



# OFFICE OF INSPECTOR GENERAL

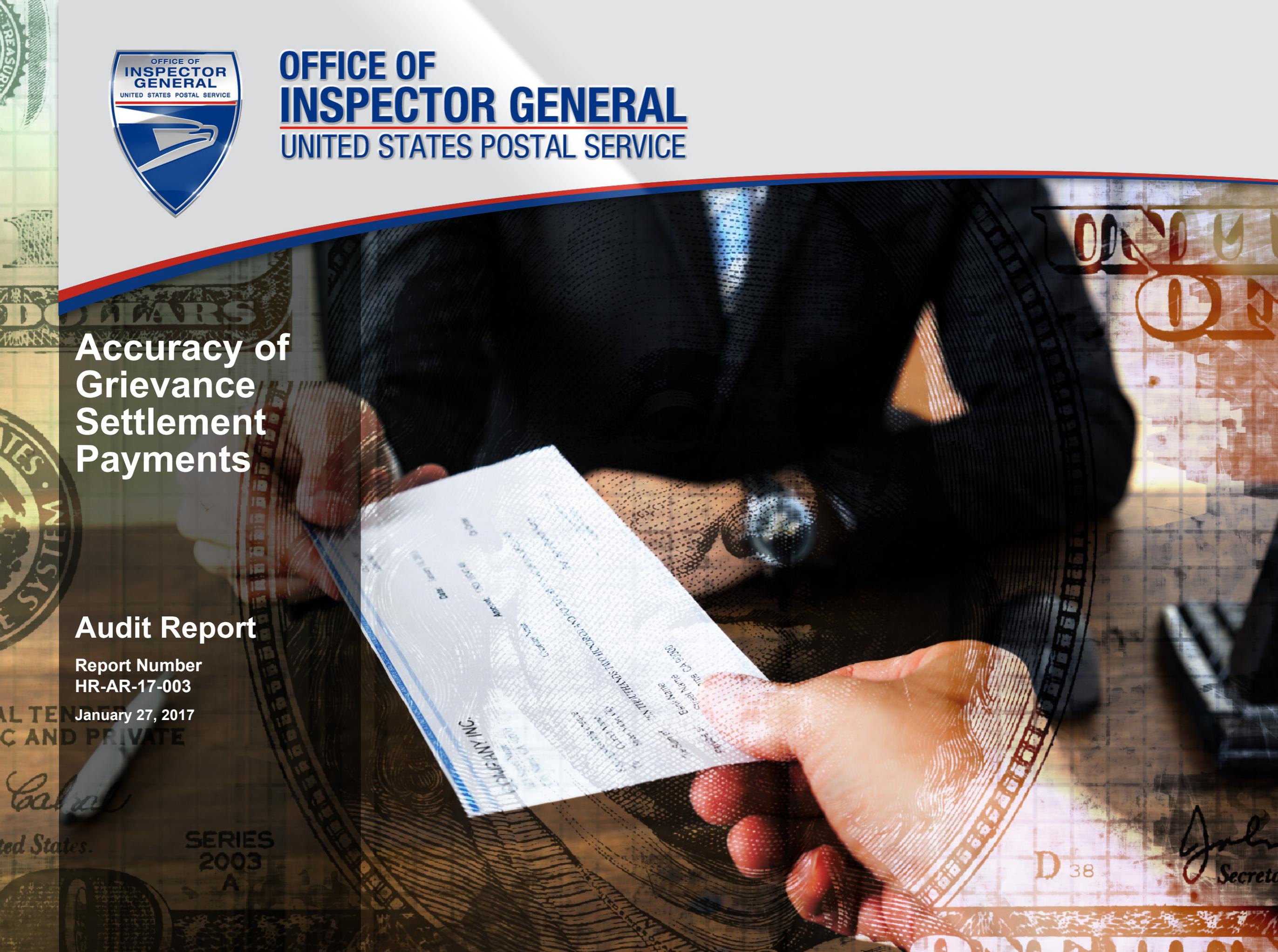
## UNITED STATES POSTAL SERVICE

### Accuracy of Grievance Settlement Payments

### Audit Report

Report Number  
HR-AR-17-003

January 27, 2017





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

## Highlights

***The Postal Service uses the GATS database to manage grievance payments and conduct labor relations activities, such as researching appeals, disputes, and decisions.***

### Background

Under its national agreement with the American Postal Workers Union (APWU), the U.S. Postal Service must make every effort to promptly pay monetary grievance settlements and arbitration awards.

The Postal Service uses the Grievance Arbitration Tracking System (GATS) database to manage grievance payments and conduct labor relations activities, such as researching appeals, disputes, and decisions.

On December 5, 2014, the Postal Service and the APWU reached a \$56 million settlement on the Global Remedy dispute, a long-standing grievance regarding postmasters and supervisors performing bargaining unit work designated for clerk craft employees.

The settlement directed the Postal Service to pay \$44.8 million directly to clerks and establish an escrow of \$11.2 million to be disbursed in a manner determined by the union. In January 2016, the Postal Service paid \$40.2 million to employees; however, it subsequently notified the APWU of errors in these initial payments.

