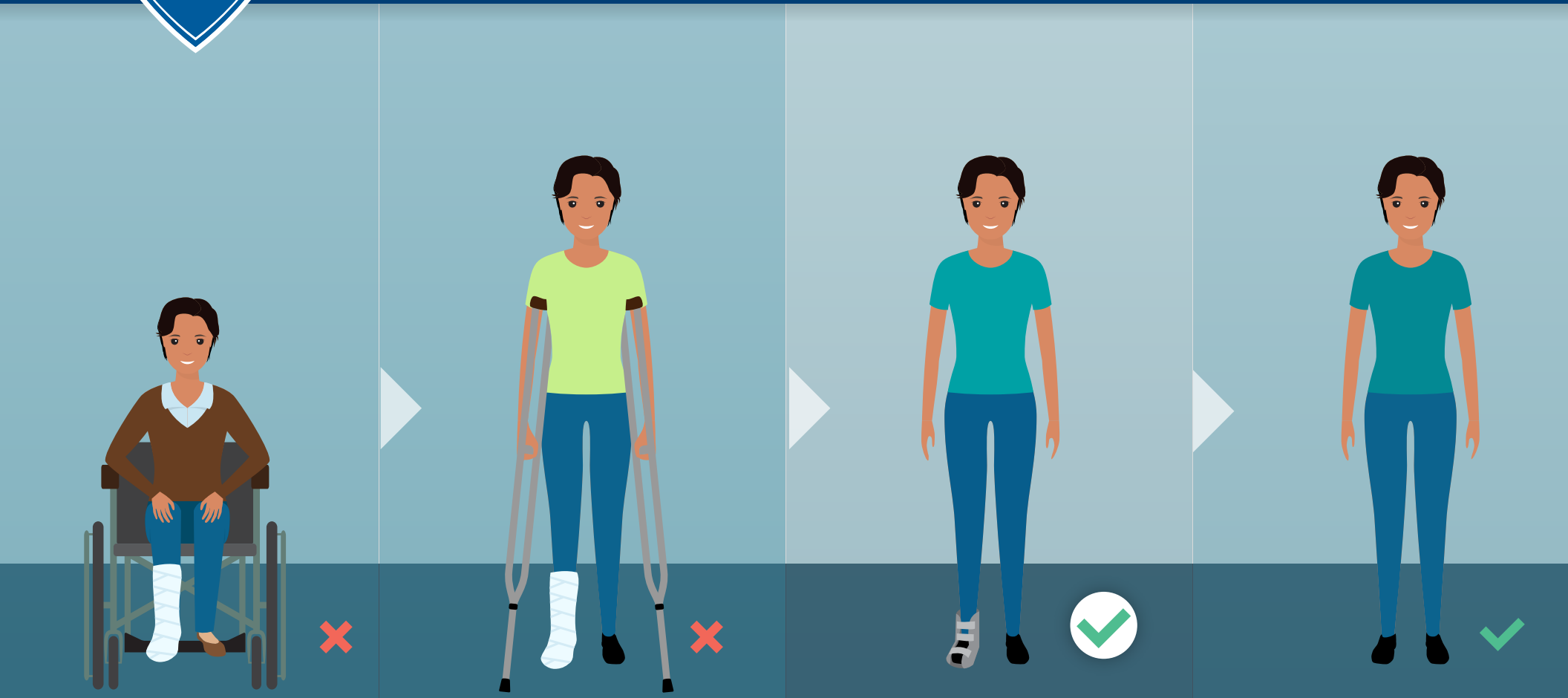
Office of Inspector General | United States Postal Service

Audit Report

Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas

Report Number HR-AR-18-003 | March 1, 2018



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Highlights

Objective

Our objective was to assess whether the U.S. Postal Service effectively managed its Limited Duty and Rehabilitation programs to ensure that injured employees in the Southern and Pacific areas who were deemed fit returned to work timely.

The Postal Service's Limited Duty and Rehabilitation programs help the agency meet its legal obligation to injured-on-duty employees, including the requirement to return them to work within their medically defined work restrictions. These programs accommodate employees who are temporarily unable to perform their regular job and assist employees with permanent disabilities.

> *"On May 17, 2017, there were 1,243 employees nationwide on the Postal Service's NWA list."*

The Postal Service tracks employees who are deemed fit to return to work in a limited duty capacity via its No Work Available (NWA) list; however, there are no assignments available at this time. On May 17, 2017, there were 1,243 employees on the NWA list nationwide, 489 of whom were in the Southern and Pacific areas.

What the OIG Found

The Southern and Pacific areas effectively managed Limited Duty and Rehabilitation programs to ensure that injured employees deemed fit to do so returned to work. For fiscal year 2017, Quarters 2 through 4, these areas returned 1,094 employees from the NWA list back to work; however, opportunities exist to strengthen controls and efficiency in program processes.

We statistically selected and reviewed 45 percent (222 of 489) of employee case files from the NWA list for the two areas and found the following deficiencies:

- Thirteen percent (28 of 222) of the case files did not have updated medical documentation reflecting the employee's current work restrictions.
- Twenty-seven percent (59 of 222) of the case files did not have evidence of completed work searches to identify limited duty assignments for employees deemed fit to return to work.
- There was no special job bank available to serve as an automated work search option or repository of available work assignments for limited duty employees.
- The Employee Health and Safety system (EHS) did not accurately reflect the work status information for 16 percent (35 of 222) of the case files.
- Forty-two percent (five of 12) of the case files related to employees who refused job offers or accepted rehabilitation assignments that resulted in an employee's compensation not being properly adjusted to reflect the change in work status.

These issues occurred because (1) Health and Resource Management (HRM) specialists were unaware of or did not use available reports to manage medical documentation, (2) controls were not adequate to validate that work searches were conducted and/or documented, (3) management deactivated the special job bank, (4) EHS system did not have a work status option to identify all employee statuses, and (5) HRM specialists did not properly notify the U.S. Department of Labor (DOL) of changes in employees' work status.

