



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

**Postal Career Executive Service I
Annual Leave**

Management Advisory

July 12, 2013

Report Number HR-MA-13-003



OFFICE OF
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HIGHLIGHTS

July 12, 2013

Postal Career Executive Service I Annual Leave

Report Number HR-MA-13-003

BACKGROUND:

The U.S. Postal Service established the Postal Career Executive Service in 1979 to fill key leadership and management positions. Postal Career Executive Service I employees include area, district, and headquarters executives, but excludes officers and vice presidents.

The Postal Service provides 208 hours of annual leave each year to executives for personal or emergency purposes. These employees can accumulate unused annual leave; however, Postal Service policy requires executives to use or lose 80 hours of leave each year once they accumulate a set number of hours. Executives may request leave by completing and obtaining approval using a manual leave request process. The Postal Service also offers programs to exchange leave for cash or donate leave to employees in need.

Our objective was to review compliance with and adequacy of Postal Career Executive Service I annual leave policies and procedures.

WHAT THE OIG FOUND:

At the end of leave year 2012, the Postal Service had 589 Postal Career Executive Service I active employees, 21 of whom had not taken at least 80 hours of annual leave, as required. We found that, except for a U.S. Postal Inspection Service executive, the Postal

Service appropriately adjusted leave balances in accordance with policy. We also found that Postal Service policy on executive annual leave use was not clear and an opportunity exists to improve controls. Specifically, the policy does not clearly define how various ways of using annual leave satisfy the requirement to use 80 hours annually. Additionally, management did not apply leave rules to Postal Inspection Service employees and relied on a manual leave system that is susceptible to fraud and misuse. When policies are not clear and weak internal controls exist, there is increased financial risk to the Postal Service.

WHAT THE OIG RECOMMENDED:

We recommended management clarify the policy on annual leave use, improve system controls to accurately adjust leave balances for Postal Inspection Service employees, and conduct a cost/benefit analysis to determine whether the Postal Service should automate the leave request and notification system for executives.

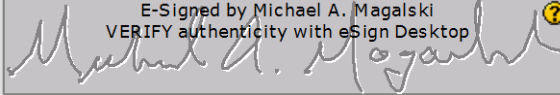
[*Link to review the entire report*](#)



July 12, 2013

MEMORANDUM FOR: DOUGLAS A. TULINO
VICE PRESIDENT, LABOR RELATIONS

TIMOTHY F. O'REILLY
VICE PRESIDENT, CONTROLLER

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop


FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Management Advisory – Postal Career Executive
Service I Annual Leave
(Report Number HR-MA-13-003)

This report represents the results of our review of Postal Career Executive Service I Annual Leave (Project Number 13YG013HR000).

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

Attachment

cc: Joseph Corbett
Jeffrey C. Williamson
Rosemarie Fernandez
Corporate Audit and Response Management

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Introduction

This report presents the results of our review of Postal Career Executive Service (PCES) I Annual Leave (Project Number 13YG013HR000). This self-initiated review addresses financial risk. Our objective was to review compliance with and adequacy of PCES I annual leave policies and procedures. See [Appendix A](#) for additional information about this review.

The U.S. Postal Service established PCES in 1979 to fill key leadership and management positions. PCES I employees include area, district, and headquarters executives, but excludes officers and vice presidents. The Postal Service provides 208 hours of annual leave each year to executives for personal or emergency purposes. These employees can accumulate unused annual leave; however, Postal Service policy requires executives to use or lose 80 hours of leave each year once they accumulate a certain number of hours. Executives obtain leave using a manual leave request and approval process. The Postal Service also offers programs allowing the exchange of leave for cash or donation of leave to employees in need.

Conclusion

At the end of leave year 2012, the Postal Service had 589 PCES I active employees, 21 of whom had not taken at least 80 hours of annual leave, as required. The Postal Service's policy on executive annual leave use is not clear and an opportunity exists to improve controls. Specifically, the policy does not clearly define how various ways of using annual leave satisfy the requirement to use 80 hours annually. Additionally, management does not apply leave rules to U.S. Postal Inspection Service PCES I equivalent employees. Further, management relies on a manual leave system that is susceptible to fraud and misuse. When policies are not clear and weak internal controls exist, there is increased financial risk to the Postal Service.