Separately, on November 12, 2014, the Postal Service and the APWU reached a \$4.8 million settlement regarding the Kelly Services, Inc. dispute, resolving payments to employees who were excluded from a previous settlement regarding the

Postal Service hiring over 200 temporary employees between 1996 and 1999. The original \$19 million Kelly Services settlement, reached on March 26, 2007, gave a lump sum payment to individuals who were postal clerks at the time of the settlement.

Our objective was to assess the accuracy of payments related to the APWU Global Remedy and Kelly Services settlements.

### What the OIG Found

The Postal Service did not accurately process and disburse about \$13.2 million in initial payments for the Global Remedy (\$11.5 million) and Kelly Services (\$1.7 million) APWU grievance settlements during January 2016 and December 2015, respectively.

The payment errors included non-payments, underpayments, overpayments, and payments to employees not entitled. Since April 2016, the Labor Relations Systems and Payroll groups have been collaborating to correct the errors; however, as of December 2016, all errors have not been resolved.

These errors occurred due to inadequate or ineffective internal controls over how settlement payments are processed. Specifically, the procedural guidance is not comprehensive to help ensure processing of settlement payments are consistent and timely. Also, the procedural guidance does not address a



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

reconciliation process to help ensure settlement payments are accurate and dispersed to appropriate employees.

Due to inadequate internal controls, the Postal Service underpaid employees by \$3,043 and overpaid by more than \$3.4 million. In addition, management erroneously paid \$75,129 to eight employees who were not on the APWU's list of employees entitled to payment.

### **What the OIG Recommended**

We recommended management finalize resolution of outstanding underpayments and collect outstanding overpayments in both settlements, enhance procedural guidance to be more comprehensive, and implement a reconciliation process.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

January 27, 2017

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

E-Signed by Charles Turley  
VERIFY authenticity with e-Sign Desktop

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

**SUBJECT:** Audit Report – Accuracy of Grievance Settlement Payments  
(Report Number HR-AR-17-003)

This report presents the results of our audit of the Accuracy of Grievance Settlement Payments (Project Number 16SMG009HR000).

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

Attachment

cc: Corporate Audit and Response Management

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# Findings

***On December 5, 2014, the U.S. Postal Service reached a \$56 million settlement with the APWU regarding the Global Remedy dispute, a long-standing disagreement regarding postmasters and supervisors performing the bargaining unit work of clerks.***

## Introduction

This report presents the results of our audit of the accuracy of grievance payments for two American Postal Workers Union (APWU) settlements (Project Number 16SMG009HR000). Our objective was to assess the accuracy of settlement payments related to the APWU Global Remedy and Kelly Services settlements.

On December 5, 2014, the U.S. Postal Service reached a \$56 million settlement with the APWU regarding the Global Remedy dispute, a long-standing disagreement regarding postmasters and supervisors performing the bargaining unit work of clerks. The settlement stipulated that the Postal Service would pay \$44.8 million to clerk craft employees and establish an escrow of \$11.2 million to be disbursed in a manner determined by the union. In January 2016, the Postal Service paid \$40.2 million to employees; however, on January 29, 2016, it informed the APWU of errors in the initial payments.

Separately, on November 12, 2014, the Postal Service reached a \$4.8 million settlement with the APWU regarding Kelly Services, Inc., resolving a grievance regarding the Postal Service hiring over 200 temporary employees between 1996 and 1999. This was the second settlement between the Postal Service and the APWU regarding these temporary hires. The first settlement, reached on March 26, 2007, resulted in a \$19 million lump sum payment to individuals who were postal clerks at the time of the settlement. However, the first settlement omitted employees who had been clerks at the time of the temporary hires but had since changed crafts, retired, or passed away. The second grievance settlement provided \$4.8 million for these excluded employees. The APWU provided the Postal Service a memorandum identifying \$2.9 million<sup>1</sup> of the \$4.8 million entitled to employees. The APWU would provide a list of employees to receive the remaining \$1.9 million at a later date. As of December 2015, the Postal Service had paid \$1.1 million of the \$2.9 million to employees.

The Postal Service uses the Grievance Arbitration Tracking System (GATS)<sup>2</sup> database to pay grievance settlements and conduct labor relations activities, such as researching grievances, appeals, disputes, and decisions. The Postal Service's Labor Relations group manages the system. See [Appendix A](#) for additional information about this audit.

## Summary

In January 2016, Postal Service management did not accurately process and disburse about \$11.5 million in initial payments for the Global Remedy APWU grievance settlement. Specifically, of the 13,393 Global Remedy settlement recipients, management:

- Did not pay \$4.2 million to 2,031 recipients (15 percent).
- Underpaid \$3.8 million to 1,561 recipients (12 percent).
- Overpaid \$3.4 million to 1,391 recipients (10 percent).

In July 2016, the Postal Service resolved the entire unpaid amount and all but \$3,043 of the underpaid amount; however, as of November 2016, no efforts in collecting the \$3.4 million in overpayments have been initiated.

<sup>1</sup> The memorandum identified \$2,859,709.50; however, the supporting documentation that was attached to the memorandum showed an amount totaling \$2,736,032.50 for employees entitled to the settlement.

<sup>2</sup> A Postal Service database used by managers to review labor relations activity and to research grievances, appeals, disputed issues, and decisions. GATS is also used to conduct settlement payments.