As a result, these issues had a potential negative impact on the timeliness and efficiency of returning injured employees back to work. Additionally, there was a total of $68,200 in compensation provided to employees for which they were not entitled.

What the OIG Recommended

We recommended management provide EHS system — 546 report training; assess if the staffing to caseload ratio aligns with requirements established by management; implement a control to validate that work searches are conducted; assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement; develop a methodology to include accurate work statuses in the EHS system and provide training; and reiterate the DOL adjudication policy and guidance.

Transmittal Letter

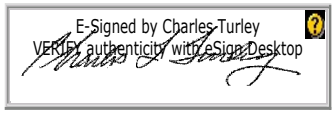
OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 1, 2018

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

SHAUN E. MOSSMAN
VICE PRESIDENT, AREA OPERATIONS – SOUTHERN AREA

LARRY P. MUNOZ
VICE PRESIDENT (A), AREA OPERATIONS – PACIFIC AREA



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

SUBJECT: Audit Report – Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas (Report Number HR-AR-18-003)

This report presents the results of our audit of the Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas (Project Number 17SMG021HR000).

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

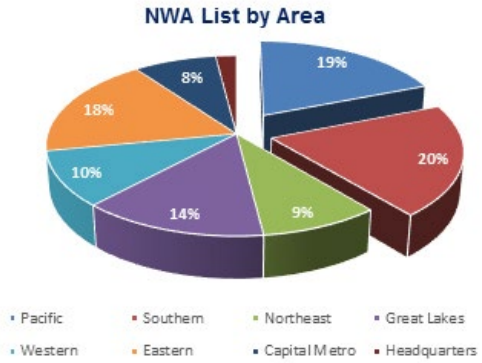
cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Limited Duty and Rehabilitation programs return to work processes in the Southern and Pacific areas (Project Number 17SMG021HR000). Our objective was to assess whether the Postal Service effectively managed Limited Duty and Rehabilitation programs to ensure that injured employees in the Southern and Pacific areas who are deemed fit returned to work timely.

On May 17, 2017, there were 1,243 injured Postal Service employees nationwide who were deemed fit to return to work on the No Work Available (NWA) list.[1] The Southern and Pacific areas were 39 percent (489 of 1,243) of the nationwide NWA list.



Our scope included the Southern and Pacific areas, where we reviewed 222 of 489 employee case files.

Background

The Federal Employees' Compensation Act (FECA)[2] provides benefits to civilian federal employees who sustain an injury or occupational disease as a result of their employment. The U.S. Department of Labor (DOL) Office of Workers' Compensation Program (OWCP) administers, implements, and enforces this act. The Postal Service manages efforts to return injured employees to work through its Injury Compensation Program. For fiscal year (FY) 2017, the Postal Service's total workers' compensation expenses were $1.27 billion, with an additional $76 million in administrative fees.

To help manage escalating workers' compensation costs, the Postal Service developed Limited Duty programs to assist injured employees who are temporarily unable to perform their regular work functions. In addition, the Postal Service, along with the DOL, developed the Rehabilitation Program, which assists employees whose injuries are considered permanent or those who have reached maximum medical improvement. Under this program the Postal Service can provide an employee a rehabilitation assignment. The Postal Service's NWA list identifies employees with OWCP cases who have been deemed fit to return to work; however, there are no assignments available at this time. Every month Postal Service Headquarters management distributes the NWA list to area management for review and follow-up.

> *"The Postal Service's NWA list identifies employees with OWCP cases who have been deemed fit to return to work; however, there are no assignments available at this time."*

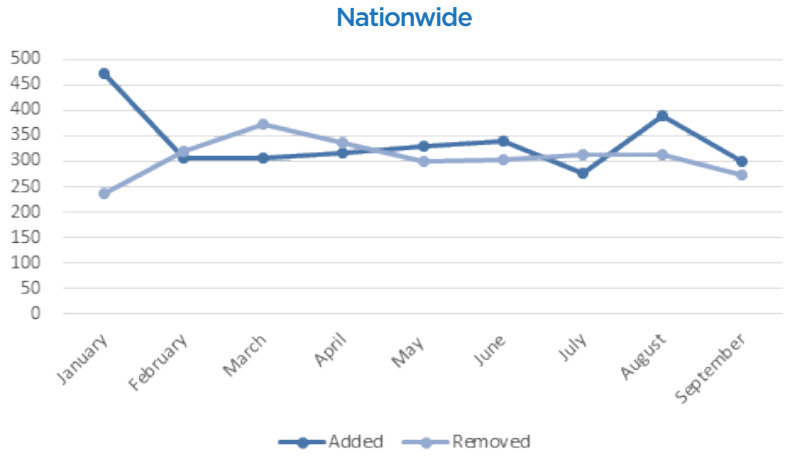
No Work Available Activity

For the period January through September 2017 (FY 2017, Quarters 2 through 4), we have highlighted activity of the NWA list (see Figures 1 and 2):

- Returned 2,766 employees back to work, nationwide, who were deemed fit to return to work.
  - Eighteen percent (489 of 2,766) were in the Southern Area
  - Twenty-two percent (605 of 2,766) were in the Pacific Area
- Added 3,035 employees to the NWA list nationwide.
  - Fifteen percent (458 of 3,035) were in the Southern Area
  - Eighteen percent (559 of 3,035) were in the Pacific Area

