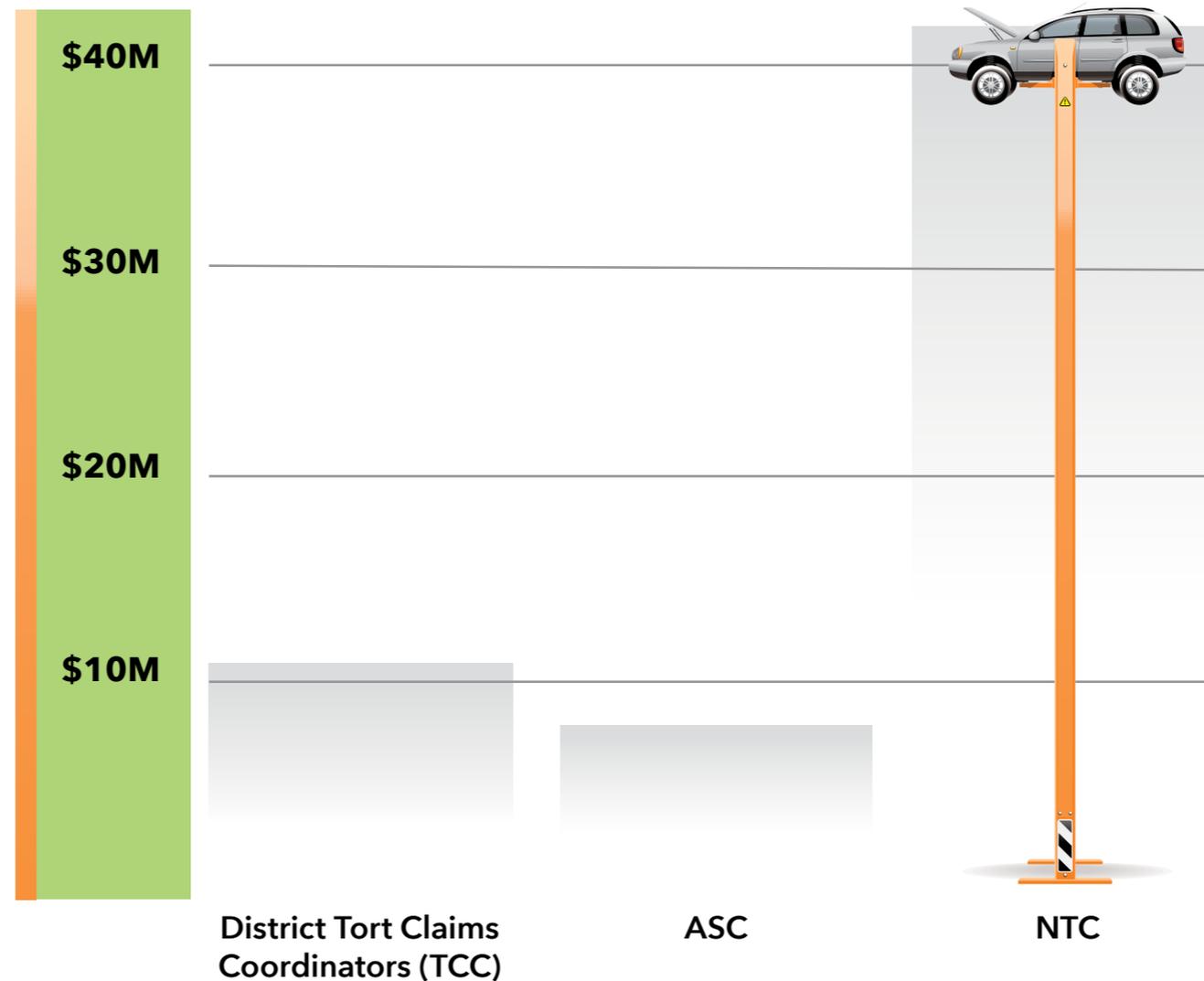
⁸ Handbook PO-702, *Tort Claims Administration*, Section 473.d, dated May 2007.