Annual Leave Policy

The Postal Service's annual leave policy for PCES I employees¹ does not clearly state how various ways of using annual leave satisfy the requirement to 'use' 80 hours of annual leave during the leave year.²

According to the annual leave policy, PCES I employees must use or lose 80 hours of annual leave each year once they accumulate a certain number of hours.³ However, the policy does not address whether or not exchanged and donated leave meet the 'use' requirement.

¹ Handbook EL-380, *Postal Career Executive Service*.

² The year beginning with the first day of the first complete pay period in a calendar year and ending on the day before the first day of the first complete pay period in the following calendar year.

³ Handbook EL-380, Section 621.3, pages 15-16.

Employees have an opportunity to exchange up to 128 hours of the annual leave they will earn during the next leave year for cash through the Annual Leave Exchange (ALE) program.⁴ PCES I employees receive an ALE letter during the federal benefits open enrollment period beginning in November, notifying them of the option to receive cash in exchange for a portion of the annual leave the Postal Service would advance to them at the beginning of the leave year. The hours they may exchange for cash are not considered used and do not take the place of the required 80 hours of leave.⁵ While this letter defines 'use' for purposes of the 80 hour use or lose requirement, it is not included in Postal Service policy.

Additionally, employees may share leave with other employees by donating earned unused annual leave through the Postal Service's annual Leave Sharing Program (LSP).⁶ The LSP prohibits donating leave to satisfy the use or lose requirement if the donor would not be able to use it before the end of the leave year.⁷ Similar to exchanged leave, the policy itself does not mention whether donated leave applies to the 80 hour use or lose requirement.

One Postal Service official stated that the Postal Service does not consider exchanged leave as used but it does consider donated leave and official time off as used. We also interviewed 20 randomly selected PCES I employees, half of whom used⁸ at least 80 hours of leave and half of whom used less than 80 hours. Only one of the 20 employees interviewed indicated that 'used' includes donated leave and time away from the office, and not exchanged leave that an employee sells back to the agency. The remaining 19 employees either did not know or incorrectly defined whether they can use exchanged and/or donated leave to satisfy the 80 hour use or lose requirement.

A Postal Service official stated that there used to be a Communications office that handled executive policy and when it closed, management did not include exchanged leave information in the policy due to oversight. The official also stated that donated leave information was not included in policy because employees infrequently participate in the LSP. The official agreed that definitions of both exchanged and donated leave and an explanation of whether or not employees can use these types of leave to satisfy the 80 hour use or lose requirement could be included in the policy.

There is some confusion among Postal Service employees since policy does not define what type of leave satisfies the 80 hour use or lose requirement. PCES I and other employees may perceive the Postal Service as not generating reliable leave data and/or not determining accurate annual leave balances. Additionally, employees may unknowingly lose hours because they believe they are using a proper combination of leave types that meet the 80 hour use or lose requirement.

⁴ Handbook EL-380, Section 621.4, page 16.

⁵ ALE Letter - PCES Employees, SCR EA2497-1 Attachment B, October 30, 2012.

⁶ Management Instruction (MI) EL-510-2003-2, *Annual Leave Sharing Program*, page 4, October 30, 2003.

⁷ MI EL-510-2003-2, page 4.

⁸ For the randomly selected PCES I employees, we considered 'used' to mean donated and official time off.

Leave Policy Application

Management did not apply the leave policy rules to Postal Inspection Service PCES I equivalent employees. Specifically, we reviewed all 589 PCES I employees active at the end of leave year 2012 and found that management appropriately adjusted annual leave balances for the 20 PCES I employees who did not use 80 hours of annual leave, as required. However, they did not adjust the annual leave balance for a Postal Inspection Service PCES I equivalent employee who did not use 80 hours as required. As shown in Table 1, we identified three employees who:

- Accumulated at least 688 annual leave hours.
- Earned 208 hours in the leave year.
- Used less than 80 hours.