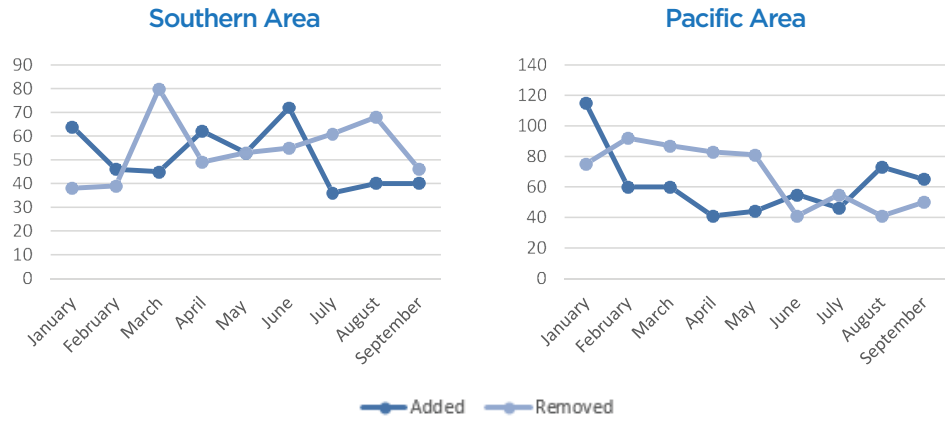
1 Based on the audit scope period, we assessed the NWA list as of May 17, 2017. The list includes employees that are physically able to return to work, but a modified assignment had not been identified.
2 5 U.S. Code Chapter 81, §§8101 to 8152.

Figure 1. No Work Available List Activity – January through September, FY 2017



Source: Employee Health and Safety (EHS) system.

Figure 2. NWA List Activity – January Through September, FY 2017



Source: EHS system.

Finding #1: Medical and Duty Status

The Health and Resource Management (HRM) offices[3] did not consistently obtain current medical reports for injured employees, as required. Specifically, we identified:

- Thirteen percent (28 of 222) of the case files reviewed did not have updated medical documentation.
- Of the 28 cases without updated medical documentation, the time[4] elapsed between medical reports ranged from three months to over seven years (see Table 1).
- These exceptions occurred in 61 percent (11 of 18) of the districts in the Southern and Pacific areas.

Table 1. Aging of Medical Updates by Area

Area	Southern		Pacific			
Range	Number of Cases	Percentage of Total	Number of Cases	Percentage of Total	Total Cases	Percentage of Total
3-6 months	1	4%	0	0%	1	4%
7-11 months	2	7%	0	0%	2	7%
1-2 years	10	35%	4	14%	14	49%
3-4 years	7	25%	2	7%	9	32%
5-6 years	1	4%	0	0%	1	4%
More than 7 years	0	0%	1	4%	1	4%
Total	**21**	**75%**	**7**	**25%**	**28**	**100%**

Source: OIG analysis of employee case files.

3 HRM offices are staffed with an HRM manager, HRM specialists, and other Human Resources officials responsible for the injury compensation program.
4 The time lapse for each case was identified by the number of days between the date of the most recent Form CA-17, Duty Status Report, and the date of our case review.

Additionally, HRM offices are inconsistently using the EHS system's 546 report to monitor and assess when updated employee medical documentation is required. The EHS 546 report provides key employee medical information, including the employee's current work status and date of their last medical update, and a summary of employees (by district) with outdated medical reports. A current practice is for the HRM specialist to review updated medical documentation when provided by the employee instead of being proactive in monitoring the employee's medical status via the EHS 546 report and requesting the updated medical documentation when necessary.

According to Postal Service policy, management is obligated to monitor "the employee's medical progress and duty status by obtaining periodic medical reports to determine if the employee will be able to return to work in the near future or to further clarify medical work restrictions imposed."[5] The Postal Service's EHS reference guide states the 546 report should be pulled frequently to ensure timely case management and proper entry of data.[6]

Several factors contributed to HRM offices not consistently obtaining injured employees' current medical reports or monitoring their medical progress:

- Some HRM specialists[7] indicated that they were unaware of the EHS 546 report, which would indicate they are not using the guidance as a reference to monitor or assess employee medical updates. Other HRM specialists indicated they did not know how to generate the report to assess when they needed to update an employee's medical information.
- HRM specialists indicated that managing the NWA list, along with other day-to-day responsibilities of case file maintenance, impacted the time available to proactively monitor all employees' medical information.

  Industry standards related to workers' compensation caseload management indicate that a normal caseload consists of between 100 to 125 cases and when caseloads increase and all else remains constant, work quality will decline.[8] Additionally, a best practice survey indicates an average caseload of 105 cases.[9] In the areas we assessed, collectively in FY 2017, HRM specialists averaged a caseload of 315. Specifically:

  - In the Southern Area, districts had caseloads averaging from 108 to 431 per HRM specialist.
  - In the Pacific Area, districts had caseloads averaging from 142 to 580 cases per HRM specialist.

Obtaining medical documentation for injured employees and updating their progress are necessary in returning them to work. An employee with medical restrictions can return to work only when Postal Service management receives a written medical statement outlining the employee's medical restrictions. By not proactively monitoring medical documentation, management is unable to determine when an employee is medically cleared to return to work, in either a full or a modified limited duty status, thereby potentially impacting the timeliness and efficiency of returning injured employees back to work.

Recommendation #1

We recommend the Vice President, Southern Area, and Acting Vice President, Pacific Area, *promote awareness and usage of the Employee Health and Safety system — 546 report through training to district health and resource management employees.*

Recommendation #2

We recommend the Vice President, Employee Resource Management, *assess if the staffing to caseload ratio aligns with requirements established by management.*

5 Handbook EL-505, *Injury Compensation*, Section 6-2, page 118, February 2017.
6 *Employee and Health Safety (EHS) Reference Guide for HRM*, page 25, revised September 3, 2015.
7 HRM specialists are responsible for reducing injury compensation costs through case management activities and monitoring for fraud and abuse.
8 Shafer J.D., Rebecca. (2012, May 18). *Not Too Many, Not Too Few, Make Sure Your Adjusters Caseload is Just Right*, retrieved November 17, 2017, from AMAXX.
9 Washington State Joint Legislative Audit & Review Committee (2016). Workers' Compensation Claims Management (Publication No. 15-4), Chapter 1, Section 2.2.2.4, page 1-14. Retrieved from Washington State Legislature website.