***In December 2015, Postal Service management did not accurately process and disburse about \$1.7 million in payments for the Kelly Services APWU grievance settlement.***

In December 2015, Postal Service management did not accurately process and disburse about \$1.7 million in payments for the Kelly Services APWU grievance settlement. Specifically, of the 338 Kelly Services recipients, management:

- Did not pay \$1.6 million to 190 recipients (56 percent).
- Overpaid \$2,424 to one recipient (less than 1 percent).
- Erroneously paid a total of \$75,129 to eight recipients not designated to be paid.

As of November 2016, the \$1.7 million of payments inaccurately processed were still unresolved.

**American Postal Workers Union Grievance Settlements**

The Postal Service did not accurately process and disburse about \$13.2 million in initial payments for the Global Remedy (\$11.5 million) and Kelly Services (\$1.7 million) APWU grievance settlements during January 2016 and December 2015, respectively.

**Global Remedy Settlement**

In January 2016, the Postal Service processed \$40.2 million of \$44.8 million in initial payments for 13,393 employees as part of the Global Remedy settlement. Table 1 provides an overview of payment activity and errors made as of April 2016.

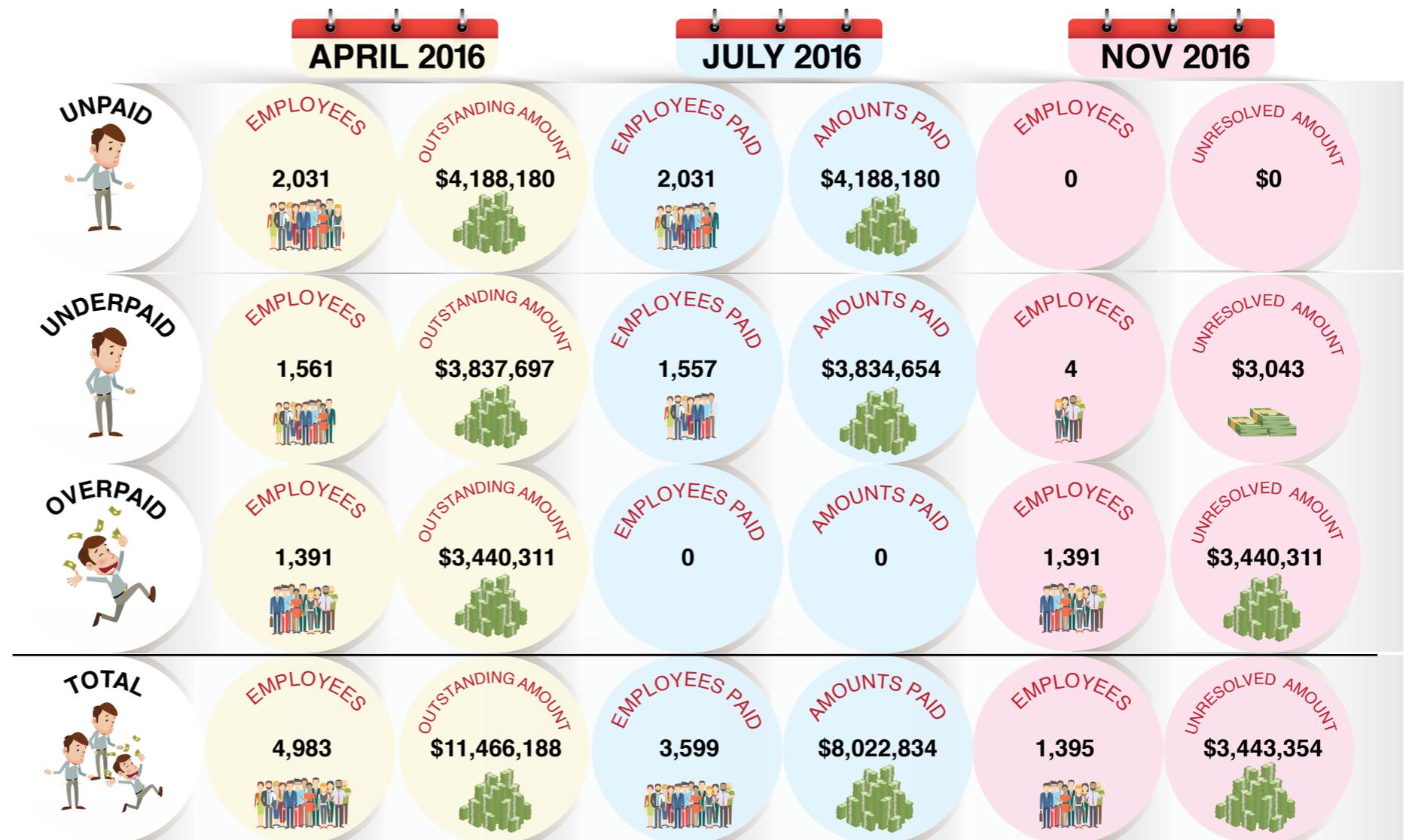
**Table 1. Global Remedy Payment Status**

<b>Pay Status</b>	<b>Employees</b>	<b>Union Settlement Amount</b>	<b>Paid Amount</b>	<b>Net Error</b>
Accurately Paid	8,410	\$31,333,485	\$31,333,485	\$0
<b>Subtotal</b>	<b>8,410</b>	<b>\$31,333,485</b>	<b>\$31,333,485</b>	<b>\$0</b>
Unpaid	2,031	\$4,188,180	\$0	\$4,188,180
Overpaid	1,561	6,682,245	2,844,549	3,837,697
Paid In Error	1,391	2,596,090	6,036,401	3,440,311
<b>Subtotal</b>	<b>4,983</b>	<b>\$13,466,515</b>	<b>\$8,880,950</b>	<b>\$11,466,188</b>
<b>Grand Total</b>	<b>13,393</b>	<b>\$44,800,000</b>	<b>\$40,214,435</b>	<b>\$11,466,188</b>

Source: U.S. Postal Service Office of Inspector General (OIG) and Postal Service Payroll group.