Employees 1 and 2 both used 64 hours and management adjusted their leave balances, as required. However, Employee 3, the Postal Inspection Service employee, only used 56 hours of leave and management did not adjust the leave balance.

Table 1: Carryover Hour Reduction for Postal Inspection Service Employees and PCES I Employees With Leave Balances of Over 688 Hours

Annual Leave Hours	Employee 1	Employee 2	Employee 3
Carried Over From Leave Year 2011	1,304	1,064	784
Earned For Leave Year 2012 ⁹	208	208	208
Used	64	64	56
End-Of-Year Balance	1,448	1,208	936
Hours Lost ¹⁰	16	16	0
Carried Over To Leave Year 2013	1,432	1,192	936

Source: Postal Service payroll employee master and datakeeper files for leave year 2012.

Management stated this occurred due to oversight. During our review, we did not find a policy for Postal Inspection Service employees or other guidance indicating that they should have a different leave policy than other employees. A Postal Service official stated that there was no separate policy for Postal Inspection Service employees and those who are PCES I equivalents should be subject to the Postal Service leave policy. Because of our review, management agreed to correct the leave system to properly calculate annual leave balances for Postal Inspection Service employees.

Management not consistently applying the leave policy to Postal Inspection Service employees may negatively affect employee morale. Although this issue has limited

⁹ According to Postal Service policy, PCES I employees earn annual leave at the rate of 208 hours per leave year

¹⁰ We only found one Postal Inspection Service PCES I equivalent employee that did not take 80 hours of leave as required. Employees 1 and 2 only used 64 of the required 80 hours so management adjusted their leave balances by 16 hours each. Employee 3 only used 56 of the required 80 hours but management did not adjust the leave balance.

financial impact, it may cause additional leave liability in the future and expose the Postal Service to litigation.

Manual Leave Request Process

The Postal Service has an opportunity to automate its leave request system for PCES I employees by using the Enterprise Resource Management System (eRMS). Currently, PCES I employees manually request annual leave using Postal Service (PS) Form 3971, Request for or Notification of Absence. The appropriate official approves the request by manually signing the form and providing a copy to the employee.¹¹ The employee or approving official sends the approved form to timekeeping for entry into the Time and Attendance Collection System (TACS) and the system deducts the leave from the employee's leave balance.

In contrast, both the U.S. Postal Service Office of Inspector General (OIG) and the Postal Inspection Service have electronic leave request systems. Employees use the system for both scheduled and unscheduled leave and can access it from their respective networks to submit requests. The system automatically forwards request notifications via email to the employee, the approving official, and the timekeeper. The approving official electronically approves or denies the request and the system automatically sends an email notification to the employee, the approving official, and the timekeeper. An automated system could strengthen controls and provide enhanced management oversight.

The Postal Service already uses eRMS to record and manage unscheduled leave requests for bargaining and non-bargaining employees; however, management does not mandate employees to use this system. The three components of eRMS¹² are:

- Interactive Voice Response (IVR) System — a centralized telephone number that employees call to submit an unscheduled leave request for a non-job related illness or injury, or an unanticipated emergency.
- Leave Request Application — a call center that handles leave request calls not successfully handled by the IVR. This application also serves as the designated center for teletypewriter calls from deaf and hard of hearing employees.
- Enterprise Leave Request Application (eLRA) — an Internet application developed to allow non-bargaining employees to request unscheduled leave over the Internet.

eRMS is also designed to identify these unscheduled absences and provide managers with attendance information. Employees call in through IVR or the call center or submit their leave request through eLRA, which sends the request to the approving official via email. Approving officials can review the information provided by the employee and

¹¹ Current Executive Administrative Series maximum carryover plus 128 hours, *Employee and Labor Relations Manual* (ELM) 34, Section 512.422, page 302.

¹² *Enterprise Resource Management System Occupational Health Training Guide*, pages 3-4, October 2007.

approve or deny the request. The employee's leave history, available leave balance, and other relevant information are available in the system. Upon approval or denial, eRMS transfers the information regarding the employee's leave request to the Payroll and Accounting systems.