Finding #2: Work Searches

Supervisors did not consistently perform or document work searches, as required. For each case file in our sample, we reviewed the previous 12 months of job search information to assess the work search activity for that employee. We identified the following:

- In 27 percent (59 of 222) of the case files reviewed, there was no evidence of a work search or a completed *Priority for Assignment Worksheet* (PAW).[10]
- These exceptions were identified in 72 percent (13 of 18) of the districts in the Pacific and Southern areas.

In some instances, supervisors conducted the initial local work search for newly injured employees. However, after the initial search or when the employee's medical restrictions changed, supervisors did not conduct and/or document subsequent work searches to assess the availability of limited duty assignments.

Postal Service policy prescribes the following requirements related to work searches:

- When an employee has partially overcome the injury or disability, management must make every effort to assign the employee to limited duty consistent with the employee's medically defined work limitation tolerance.[11]
- The injured employee's supervisor must conduct a work search within their work station and, if necessary, broaden the search to extend to other locations.[12]
- The search results are documented on the PAW.[13]
- HRM personnel are required to assist supervisors in finding suitable assignments.[14]

These issues occurred due to several factors: (1) HRM offices did not have a control in place, such as standard operating procedures or checklists, to validate supporting documentation and work search evidence was maintained in the case files; (2) interviews with district management, HRM offices, and supervisors communicated a key priority is meeting operational goals (such as timely processing and delivery of mail) and performing work searches for limited duty employees may be a lower priority; and (3) a perception in the HRM offices that supervisors did not always want to offer limited duty assignments to injured employees because they preferred to have full duty employees perform the work and potentially incur overtime for these full duty employees.

> *"When an employee has partially overcome the injury or disability, management must make every effort to assign the employee to limited duty consistent with the employee's medically defined work limitation tolerance."*

When supervisors do not adequately conduct and document work search efforts, there is the risk that limited duty employees are not being given available work assignments. When employees are not given available work assignments, it adversely impacts the Postal Service in meeting the objectives of the Limited Duty and Rehabilitation programs.

Recommendation #3

We recommend the Vice President, Southern Area, and Acting Vice President, Pacific Area, *implement a control to validate work searches are conducted and supporting documentation is retained.*

10 The *Priority for Assignment Worksheet* documents that a supervisor made every effort to search for and identify adequate work available for an employee within their medical restrictions.
11 Handbook EL-505, Section 4-5, page 70, and Section 4-17, page 82.
12 Handbook EL-505, Section 7-1, page 140 and Exhibit 7.1, page 145.
13 *Overview of Process for Reemployment* from OWCP (RFO), page 12, March 22, 2013.
14 Handbook EL-505, Section 7-1, page 140.

Finding #3: Special Job Bank

The Postal Service did not have a special job bank, as prescribed in the formal process of the Limited Duty program. The special job bank served as a repository of available work assignments and allowed HRM specialists and supervisors to electronically search within the required 50-mile commuting area (see Figure 3). Prior to November 2014, Web Electronic Search Process (WebESP) was the application HRM specialists and supervisors used as the special job bank to identify work assignments for limited duty employees. The WebESP application was deactivated due to a security breach and never reactivated or replaced.

Figure 3. Example of WebESP Application Search Results

Source: Postal Service HRM.

Currently, supervisors are using the informal process, as prescribed in the Limited Duty program. This manual process requires supervisors to email and/or call other facilities within the required 50-mile commuting area to ascertain if limited duty work assignments are available within the employee's medical restrictions.

As part of the Limited Duty program formal process, the HRM office is required to establish a special job bank of limited duty tasks to be filled only by injured-on-duty employees.[15] Currently there is no special job bank due to management's decision not to reactivate it or to use an alternative application when they deactivated the WebESP application.

Without a special job bank, the Postal Service is not meeting the formal process requirement of the Limited Duty program. In addition, the lack of a formal process does not provide an automated, streamlined mechanism for supervisors to facilitate work searches. An automated alternative may increase the efficiency in identifying available work assignments by reducing the effort required and timeliness in conducting the manual process.

Recommendation #4

We recommend the Vice President, Employee Resource Management, *assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.*

Finding #4: Employee Health and Safety System Data Integrity

The EHS system did not consistently have a current work status for employees on the NWA list. Specifically:

- In 16 percent (35 of 222) of the employee case files reviewed, the work status indicated in EHS did not reconcile with the work status shown on source documentation in the employees' case file. Based on the source documentation, EHS updates should have occurred between July 29, 2013, and April 27, 2017 (see Table 2).
- These exceptions were identified in 72 percent (13 of 18) of the districts in the Pacific and Southern areas.

15 Handbook EL-505, Section 7-2, page 159.

Table 2. Cases with an Incorrect Work Status by Area

Correct Work Status	Southern Area	Pacific Area	Total
Vocational Rehabilitation	1	7	8
Out of Work - Injured on Duty (IOD)	5	3	8
Separated	6	0	6
Full Duty	4	1	5
Claim Denied	3	1	4
Limited Duty - Refused	1	2	3
Limited Duty	0	1	1
Total	20	15	35

Source: OIG analysis of employee case files.

The Postal Service's reference guide indicates that all cases should be updated when an employee's work status changes and corresponding medical evidence should be entered in EHS.[16] The work status field should reflect the employee's current work status for the specific case; however, if the employee has more than one case, the work status entries should not conflict.[17]

These issues occurred due to several reasons: (1) when a change in work status occurred, HRM offices did not update the injured employee's work status in EHS; (2) HRM offices were unaware of how to determine work statuses, including the requirement that these entries not conflict for an employee with multiple cases; and (3) EHS does not have a work status option to identify when employees have received training and obtained work outside of the Postal Service through vocational rehabilitation provided by the DOL.