⁹ Payments for claims related to vehicle accidents includes all expenses related to the accident such as vehicle repair, medical, pain and suffering, wage loss, and miscellaneous property damage.

Figure 1. FY 2014 Tort Payments for Motor Vehicle Claims

Roll over the vehicles below to discover details regarding processor claims.

Commercial vendor services analyze and verify the accuracy of vehicle repair costs with external data collected by the insurance industry.



Source: EDW Financial Performance Report, Line 3M.

Commercial vendor services analyze and verify the accuracy of vehicle repair costs with external data collected by the insurance industry. The managing counsel for general law and chief counsel for torts said that third-party vendors were used in the past but not Postal Service-wide and are currently not being used.¹⁰ These third-party vendor services could assist the tort claim process and ensure repair costs are reasonable.

¹⁰ The general counsel was aware of the third-party vendor services, but they are limited to an advisory role and do not have sole budgetary, decision-making, or enforcement authority to implement the use of a vendor nationwide without the agreement of the vice-president, Delivery Operations.

Identified Best Practice Metrics

Our work identified two metrics the office of general counsel does not use to analyze and understand data. One metric monitors ethics violations more frequently than annually and the other monitors advice time on internal legal matters. As a result of our audit, the deputy general counsel for the field and the associate general counsel and chief ethics and compliance officer agreed to implement the metrics. Consequently, the office of general counsel will monitor ethics violations at a more detailed level quarterly or monthly and will monitor actual days for advice time instead of the customer survey that uses a scale to rate timeliness. These metrics are important for providing timely and actionable data. These metrics should be in place by Q1, FY 2016.

Recommendations

We recommend the general counsel implement a program to improve the data and claim search capability of the tort claim management system; use a commercial vendor to provide vehicle repair cost trend data to validate vehicle repairs costs; and finally, we recommend the general counsel continue his efforts to establish metrics to monitor ethics compliance and advice time for internal legal matters by Quarter 1 of fiscal year 2016.

We recommend the general counsel and executive vice president:

1. Implement a program to improve the data and claim search capability in LawManager.
2. Implement the use of a commercial vendor to provide vehicle repair cost trend data to validate vehicle repairs costs.
3. Continue ongoing efforts to establish metrics to monitor ethics compliance and advice time for internal legal matters by Quarter 1 of fiscal year 2016.

Management's Comments

Management agreed with all of our findings and recommendations. Management stated they are taking action to improve the data and claim search capability of the tort claim management system. Management agreed to implement the use of a commercial vendor to provide vehicle repair cost trend data to validate repair costs. However, the general counsel noted, as the audit report does, that he does not have sole budgetary, decision-making, and enforcement authority to contract with a vendor without the agreement of the vice president, Delivery Operations. Finally, management stated they are currently undertaking actions to implement metrics by Q1 of FY 2016.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and corrective actions should resolve the issues identified in the report.

Appendices

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Appendix A: Additional Information

Background

The Postal Service depends on data to manage its business strategies and daily activities. With effective and efficient access to appropriate internal and external data, the Postal Service can make more informed business decisions. In FY 2014, the OIG initiated a Postal Service-wide series of audits to review its use of data. These audits included discussions about data use by the deputy postmaster general and the executive vice presidents. This audit focuses on the use of data by the general counsel.

The Postal Service's Law Department provides in-house legal representation to the Postal Service, an independent establishment of the executive branch. The Law Department, with 237 career attorneys in offices across the country, effectively functions like a large corporate law firm. The Law Department practice includes labor and employment, commercial, torts, economic regulation, finance, contracts, intellectual property, real estate, legislation, administrative, international, government ethics, and consumer protection law.

The Postal Service's tort program consists of three distinct groups of individuals who work together to process tort claims:

- District TCC
- Accounting and control specialists from the St. Louis ASC
- Attorneys, tort claim adjudicators, and paralegals from the Law Department

In FY 2003, the Law Department's tort claims and litigation process was restructured to provide more consistent client service and litigation management and to control tort litigation costs. Additionally, the NTC was established in St. Louis to centralize support for the tort program. The NTC handles all tort litigation activities throughout the country, adjudicates all complex claims greater than \$50,000, provides concurrence for all denials of tort claims, and provides review and concurrence on the disposition of any claims resolved by the ASC or TCCs for an amount greater than \$5,000.