Since April 2016, Postal Service Labor Relations management has been working with Postal Service Payroll to correct and resolve the unpaid \$4.2 million and the underpaid \$3.8 million. The entire unpaid amount and most of the underpaid amount were resolved in July 2016; however, management still owes \$3,043 in underpayments. In addition, as of November 2016, the Postal Service had not begun collecting its \$3.4 million in overpayments (see [Table 2](#)).

**Table 2. Global Remedy Payment Update**



Source: OIG and Postal Service Contract Administration.

Management’s approach is to resolve errors from the first payments before issuing additional payments or recovering overpayments. They also plan to offset the overpayments with the remaining settlement payments once the APWU provides the next list of payees and amounts. Before it can offset overpayment amounts, the Postal Service must first offer employees an opportunity to agree to a repayment schedule and give them a right to a notice and a hearing.<sup>3</sup> Agencies must also attempt to negotiate to reduce debt before seeking administrative offsets.<sup>4</sup>

<sup>3</sup> 5 U.S.C. 5514, Installment deduction for indebtedness to the United States; *Employee Labor Manual 40*, Statutory Offset Procedures, Section 462.3, pages 248-249, March 2016.

<sup>4</sup> 31 U.S.C. 3711, Collection and Compromise.

***These inaccuracies resulted in a total of \$3,043 in underpayments and over \$3.4 million in overpayments for both settlements. In addition, management mistakenly paid \$75,129 to eight employees who were not on the APWU's list of employees entitled for payment.***

### Kelly Services Settlement

Of the \$2.7 million initial Kelly Services settlement, Postal Service management inaccurately processed \$1.7 million, impacting 199 employees. Specifically, 190 employees were not paid, one employee was overpaid, and eight employees were paid that should not have been.

**Table 3. Kelly Services Payment Status**

Pay Status	Employees	Union Settlement Amount	Paid Amount	Net Error
Unpaid	190	\$1,587,393.00	\$0.00	\$1,587,393.00
Overpaid	1	7,270.50	9,694.00	2,423.50
Paid In Error	8	\$0.00	75,128.50	75,128.50
<b>Total</b>	<b>199</b>	<b>\$1,594,663.50</b>	<b>\$84,822.50</b>	<b>\$1,664,945.00</b>

Source: OIG and Postal Service Contract Administration.

As of November 2016, the unpaid and overpaid amounts were still unresolved, and the amount received by employees who were not designated to be paid was still outstanding.

These errors occurred due to inadequate or ineffective internal controls over how settlement payments are processed. Specifically:

- Management did not identify the employment status of the settlement recipients, which resulted in excluding at least the 2,031 Global Remedy recipients from the payments.
- Use of multiple grievance numbers for one settlement agreement contributed to duplicate and overpayments to employees. Labor Relations used two grievance numbers for the Global Remedy settlement and five grievance numbers for the Kelly Services settlement.
- Procedural guidance is not comprehensive to help ensure consistent application of the process. Management provided a high-level document on how to upload spreadsheets for payment processing in GATS for multiple employees.
- No reconciliation process to ensure settlement payments were accurate or appropriate.
- Other factors may have contributed to the underpayment and overpayment for both settlements, including discrepancies in the cross-referencing of social security number (SSN) of payees to their employee identification numbers (EIN), since EINs are required for uploading payments into GATS.

If effective procedural guidance for paying settlements is not developed, there is an increased risk of additional grievances filed against the Postal Service, additional costs for the arbitrator and effort and cost to process settlement payments. In addition, inaccurate or unreliable data in either GATS or the payroll systems may cause false reporting of financial amounts. These inaccuracies resulted in a total of \$3,043 in underpayments and over \$3.4 million in overpayments for both settlements. In addition, management mistakenly paid \$75,129 to eight employees who were not on the APWU's list of employees entitled for payment.

# Recommendations

***We recommend management finalize resolution of outstanding underpayments and collect outstanding overpayments in both settlements, enhance procedural guidance to be more comprehensive, and implement a reconciliation process.***

We recommend the vice president, Labor Relations, in conjunction with the vice president, Finance and Planning:

1. Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Global Remedy settlement.
2. Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Kelly Services settlement.
3. Enhance procedural guidance for uploading and paying grievance settlements through the Grievance Arbitration Tracking System to be more comprehensive of the entire process and addressing a reconciliation process.

## Management's Comments

Management disagreed with our findings and recommendation 3; however, they agreed with recommendations 1 and 2.