Without accurate work status information in EHS, there is the risk employees are erroneously included on the NWA list, as was the case with the 35 employees above. Therefore, the monthly list that headquarters generates may not give an accurate indication of the districts' ability to return employees to work.

Recommendation #5

We recommend the Vice President, Employee Resource Management, *develop a methodology to include accurate work statuses in the Employee Health and Safety system for employees who receive vocational rehabilitation training or work outside the Postal Service; and provide training on the updated methodology and coding of employees with multiple cases.*

Finding #5: Job or Rehabilitation Assignment Offers

In 42 percent (five of 12) of the case files where the employee refused a job offer or accepted a rehabilitation assignment, HRM specialists did not notify or follow up with the DOL on the employees' compensation status. Specifically, we identified:

- On March 8, 2017, an employee refused a job offer; however, the HRM specialist did not send the appropriate correspondence to the DOL requesting termination of wage loss compensation for the refused job offer. As such, the employee's compensation was not properly reduced from the date of the job offer refusal through the end of November 2017.
- On May 25, 2017, an employee refused a job offer; however, the HRM specialist did not send the appropriate correspondence to the DOL requesting termination of wage loss compensation for the refused job offer. As such, the employee's compensation was not properly reduced from the date of the job offer refusal through the end of November 2017.
- Between February 21 and May 1, 2017, two employees refused job offers and the HRM specialist appropriately notified the DOL and requested a reduction in or termination of their compensation; however, the DOL never made the applicable adjustments. The HRM specialist did not follow-up with the DOL and as of September 30, 2017, neither employee's compensation had been reduced.
- On May 26, 2017, an employee was offered a rehabilitation assignment as a full-time customer care agent and began that assignment on June 12, 2017; however, the HRM specialist did not send the DOL a Form CA-3, Report of Termination of Disability and/or Payment,[18] until December 5, 2017. As such, the employee improperly continued to receive OWCP compensation while back on a full assignment.

Postal policy states that if a job offer is declined, the HRM specialist must submit the job offer and decline with a cover letter to the DOL for adjudication. HRM

16 *EHS Reference Guide for HRM,* Medical Evidence and the Work Status, page 21.
17 *EHS Reference Guide for HR*M, Determining Work Status, page 22.
18 A DOL form the Postal Service uses to report an employee's return to work.

specialists are required to monitor the case to ensure the DOL renders a decision as to the suitability of the limited duty job offer and take appropriate action to reduce or terminate compensation.[19] The HRM office is also required to submit the CA-3 to the DOL immediately upon the employee's return to work.[20]

These issues occurred because the HRM specialist did not notify the DOL on the status of the employee's decision and action or appropriately follow-up to ensure the Postal Service implemented the DOL's actions.

As such, when HRM specialists do not properly notify the DOL on the status of decisions or follow-up on actions in a timely manner, there is an increased risk of delays in adjusting employee compensation. In these instances, the delayed notification to the DOL allowed three employees to receive compensation totaling $68,200, to which they were not entitled.

Recommendation #6

We recommend the Vice President, Employee Resource Management, *reiterate the Department of Labor adjudication policy and guidance, emphasizing the importance of compliance.*

Other Matters

An organization's workforce is its most valuable asset. When an employee cannot work due to injury, it impacts not only an organization's productivity, but also its morale.

For every day an injured employee is out of work, the cost of their workers' compensation claim increases; thereby, increasing the cost to the organization. Therefore, it is essential that organizations actively manage claims using tools and techniques designed to return injured employees back to full or modified work status as quickly as medically possible. The organization must be able to accurately track and understand how well their return to work processes are proceeding.

During our audit we identified two areas for the Postal Service to consider, which may enhance the management and efficiency of the Limited Duty and Rehabilitation programs. These areas are the case management system and the return-to-work ratio.

Case Management System

Case management systems do much more than simply organize and record information. They allow centralized access to critical case data, in turn giving case managers the ability to focus on outcomes by reducing the amount of time spent on paperwork and data collection.

The sheer volume of case-related data generated by organizations on a daily basis makes it easy to miss key pieces of information or to improperly store and organize data once identified. Case management systems are designed to keep all case data in a single, central location that is easily accessible and logically segmented. When case descriptions, deadlines, task lists, and notes are unified rather than fragmented, there is less time spent looking for critical data.

Case management systems also provide the advantage of analysis. Leveraging the right management software gives users the ability to uncover unique relationships between pieces of case-related data, in turn allowing case managers to more quickly resolve issues, assess compliance, or deliver reports.

During our audit, we identified that the Postal Service did not leverage similar technology to manage caseloads. Of the 18 districts we reviewed, HRM specialists in the San Diego District were the only ones who used an electronic document management system to digitally store, maintain, and access employees' case files. This electronic document management system was implemented in calendar year 2000 as part of a pilot project, but was later discontinued and has not been supported since.

Despite the system's outdated technology, HRM specialists were able to efficiently retrieve and identify key information for case files reviewed as part of this audit. Additionally, HRM specialists communicated the advantages of using

19 Handbook EL-505, Section 7-4, page 161; and Section 7-5, page 162.
20 Handbook EL-505, Forms and Notices, page 22.

an automated system for managing large volumes of case files, including better case file organization, less effort toward manual process and more effort toward managing the case file, and more timely data retrieval.

Return-to-Work Ratio

Effective return-to-work programs have measurable objectives to assess and track how they are working. The organization must set goals that are realistic and prevent false expectations. A return-to-work program is about mitigating the impact of a workplace injury to your organization and to your employees and not about turning every time-loss claim into a no time lost claim. The goal is to return employees to the workplace as soon as they are medically able. A well-run return-to-work program affords benefits to both employers and their workers.