Objective, Scope, and Methodology

Our objective was to determine whether the general counsel effectively uses internal and external business data to manage business activities and mitigate risk. Our scope focused on the use of data by the general counsel. This included determining whether the general counsel:

- Had sufficient data analysis tools available.
- Used internal and external data to improve operations.
- Acquired useful data to improve operations.
- Proactively identified sources of internal data or performed data mining to support the oversight functions of the office of general counsel.
- Was hindered by access restrictions to internal data.

To meet our objective we:

- Visited and conducted interviews and data reviews at the general counsel's headquarters in Washington, D.C., and the NTC in St. Louis, MO.
- Evaluated LawManager system functionality and assessed user needs by reviewing reports, performing observations, and interviewing attorneys and IT personnel within the office of general counsel.
- Evaluated tort claim processors' use of data to validate repair costs by interviewing general counsel office personnel and performed market research to identify potential vendors for vehicle repair data.
- Reviewed Postal Service motor vehicle tort claim payments for FYs 2011 through 2014.
- Engaged CEB to identify general counsel best practice metrics for data use and best-in-class dashboards. Compared the CEB's 162 metrics to those used by the general counsel's office to determine how they compared with the CEB's benchmark organizations. Identified and evaluated metrics not used by the general counsel's office.
- Reviewed and analyzed OIG audit reports issued in FYs 2009 through 2014 to identify data-related issues pertaining to the general counsel's office.
- Interviewed OIG's Risk Analysis Research Center management to identify data-related issues pertaining to the general counsel's office.

We conducted this performance audit from May 2014 through January 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 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 December 22, 2014, 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
<i>U.S. Postal Service Data Governance</i>	DP-AR-13-004(R)	4/23/2013	None

Report Results: Our report found that the Postal Service could improve management of critical data to help managers and employees to achieve 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 across the enterprise. We identified the 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 incorporated a data governance program under Delivering Results, Innovation, Value and Efficiency Initiative 19 - Business Innovation Through Information Technology.

Appendix B: Management's Comments

THOMAS J. MARSHALL
General Counsel
and Executive Vice President



January 14, 2015

Lori Lau Dillard
Director, Audit Operations
USPS Office of Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

Subject: Draft Audit Report – Utilization of Data by the General Counsel and
Executive Vice President (Report Number MI-AR-15 DRAFT)

Dear Ms. Lau Dillard:

Thank you for the opportunity to review and comment on the subject draft audit report.

Management agrees with the recommendations of the Office of Inspector General (OIG) that the general counsel should:

1. Implement a program to improve the data and claim search capability of the tort claim management system.

As noted in the Report, management is currently undertaking actions to implement these changes in fiscal year (FY) 2015.

2. Implement the use a commercial vendor to provide vehicle repair cost trend data to validate vehicle repairs costs.

While the General Counsel agrees with this recommendation, footnote 12 of the Report correctly states that the general counsel is limited to an advisory role in this subject area and does not have sole budgetary, decision making, or enforcement authority to implement the use of a vendor nationwide.

3. Continue ongoing efforts to establish metrics to monitor ethics compliance and advice time for internal legal matters by Quarter 1 of fiscal year 2016.

As noted in the Report, management is currently undertaking actions to implement these metrics by Q1, FY2016.

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In the interest of clarification, we would also note the following with respect to the Report's highlights section. It is reported therein that \$170 million in motor vehicle tort claims were paid in the past three fiscal years and that the "process used to pay these claims involves obtaining two repair estimates and selecting the lower estimate for payment." This creates the impression that the \$170 million refers only to vehicle repair costs. However, footnote 11 of the Report describes the payments related to vehicle accidents as including many expense items in addition to vehicle repair. We would recommend that a similar clarification be included in the highlights section.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

If you have any questions about this response, please contact Charles Kappler at 202-268-2932.



Thomas J. Marshall

cc: Ms. Haring
Mr. Kappler



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