Management specifically disagreed with several statements in the report, including background information on grievances, the function of the GATS as written, the conclusion that \$11.5 million in payments were not accurately processed and disbursed, the conclusion that “no efforts” have been made in collecting overpayments in the Global Remedy settlement, the causes and contributing factors for why the payment errors occurred in both settlements, the monetary impact amounts, and the effect the lack of properly developed procedural guidance for paying settlements would have on the Postal Service.

Regarding recommendation 1, management stated that prior to the announcement of the OIG’s audit, they had been consistently working toward finalizing and adjusting underpayments and overpayments in the Global Remedy settlement and will continue to do so until completion. The target implementation date is December 31, 2017.

Regarding recommendation 2, management stated that prior to the announcement of the OIG’s audit, they had been working with the APWU to correct payment discrepancies in the Kelly Services settlement and will continue to do so until completion. The target implementation date is December 31, 2017.

Regarding recommendation 3, management stated the OIG has not demonstrated the correlation between the Postal Service’s procedural guidance for uploading and initiating grievance settlement payments and its stated inaccuracies in distributing payment. In addition, management does not believe that relying on two selected atypical settlement agreements is a sound basis for audit conclusions and recommendations. Further, management mentioned that there is comprehensive information on their internal website for making simple lump sum and hours-related adjustments, which is the typical use for initiating payments in GATS.

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

## Evaluation of Management's Comments

The OIG considers management’s comments responsive to recommendations 1 and 2 and the corrective actions should resolve these issues. However, management’s comments to recommendation 3 are nonresponsive and corrective actions stated will not resolve the issue identified in the report.

Regarding management’s statements that monetary payments to employees are commonly used to resolve grievances being broad without context, it is accurate that the Postal Service uses monetary payments to settle disputes. We acknowledge this is

not the only way to resolve grievances; however, in fiscal year 2015 the Postal Service did make about \$51.4 million in monetary payments to settle disputes.

Regarding management's disagreement that the Postal Service uses the GATS database to "manage" labor relations activities, a December 31, 2013, memorandum, from the vice president, Labor Relations, addressed to all Postal Service areas and districts' Human Resources and Labor Relations managers stated, "GATS users can research grievances and appeals, issues most frequently in dispute, decisions, win rates, and settlement costs." We reaffirm our assertion that GATS is a database used to manage labor relations activities, such as researching grievances, filing appeals, and managing disputed issues and decisions.

Regarding management's disagreement that they did not accurately process and disburse \$11.5 million in initial payments, the report clearly identifies the payment errors that occurred during payouts to employees. As shown in [Table 1](#), employees were unpaid, underpaid, or overpaid due to gaps in processing controls. At the time management provided their comments to the report, they provided no additional supporting documentation to support resolution of the \$11.5 million in discrepancies.

Regarding management's disagreement that "no efforts" have been made to collect the \$3.4 million in overpayments, management has not issued any letters of demand to employees to recover overpaid monies. Per Postal Service policy, Accounting Services will initiate the collection process in compliance with the National Bargaining Agreement and the Debt Collection Act and send a letter of demand or letter of debt determination to the employee. This had not yet happened when we received management's comments.

Regarding management's disagreement that the second round of payments cannot be adjusted before issuing additional payments, as stated in the report, 5 U.S.C. 5514, Installment deduction for indebtedness to the U.S., requires the Postal Service to first offer employees a repayment schedule and give them a right to a notice and a hearing before it offsets overpayment amounts. In addition, 31 U.S.C. 3711, Collection and compromise, requires federal agencies to attempt to negotiate debt reduction before seeking administrative offsets.

Regarding management's disagreement that the Postal Service excluded 2,031 employees from the initial Global Remedy settlement payments due to their employment status, we acknowledge that there are GATS controls in place to reject inactive employees. However, had management had a reconciliation process in place to identify inactive employees entitled to payment, they would have reduced the likelihood of excluding recipients from the initial payment.

Regarding management's disagreement that using multiple grievances numbers did not pose an issue for processing settlement payments, we concluded that using multiple grievance numbers contributed to payment errors and made it difficult to reconcile separate, additional payments made toward the first grievance number. For example, according to the union's payout list for the Global Remedy settlement, one employee was entitled to \$4,905, which was the maximum payout amount allowed under the settlement. This employee was initially paid \$4,905 under one Global Remedy settlement number during the first pay period of January 2016 and paid an additional \$4,905 under the second Global Remedy settlement number during the second pay period of January 2016. This resulted in an overpayment of \$4,905. As mentioned in the report, there were 1,391 of these overpayments totaling \$3.4 million.

Regarding management's disagreement that their procedural guidance is comprehensive, the errors identified in the report support our finding that more comprehensive guidance is required. During the exit conference, management provided a 2-page, high-level document on uploading spreadsheets. The document did not include procedures for monitoring and reconciling payments

after uploading, which are necessary to ensure a comprehensive process. Furthermore, during a September 14, 2016 meeting, the manager, Contract Administration, who oversees the process, stated that there are no standard operating procedures for any processes or reviews because everything is done on a case-by-case basis due to the nature of the work between Contract Administration and the union. However, this rationale does not negate the fact that comprehensive guidance is necessary to drive consistency and accuracy in process application.

Regarding management's disagreement regarding lack of a reconciliation process, they have not demonstrated that they have one in place. We contest management's statement that "some limited errors occurred" as the report supports the volume and magnitude of errors identified. Having a formal reconciliation process in place would have mitigated some of the errors we identified.