An industry standard to assess an organization's return-to-work program is the return to work ratio. The return-to-work ratio measures the effectiveness of the organization's transitional program by calculating the time it takes for employees suffering a lost time injury to return to work in full or modified assignments. The ratio calculates total lost days and total claims to show the percentage of employees who have returned to work within the first few days after an injury. The ratio also helps organizations calculate total lost work days and assess how well the program is being managed.

As such, there may be significant benefits for the Postal Service to enhance the management of its current programs by considering leveraging a case management system and/or utilizing a return-to-work ratio. In addition to the costs and financial benefits to the organization, other benefits may include increased productivity, reduced turnover, and retention of experienced workers.

Management's Comments

Management agreed with the conclusions of the report and agreed with recommendations 1, 3, 5, and 6; however, they disagreed with recommendations 2 and 4. Management also disagreed with the findings related to the monetary impact of $68,200, contending that only $12,905 of this amount is accurate. See Appendix B for management's comments in their entirety.

Regarding recommendation 1, management stated they will provide training to all HRM specialists at the district level. The training will take place via a National WebEx teleconference and include all aspects of using the EHS system, including 546 reports. The target implementation date is June 30, 2018.

Regarding recommendation 3, management stated that each Injury Compensation Area team lead will conduct annual audits of each district to validate that employees are conducting work searches and retaining supporting documentation. The target implementation date for conducting the first series of audits is September 30, 2018.

Regarding recommendation 5, management stated that the EHS system is currently able to provide accurate work statuses for ill and injured employees; however, they will provide EHS system training via a National WebEx teleconference that includes procedures for inputting accurate employee work status. The audience will be all district-level HRM specialists. The target implementation is June 30, 2018.

Regarding recommendation 6, management stated that a letter signed by the Manager, Injury Compensation and Medical Services, will be sent to all area and district Human Resources Managers and Health and Resource Management Managers emphasizing the importance of complying with postal policy for notifying the DOL when action is required regarding an ill or injured employee's compensation status. The target implementation date is March 31, 2018.

Management disagreed with recommendation 2, stating that they review staffing on an ongoing basis already and current HRM staffing is adequate based on established criteria.

Management disagreed with recommendation 4, stating that implementing an automated or other solution to promote process efficiency to satisfy the special job bank requirement is not feasible at this time. Management also stated that they are required to comply with multiple collective bargaining agreements and memorandums of understanding with its unions.

Regarding the monetary impact, management stated they cannot validate its accuracy without the names or case numbers for the employees mentioned. However, assuming the information is accurate, management agrees that if the HRM office did not send the DOL a Form CA-3 [for the employee who accepted a rehabilitation assignment offer], the employee would have been overpaid by $12,905.

Management disagreed with reporting the additional $55,295 as monetary impact, stating that timely notification of job refusals to the DOL does not equate to termination of wage loss compensation and that they do not submit a Form CA-3 to the DOL to terminate compensation following a job offer refusal. Management further stated that they notify the DOL when an employee refuses a job offer to return to work; however, the DOL's process is long and arduous and involves many variables that can delay and/or negatively impact management's ability to request termination of compensation for an employee who has refused a job offer.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1, 3, 5, and 6 and corrective actions should resolve the issues identified in the report; however, management's comments on recommendations 2 and 4 are nonresponsive as they did not provide alternative actions to address the issues identified.

Regarding management's disagreement with recommendation 2, during the audit they could not provide the criteria they use to assess staffing levels or any supporting documentation that they assess staffing levels with any regularity. Therefore, based on our analysis, we calculated the range of cases handled by HRM specialists in both areas to be between 431 and 580 per specialist. This ratio is above that of best practice standards and can impact overall case file management and quality. Although management asserted that HRM staffing is adequate based on established criteria, they did not provide any documentation to support this assertion. We view the disagreement on this recommendation as unresolved and plan to pursue it through the formal audit resolution process.

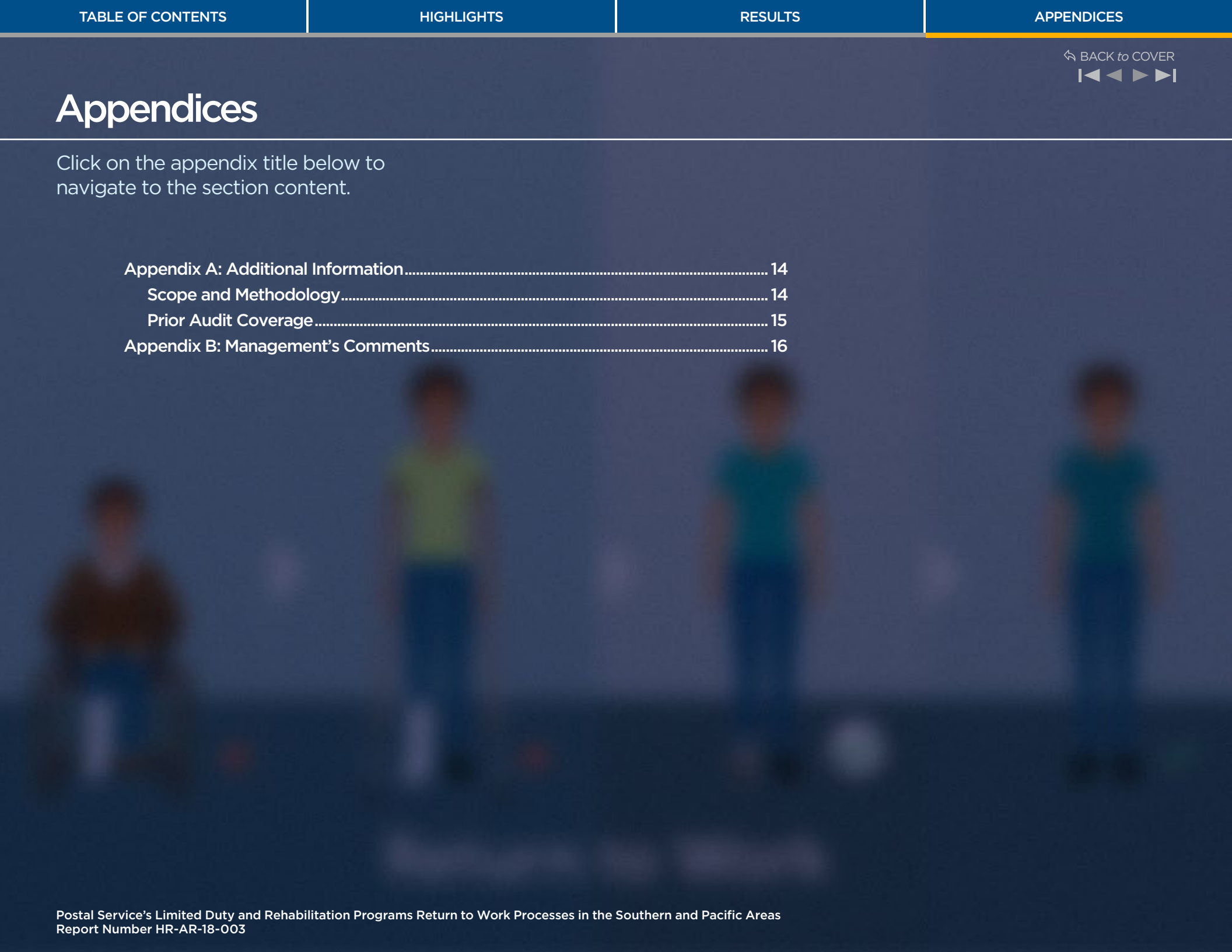
Regarding management's disagreement with recommendation 4, we acknowledge that management is required to comply with multiple collective bargaining agreements and memorandums of understanding with their unions; however, management has not indicated which requirements may be violated in automating the job bank process. Without re-establishing the special job bank or developing an alternative automated solution, the Postal Service is not adhering to policy and, ultimately, not driving efficiency by doing manual searches. Additionally, management has not effectively communicated how automating the previously maintained job bank is no longer feasible. We view the disagreement on this recommendation as unresolved and plan to pursue it through the formal audit resolution process.