A Postal Service official believed there was no interest in automating the leave system because it would be expensive to maintain for minimal gain. He also believed it would be impractical to grant computer access to all employees to generate an electronic PS Form 3971 and the implementation of electronic employee signatures would be difficult. We believe all PCES I employees have computer access. Additionally, according to another Postal Service official, eRMS has a dedicated logon process where the user's Advanced Computing Environment identification limits access to only their information or the information of those within that user's jurisdiction.

By not automating the leave request and notification system, the Postal Service is at risk of incurring additional liability due to timekeeping abuse, fraud, and misuse. For example, the OIG Office of Investigations previously identified cases the Postal Service may have avoided if an automated system existed to notify employees and supervisors of leave requests. In one case, a PCES I employee deliberately did not submit approved PS Forms 3971 to the timekeeper. In another case, a timekeeper was inadvertently not entering a PCES I employee's leave requests into TACS due to a miscommunication. As a result, the payroll system did not reduce these employees' annual leave balances by about 600 hours.

Recommendations

We recommend the vice president, Labor Relations:

1. Clarify the annual leave policy (with examples) to include how various ways of using annual leave satisfy the requirement to use 80 hours annually and communicate to applicable personnel.

We recommend the vice president, Controller:

2. Modify and test leave system controls to ensure U.S. Postal Inspection Service Postal Career Executive Service I equivalent employees' annual leave amounts are calculated according to Postal Service policy, and communicate policy to applicable personnel.

We recommend the vice president, Labor Relations, and the vice president, Controller:

3. Perform an independent cost/benefit analysis to determine whether the Postal Service should automate the leave request and notification system, and take appropriate action.

Management's Comments

Management agreed with recommendations 1 and 2 but disagreed with recommendation 3. Management agreed to clarify the annual leave policy in the PCES handbook and ensure that Postal Service leave policy is applied correctly to Postal Inspection Service PCES I equivalent employees by January 2014. However, management did not agree to perform an analysis to determine whether to automate the leave request and notification system. They stated that current leave system controls prevent PCES I employees from accessing their own leave information so someone else must assist in the leave request process and that is not efficient. Further, the cost of system modifications cannot be justified, as the projected savings are small. 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 and corrective actions should resolve the issues identified in the report.

Regarding automating the leave request process for PCES I employees, we believe that automating the system would reduce the risk of potential misuse. However, we acknowledge management's concerns regarding the controls and costs associated with implementing a comprehensive automated leave system. Therefore, we will not pursue the issue further at this time.

The OIG considers recommendations 1 and 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations 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.

Appendix A: Additional Information

Background

The Postal Service established the PCES group in 1979 to develop and maintain a highly motivated, competent group of individuals capable of filling key management positions and providing the leadership needed for the continued success of the Postal Service. There are two levels in PCES: Level I employees include district, area, and headquarters executives; and Level II employees consist of officers, including vice presidents. Annual leave benefits provided to PCES employees allow them to:

- Earn leave at the rate of 8 hours per pay period, for a total of 208 hours per year.¹³
- Receive in advance any leave they will earn for the leave year at the beginning of that leave year.¹⁴
- Accumulate unused annual leave but must use (by actually taking or donating) or lose 80 hours once they have accumulated a set amount of annual leave hours.¹⁵
- Exchange up to 128 annual leave hours that will be advanced at the beginning of the leave year for a lump sum payment via the ALE program.¹⁶
- Share leave with other employees by donating earned unused annual leave through the LSP.¹⁷

The Postal Service provides annual leave for employees to use for personal or emergency purposes and situations. The intention of annual leave is to increase the morale and effectiveness of employees.

At the end of leave year 2012, the Postal Service had 589 active PCES I employees, 21 of whom had not taken at least 80 hours of annual leave, as required. Of these employees, 19 lost a total of 642 hours of annual leave valued at \$42,235. One employee was a Postal Inspection Service employee to whom management did not apply the leave policy rules (see the [Leave Policy Application](#) section of this report). The other employee did not meet the requirement to use 80 hours of annual leave during the leave year.