Regarding management's disagreement with \$75,129 in payment errors, the OIG reconciled the union's payee lists of Postal Service employees provided by Contract Administration and Payroll. The Postal Service completed reconciliation for the Kelly Services settlement and reviewed the list of employees designated for payment, the amounts they were entitled to receive, and the amounts actually paid.

Regarding management's disagreement with \$1.7 million in disbursements, as mentioned above, the OIG reconciled the union's payee lists of Postal Service employees, provided by Contract Administration and Payroll. The reconciliation was completed for the Kelly Services settlement and involved reviewing the records of employees designated for payment, the amounts they were entitled to receive, and the amounts actually paid. The results of the Kelly Services settlement is in [Table 3](#) of our report.

Regarding management's disagreement that lack of effective procedural guidance caused the errors in processing settlement payments, we reaffirm the contrary. The payment errors identified in the Global Remedy and Kelly Services settlements illustrate the additional costs to the Postal Service due to the lack of guidance and reconciliation. The audit results do not conclude that there were "inaccurate or unreliable data in GATS or the payroll systems", as management states; however, without a formal comprehensive process in place, errors occurred which questions the accuracy and reliability of the data.

Regarding management's disagreement with recommendation 3 on enhancing procedural guidance for uploading paying grievance settlements through GATS to be more comprehensive of the entire process and addressing a reconciliation process, we reaffirm that establishing procedural guidance and a reconciliation process is significant in creating and maintaining internal controls.

In addition, the audit conclusions and recommendations were based on and in line with its objectives and scope. The audit was conducted 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. Further, during the audit, we reviewed all of the information on the Postal Service's internal Blue pages, including the lump sum and hours-related informal pay adjustment videos. We retained all of the information as knowledgeable background on GATS and the grievance and payment processes.

Recommendations 1 and 2 require 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. We will not pursue management's disagreement with recommendation 3 through our audit resolution process. We will continue to evaluate the controls of processing and reconciling grievance payments in future audit work.

# Appendices

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## Appendix A: Additional Information

***A grievance is a dispute, difference, or disagreement between parties; or a complaint lodged by a party regarding wages, hours, or conditions of employment.***

### Background

A grievance is a dispute, difference, or disagreement between parties; or a complaint lodged by a party regarding wages, hours, or conditions of employment. A grievance includes, but is not limited to, an employee or union complaint involving the interpretation or application of or compliance with a collective bargaining agreement or any local memorandum of understanding not in conflict with the agreements.<sup>5</sup> Monetary payments to employees are commonly used to resolve grievances.

The Postal Service reached the Global Remedy grievance settlement with the APWU on December 5, 2014, resolving a long-standing dispute regarding the number of workhours postmasters and supervisors could use to perform the work of bargaining unit employees. The agreement set limits to allow postmasters to perform up to 15 hours of bargaining unit work per week at Level 18 post offices and up to 25 hours at Level 15 and 16 offices. The first ruling on the arbitration was issued in March 29, 2013. The decision to award retroactive pay to affected employees was reached on October 13, 2013, with the monetary award for the settlement reached on December 5, 2014. The \$56 million settlement stipulated that the Postal Service would make payments of \$44.8 million (80 percent) to clerk craft employees and establish an escrow of \$11.2 million (20 percent) to be disbursed in a manner determined by the union.

The original Kelly Services settlement was reached on March 26, 2007, with a monetary award of \$19 million, for the Postal Service's hiring of over 200 temporary employees from Kelly Services, Inc. to work at a Phoenix call center between 1996 and 1999. The original settlement resulted in lump sum payments to individuals who were clerks at the time of the settlement; however, the Postal Service omitted payments to employees who had been clerks at the time of the temporary hires but who had since changed crafts, retired, or passed away. A second grievance was settled on November 12, 2014, providing \$4.8 million for the excluded employees.

The Postal Service uses the GATS database to manage labor relations activities, such as researching grievances, appeals, disputed issues, and decisions. GATS is also used to conduct settlement payments. The Labor Relations Systems group is responsible for managing GATS, including uploading payment data pertaining to large settlements into the system. The contract administration manager has overall responsibility for tracking and monitoring settlements and payment statuses.

The Postal Service maintains employees in the payroll system for 27 pay periods after they are separated, terminated, or deceased. If GATS cannot identify an employee, it will return the payment request with an error message. The Labor Relations Systems group, which is responsible for GATS, must verify that the employee's Social Security number is correct and resubmit the transaction. The Postal Service's Payroll group is responsible for reactivating the employee's profile to allow payment.<sup>6</sup>

### Objective, Scope, and Methodology

Our objective was to assess the accuracy of payments related to the APWU Global Remedy and Kelly Services settlements. To accomplish our objective we:

- Interviewed appropriate Postal Service personnel to understand the grievance entry and payout process and the Postal Service's relationship with the APWU regarding calculating individual award payments.

<sup>5</sup> Handbook EL-912 - *Agreement between United States Postal Service and American Postal Workers Union*, AFL-CIO 2010-2015, Article 15: Grievance-Arbitration Procedure.

<sup>6</sup> *Exception Processing for System (GATS) and Adjustment Process Monitoring*, Payroll Errors, pages 7 through 9.