Regarding management's disagreement with the findings related to the monetary impact, during the course of the audit, the names of the employees were communicated to the HRM specialist. Whether management's assertion that the DOL process is long and arduous due to communication and the timeliness of actions on the part of the DOL once an employee refuses to accept a job offer is accurate or not, management did not initiate the steps required and notify DOL of the two employees who refused job offers. Additionally, the OIG subsequently followed up with district HRM management in December 2017 and confirmed they had not notified the DOL of these two employees following their job offer refusals.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1, 3, 5, and 6, should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. Recommendations 2 and 4 will remain open as we coordinate resolution with management.

Appendices

Click on the appendix title below to navigate to the section content.



Appendix A: Additional Information

Scope and Methodology

We reviewed the Postal Service's limited duty and rehabilitation programs by focusing on employees on the NWA list on May 17, 2017.

To accomplish our objective we:

- Reviewed a total of 222 employee case files from 18 districts representing the Southern and Pacific areas. We statistically selected and reviewed 113 (of 255) case files from the Southern Area and 109 (of 234) case files from the Pacific Area. See Table 3 for a breakdown of the selected case files by area and district.

Table 3. Case Files Reviewed by Area and District[21]

Southern Area		Pacific Area	
District	Cases	District	Cases
Gulf Atlantic	35	Los Angeles[22]	39
Suncoast	24	Santa Ana	34
Dallas[23]	12	San Diego	13
South Florida	9	Sacramento	9
Louisiana	9	San Francisco	6
Alabama	7	Bay-Valley	4
Mississippi	6	Honolulu	3
Arkansas	5	Sierra Coastal	1
Oklahoma	3		
Rio Grande	3		
10	113	8	109
Districts		18	
Cases		222	

Source: OIG statistically selected sample.

- Interviewed Postal Service Headquarters, area, and key district personnel responsible for the limited duty and rehabilitation programs to understand their roles and responsibilities and current and future initiatives related to the return to work process. We also conducted the interviews to identify program challenges and/or enhancements.
- Reviewed policies, procedures, laws and regulations, and other sources relevant to the Workers' Compensation Program and the return to work process.
- Identified data systems used by the DOL and the Postal Service for the Workers' Compensation Program.
- Analyzed the NWA list Postal Service management obtained from EHS to validate the data and identify trends and or patterns.

We conducted this performance audit from June 2017 through March 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 January 23, 2018, and included their comments where appropriate.

21 The Southern Area includes 12 district offices. Case files for two of the 12 districts (Houston and Fort Worth) were not selected in our statistical sample.
22 The Los Angeles District included seven cases from the Pacific Area Network Distribution Center (NDC), which is not a district. However, the NDC is administratively handled by the Los Angeles District.
23 The Dallas District includes six cases from the Southern Area Office, which is not a district. However, the office is administratively handled by the Gulf Atlantic and Dallas districts.

We reviewed the case files of injured employees and compared that documentation with the May 17, 2017, NWA list that headquarters generated from EHS and provided to the OIG. We assessed the reliability of the EHS data by discussing it with responsible officials and comparing the system data to the source documentation. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
The Postal Service's Handling of Office of Workers' Compensation Program Claim Forms	Determine whether the Postal Service appropriately handled OWCP claim forms to ensure they were submitted to the DOL accurately and timely.	HR-AR-16-002	4/7/2016	None
Limited Duty and Rehabilitation Employees Returned to Work	Determine whether Postal Service officials followed applicable policies and procedures when returning limited duty and rehabilitation employees to work.	HR-AR-13-006	9/12/2013	None
Postal Service Injury Compensation Program	Assess the Postal Service's administration of workers' compensation claims and identify opportunities to reduce these costs by implementing best practices.	HR-AR-13-004	7/25/2013	$171,632,049

Appendix B: Management's Comments

Vice President
Employee Resource Management

UNITED STATES POSTAL SERVICE

February 16, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Postal Service's Limited Duty and Rehabilitation Programs Return to Work Processes in the Southern and Pacific Areas
HR-AR-18-DRAFT

Thank you for the opportunity to respond to the above-mentioned draft audit report. We agree with the conclusions of the Draft Report that the Postal Service's Southern and Pacific areas effectively managed Limited Duty and Rehabilitation programs in fiscal year 2017 to ensure that injured employees deemed fit to do so returned to work. In particular, as noted in the Draft Report, the two mentioned areas collectively returned 1,094 employees from the No Work Available (NWA) list back to work during fiscal year 2017, Quarters 2 through 4.