Objective, Scope, and Methodology

The objective of our audit was to review the compliance with and adequacy of PCES I annual leave policies and procedures.

¹³ Handbook EL-380, Section 621.1, page 15.

¹⁴ ELM Issue 34, Section 512.311b, page 297.

¹⁵ Handbook EL-380, Section 621.3, pages 15-16.

¹⁶ Handbook EL-380, Section 621.4, page 16.

¹⁷ MI EL-510-2003-2, page 1.

To accomplish our objective, we:

- Researched Postal Service policy on using, exchanging, and donating annual leave.
- Obtained and analyzed PCES I employee annual leave data for leave year 2012.
- Interviewed Postal Service, OIG, and Postal Inspection Service personnel at Postal Service Headquarters, Eagan Accounting Services, OIG Headquarters, and the San Francisco Inspection Service Division; and PCES I employees at headquarters, area, and district offices.
- Benchmarked with the OIG and the Postal Inspection Service to ascertain the existence and capabilities of their automated leave request and notification systems.
- Hosted a blog related to PCES leave usage.

We conducted this review from January through July 2013, in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*. We discussed our observations and conclusions with management on May 29, 2013, and included their comments where appropriate.

We assessed the reliability of leave payroll data by judgmentally validating annual leave hours to payroll calculations and leave request documentation, and interviewing agency officials knowledgeable of the data. We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this review.

Appendix B: Management's Comments



JUDITH LEONHARDT
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory – Postal Career Executive Service I Annual Leave
(Report Number HR-MA-13-DRAFT)

This provides Postal Service management's response to the subject draft management advisory report issued June 25, 2013. Management agrees with some of the findings in the report. Management does not agree with the finding concerning the manual leave request process. We appreciate the opportunity to review and provide comments.

Recommendations and Management Response

1. We recommend the Vice President, Labor Relations:

Clarify the annual leave policy (with examples) to include how various ways of using annual leave satisfy the requirement to use 80 hours annually and communicate to applicable personnel.

Management Response/Action Plan:

Labor Relations concurs and will prepare policy language for the PCES Handbook with additional detail clarifying what constitutes used leave before the 2014 leave year. We also note that the applicable section of the OIG Manual is less clear than the USPS policy and we agree with your plans to revise it.

Target Implementation Date: January 2014

Responsible Official: Doug A. Tulino, Vice President, Labor Relations

2. We recommend the Vice President, Controller:

Modify and test leave system controls to ensure U.S. Postal Inspection Service Postal Career Executive Service I equivalent employees' annual leave amounts are calculated according to Postal Service policy, and communicate policy to applicable personnel.

Management Response/Action Plan

Management agrees with the recommendation and Headquarters Payroll will ensure that the correct Postal Service policy is applied.

Target Implementation Date: January 2014

Responsible Official: Dean R. Rodman, Manager, Egan Accounting Service Center


3. We recommend the Vice President, Labor Relations and the Vice President, Controller:

Perform an independent cost/benefit analysis to determine whether the Postal Service should automate the leave request and notification system, and take appropriate action.


Management Response/Action Plan:

Management disagrees. We have contacted the Inspection Service regarding the automated leave system they're using and we have contacted Safety and Health regarding eRMS capabilities. The automated system works for the Inspection Service. However, for the general PCES population we have learned that while PCES employees can request unscheduled leave via IVR on eRMS and using eLRA on LiteBlue, they cannot request scheduled leave. The reason is that internal controls preclude an individual from having access to his or her own leave information within the application. Someone else, such as the manager or manager's representative (usually an administrative assistant) would need to enter leave into the system, which is not efficient. Furthermore, many PCES employees are Headquarters employees on Time Card TACS offices. eRMS does not communicate with Time Card offices. (eRMS does communicate with Time Clock offices). Modifying eRMS to communicate with Time Card TACS offices would require overall system modifications and associated expenses that cannot be justified since any savings are projected to be minimal.

This report and management's response do not contain information that may be exempt from disclosure under the FOIA.



Doug A. Tulino
Vice President, Labor Relations



Timothy F. O'Reilly
Vice President, Controller