- Interviewed appropriate APWU personnel responsible for calculating settlement payment amounts.
- Obtained and reviewed emails relating to the Global Remedy settlement to determine the status of overpayments and underpayments.
- Interviewed Postal Service personnel responsible for receiving, reconciling and paying settlement amounts from the APWU for the Global Remedy and Kelly Services settlements, to determine the payment process.
- Interviewed Postal Service personnel and management officials to determine the plans to correct over- and underpayments for the Global Remedy and Kelly Services settlements.
- Reviewed Postal Service policies and procedures relating to grievance payments, the GATS Key Control Matrix, and the overpayment collection process.
- Conducted a site visit at Postal Service Headquarters to understand the status of overpayments and underpayments for the Global Remedy and Kelly Services settlements.
- Identified and documented internal controls used to ensure proper payments.

We conducted this review from July 2016 through January 2017, 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 20, 2016, and included their comments where appropriate.

We assessed the reliability of data by tracing a sample of GATS-related payments to supporting documentation and discussing the data with management officials knowledgeable about the data. 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
<i>Postmasters and Supervisors Performing Bargaining Unit Work</i>	To assess the Postal Service's management of workhours for postmasters and supervisors performing the work of bargaining unit employees.	HR-MA-16-004	5/10/2016	None

## Appendix B: Management's Comments

DOUG A. TULINO  
VICE PRESIDENT, LABOR RELATIONS



January 17, 2017

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS  
1735 NORTH LYNN STREET  
ARLINGTON, VA 22209-2020

SUBJECT: Accuracy of Grievance Settlement Payments  
(Project Number HR-MA-17-DRAFT)

This is in response to the above-referenced audit report dated December 23, 2016. The OIG's objective for this audit was "to assess the accuracy of payments related to the APWU Global Remedy and Kelly Services settlements."

In sum, the OIG concluded that the Postal Service "did not accurately process and disburse about \$13.2 million in initial payments for the Global Remedy (\$11.5 million) and Kelly Services (\$1.7 million) APWU settlements." The OIG identified the inaccuracies as "non-payments, underpayments, overpayments and payments to employees not entitled" and attributed the inaccuracies to "inadequate or ineffective internal controls" and the lack of "comprehensive procedural guidance" on processing settlement payments.

#### Management's Comments on the OIG's Findings, Statements, Conclusions and Observations

**Audit Appendix A Statement:** "Monetary payments to employees are commonly used to resolve grievances."

**Response:** It is unclear as to how the OIG derived at this conclusion. This statement is an example of how usage of broad statements without context leaves an inalienable perception. In addition, the statement is perfunctory and adds nothing to the audit's objective.

**Introduction and Audit Appendix A Statement:** "The Postal Service uses the GATS database to manage labor relations activities, such as researching grievances, appeals, disputed issues, and decisions. GATS is also used to conduct settlement payments. The Labor Relations Systems group is responsible for managing GATS, including uploading payment data pertaining to large settlements into the system. The contract administration manager has overall responsibility for tracking and monitoring settlements and payment statuses."

**Response:** We do not agree with the above statement as written. The Grievance Arbitration Tracking System (GATS) is a tool originally designed to track grievance activity. Subsequent GATS modifications allows management to initiate grievance payments for simple grievance lump sum and simple hours-adjustment payments. This modification was implemented as recommended by the OIG in a prior audit<sup>1</sup>. GATS database is not used to "manage" labor relations activities, but rather to "track" labor relations grievance activities. In addition, GATS is not used to "conduct" settlement payments, but rather used to initiate the grievance payment process.

<sup>1</sup> OIG Report Number HM-MA-08-002, dated September 16, 2008.

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**Audit Summary Statement:** "In January 2016, Postal Service management did not accurately process and disburse about \$11.5 million in initial payments for the Global Remedy APWU grievance settlement."

**Response:** We disagree with the OIG's conclusion that \$11.5 million in payments were not accurately processed and disbursed. The terms of the Global Remedy Settlement Agreement required the APWU to provide a list of employees and the amount of payment to be disbursed to those employees. All payments, as provided by the APWU were initially uploaded in GATS. The system is designed to "reject" certain inputs, such as; when the employee cannot be sufficiently identified, the employee is no longer on the active rolls, and where payment has already been processed. Those rejects are then reviewed and verified for payment entitlement. If the rejected record can be corrected, it is then re-submitted for payment. Moreover, while characterized as input errors, not all rejected records exemplifies inaccurate processing. GATS is simply performing its controls as designed.

**Audit Summary Statement:** "In July 2016, the Postal Service resolved the entire unpaid amount and all but \$3,043 of the underpaid amount; however, as of November 2016, no efforts in collecting the \$3.4 million in overpayments have been initiated."

**Response:** We disagree with the OIG's conclusion that "no efforts" have been made in collecting the overpayments. The statement is simply false. Efforts have been made to collect the overpayments. For example, overpaid employees have been identified and internal discussions were held about collection options. In addition, the parties have discussed the overpayments and agreed the overpayments can be adjusted and revised prior to the overpaid employee being issued a second payment. The actual collection of the overpayments cannot begin until the APWU submits a list of employees and amounts due for the second round of payments. If after applicable adjustments are made from the amounts awarded from the second round and there are payees who received more than the amount entitled, the contractual debt collection process will be initiated.