However, Management disagrees with the findings related to the Monetary Impact of $68,200 that is referenced in the Draft Report. The Draft Report states;

> "Two employees refused job offers between March 8 and May 25, 2017. HRM specialist did not send correspondence to the DOL requesting termination of wage loss compensation for the refused job offers. Therefore, these two employees' compensation (totaling $55,295) was not properly reduced from the date of the job offer refusal through the end of November 2017"

Without the names or case numbers for the mentioned employees, management cannot validate the accuracy of the stated monetary impact. However, assuming that the information contained in the Draft Report is accurate, management contends the monetary impact would be only $12,905. Management agrees that if the HRM office did not send the Department of Labor (DOL) a Form CA-3, the employee would have been overpaid $12,905. However, reporting the additional $55,295 as monetary impact is not accurate.

More importantly, timely notification of job refusals to the DOL does not equate to the termination of wage loss compensation. Termination of wage loss compensation is requested using a Form CA-3. Management does not submit a Form CA-3 to the DOL following a job offer refusal by an employee. Management does notify the DOL when an employee refuses a job offer. However, DOL process is long and arduous involving communication and timely actions on the part of the DOL once an employee refuses to

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accept a particular job offer. At any time during this the process, the employee has the opportunity to review the job offer with their treating physician and/or provide additional medical documentation to substantiate their refusal of the job offer. In addition, the DOL may: (1) send the employee for a second opinion; (2) communicate with the treating physician; or (3) rule that the job offer was not suitable. Any of the above-mentioned scenarios either delay the process or starts the process over again from the beginning.

As listed above, there are many variables that delay and/or negatively impact management's ability to request termination of compensation for an employee who has refused a job offer. Management does agree that if the HRM office does not initiate notification to the DOL, the process is delayed. However, management does not agree that in the listed circumstances, there was a monetary impact of $55,295.

Management responds to the recommendations contained in the Draft Report as follows:

Recommendation #1:
Promote awareness and usage of the Employee Health and Safety (EHS) system – 546 reports through training to district health and resource management employees.

Management Response/Action Plan:
Management agrees with this recommendation. Management will provide training to all HRM specialists at the district level. The training will take place via a National WebEx telecon. The training will include all aspects of using the EHS system, including the 546 reports.

Target Implementation Date:
The training will be completed by Jun, 2018.

Responsible Official:
Lisa Mitcham, Manager Injury Compensation Field Operations.

Recommendation #2:
Assess if the staffing to caseload ratio aligns with requirements established by management.

Management Response/Action Plan:
Management disagrees with this recommendation. Management reviews staffing on an ongoing basis already and our current HRM staffing is adequate based on established criteria.

Recommendation #3:

Vice President
Employee Resource Management

Implement a control to validate work searches are conducted and supporting documentation is retained.

Management Response/Action Plan:
Management agrees with this recommendation. Each Injury Compensation Area Team Lead will conduct annual audits of each district to validate work searches are conducted and supporting documentation is retained.

Target Implementation Date:
The first series of audits will be conducted during quarter 4 of fiscal year 2018.

Responsible Official:
Lisa Mitcham, Manager Injury Compensation Field Operations.

Recommendation #4:
Assess the feasibility of implementing an automated or other solution to promote process efficiency and satisfy the special job bank requirement.

Management Response/Action Plan:
Management disagrees with this recommendation. It is not feasible at this time to implement an automated or other solution to promote process efficiency in order to satisfy the special job bank requirement. Management is required to be in compliance with multiple collective bargaining agreements and memorandums of understanding with its unions. When making job offers, the tasks or assignments given must not violate these agreements and memorandums. Therefore, the process cannot be automated at this time, but must be handled on a case by case basis by each HRM specialist.

Recommendation #5:
Develop a methodology to include accurate work statuses in the EHS system for employees who receive vocational rehabilitation training or work outside the Postal Service; and provide training on the updated methodology and coding of employees with multiple cases.

Management Response/Action Plan:
Management agrees with this recommendation. The EHS is currently able to provide accurate work statuses for ill and injured employees. However, training will be provided via a National WebEx telecon to include all aspects of using the EHS system, including the input of accurate work statuses for all employees. The audience will be all HRM specialists at the district level.

Target Implementation Date:
The training will be completed by Jun, 2018.

Responsible Official:
Lisa Mitcham, Manager Injury Compensation Field Operations.

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Recommendation #6:
Reiterate the Department of labor adjudication policy and guidance, emphasizing the importance of compliance.

Management Response/Action Plan:
Management agrees with this recommendation. A letter signed by the Manager Injury Compensation and Medical Services will be sent to all Area Human Resource Managers, District Human Resource Managers, and Health and Resource Management Managers emphasizing the importance of complying with postal policy in regards to notifying the DOL when action is required regarding an ill or injured employees' compensation status.

Target Implementation Date:
The letter will be sent no later than March 31, 2018.

Responsible Official:
Gary Vaccarella, Manager Injury Compensation and Medical Services

for Simon Storey
Vice President, Employee Resource Management

cc: Jeff Williamson
Shaun Mossman
Larry Munoz
Gary Vaccarella
Charisse Newberry
Antionette Simon

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