**Audit Summary Statement:** "Management's approach is to resolve errors from the first payments before issuing additional payments or recovering overpayments. They also plan to offset the overpayments with the remaining settlement payments once the APWU provides the next list of payees and amounts. Before it can offset overpayment amounts, the Postal Service must first offer employees an opportunity to agree to a repayment schedule and give them a notice and a hearing. Agencies must also attempt to negotiate to reduce debt before seeking administrative offset."

**Response:** We disagree with the OIG's conclusion that the second round of payments cannot be adjusted prior to issuance to reduce overpayments to the same employees from the first round. A debt, if any, will not accrue until after an individual payee received more than the full amount of his/her entitlement. If this occurs, it is at that point, the employee will be issued a Letter of Demand (LOD). The LOD will provide the employee appropriate contractual notice and the rights to appeal consistent with the applicable provisions of the collective bargaining agreement with the APWU, and the Employee and Labor Relations Manual (ELM).

**Audit Statement:** "These errors occurred due to inadequate or ineffective internal controls over how settlement payments are processed." Specifically,

- "Management did not identify the employment status of the settlement recipients which resulted in excluding at least the 2,031 Global Remedy recipients from the payments."

**Response:** We disagree with the OIG's conclusion. In accordance with the terms of the Global Remedy Settlement Agreement, the APWU provided the list of employees and amounts to be paid. These listed employees are entitled to payment regardless of their current employment status. As discussed above, GATS will reject payment entries for employees no longer on the active rolls, until verified. After verification, there is an established process through payroll for making payments to former employees.

- "Use of multiple grievance numbers of one settlement agreement contributed to duplicate and overpayments to employees. Labor Relations used two grievance numbers for the Global Remedy settlement and five grievance numbers for the Kelly Services settlement."

**Response:** We disagree with the OIG's conclusion. As pointed out to the OIG, the Global Settlement Remedy Agreement involved two valid grievances, and the Kelly Services Settlement Agreement involved five valid grievances. For the Kelly Services settlement dated November 12, 2014, only two of the five grievances were utilized for payments.

- "Procedural guidance is not comprehensive to help ensure consistent application of the process. Management provided a high-level document on how to upload spreadsheets for payment processing in GATS for multiple employees."

**Response:** We disagree with the OIG's conclusion. As explained at the exit meeting, the ability to upload a spreadsheet for large payment processing in GATS for multiple employees is restricted to the National GATS Coordinator. The OIG failed to explain how it leaped to the conclusion that the upload process instructions directly caused inaccurate payments.

- "No reconciliation process to ensure settlement payments were accurate or appropriate."

**Response:** We disagree with the OIG's conclusion. The settlement payments were appropriately initiated in GATS for processing. While some limited errors occurred, the Postal Service, prior to the initiation of this audit, has been working diligently and in cooperation with the APWU to correct all errors and reconcile payments in accordance with the remedy agreement and established processes.

**Audit Statement:** "In addition, management mistakenly paid \$75,129 to eight employees who were not on the APWU's list of employee entitled for payment."

**Response:** We disagree with the OIG's statement. The OIG has not identified these employees or the source document to support this statement. The employees paid under the Kelly Services settlement agreement were the employees identified by the APWU.

**Audit Summary Statement:** "In December 2015, Postal Service management did not accurately process and disburse about \$1.7 million in payments for the Kelly Services APWU grievance settlement."

**Response:** We disagree with this conclusion. As stated above, the OIG has not provided the source document to support its claim of inaccurate processing and disbursement of \$1.7 million.

**Audit Summary Statement:** "If effective procedural guidance for paying settlements is not developed, there is an increased risk of additional grievances filed against the Postal Service, additional costs for the arbitrator and effort and cost to process settlement payments. In addition inaccurate or unreliable data in either GATS or the payroll systems may cause false reporting of financial amounts."

**Response:** We disagree with the OIG's conclusion. The statement is speculative. Moreover, in this audit, there has been no demonstration of inaccurate or unreliable data in GATS or the payroll systems.

**Recommendation 1:** Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Global Remedy settlement.

**Response:** We agree. Prior to the announcement of the OIG's audit and as noted in your report, we have been consistently working towards finalizing and adjusting underpayments and overpayments. We will continue to do so until completion.

**Recommendation 2:** Finalize resolution of outstanding underpayments and collect outstanding overpayments for the Kelly Services settlement.

**Response:** We agree. Prior to the announcement of the OIG's audit, we have been working with the APWU to correct payment discrepancies. We will continue to do so until completion.

**Recommendation 3:** Enhance procedural guidance for uploading and paying grievance settlements through the Grievance Arbitration Tracking System to be more comprehensive of the entire process and addressing a reconciliation process.

**Response:** We disagree with this recommendation. The OIG has not demonstrated the correlation between the Postal Service's procedural guidance for uploading and initiating grievance settlement payments and its stated inaccuracies in distributing payment. We do not believe that relying on two selected atypical settlement agreements is a sound basis for audit conclusions and recommendations. Furthermore, there is comprehensive information on our internal Blue page for making simple lump sum and simple hours-related adjustments which is the typical use for initiating payments in GATS.

We appreciate the opportunity to respond to this draft report.

  
Doug A Tulino



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