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REPORT BY THE
Comptroller General
OF THE UNITED STATES

DOD Civilian Employees' Use Of Sick Leave Before Retirement Is Still High

The Department of Defense is not doing all it could to monitor and control sick leave usage.

GAO reported in 1974 that the military services were permitting many civilian employees, pending optional retirement, to exhaust their sick leave. Compared with 1974, there were fewer approvals for employees to exhaust their sick leave before retiring. But employees who retired in 1977 or 1978 used substantial amounts of sick leave immediately before retiring or intermittently throughout their last year of service.

DOD should obtain sufficient medical evidence before approving sick leave absences and make greater use of its authority to require employees suspected of abusing sick leave to furnish medical evidence for each absence or to undergo a fitness-for-duty examination.

The House Committee on Appropriations requested this report.


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AUGUST 8, 1979



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-152073

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations B-152073
House of Representatives

Dear Mr. Chairman:

The former Chairman's letter of September 19, 1978, asked us to reexamine the policies and practices used by various Department of Defense (DOD) components in monitoring the use of extended sick leave by civilian employees pending optional retirement. (See app. III.) His letter cited our February 19, 1974, report to the Secretary of Defense, entitled "Adequate Medical Evidence Needed When Approving Extended Sick Leave for Retiring Employees" (B-152073), which pointed out that the services were permitting many employees pending optional retirement to exhaust their sick leave. Consequently, these employees received full pay and earned additional sick and annual leave plus retirement credit while exhausting their sick leave.

Our 1974 report recommended that the Secretary of Defense (1) establish uniform policies for approving extended sick leave and (2) require DOD installations to review all cases of extended sick leave and obtain sufficient medical evidence. (See app. II.)

After discussions with the staff of your Subcommittee on Defense, we agreed to examine the sick leave used by retiring civilian employees at Kelly Air Force Base; Pensacola Naval Air Station; Eglin Air Force Base; Fort Sam Houston; and Headquarters, Marine Corps. (Our 1974 report covered two of these installations--Kelly and Pensacola--which at that time routinely approved extended sick leave.) The results of our review are summarized below and discussed in more detail in appendix I.

SICK LEAVE USED BEFORE RETIREMENT
STILL HIGH

Sick leave used before retirement was high at all five installations and continues to be a problem requiring management's attention. Some employees took extensive, continuous sick leave immediately before they retired. Others took

frequent but small amounts of sick leave, usually 3 days or less, throughout the 12 months before retiring.

The 916 employees who retired optionally in 1977 or 1978 at the 5 installations used an average of 34 days sick leave in the 12 months preceding their retirement from Federal service. Sick leave used cost \$2.17 million, or \$2,369 per employee. Almost 19 percent of the retiring employees used more than 50 days sick leave in their last 12 months; almost 5 percent used 125 days or more.

About 10 percent of the employees were granted extended sick leave immediately before retiring. On the average they were granted 131 days of sick leave after their last day of work, valued at \$856,801 or \$9,627 per employee. They retired with an average sick leave balance of 25 days; about one-third used all their sick leave before retiring.

Apparently because DOD and the services have emphasized our earlier findings and similar findings of their internal auditors, only Eglin Air Force Base routinely approved employees' requests to exhaust their sick leave before retiring. It generally required employees to furnish the same information required of disability retirement applicants--a complete diagnosis by the employee's physician, sufficient medical evidence, and a statement from the employee's supervisor assessing his/her ability to perform the job. However, in finding these employees disabled and authorizing them extended sick leave, the medical examiner, contrary to Air Force regulations, apparently did not interview or examine these employees or consider their supervisors' assessments; instead, he told us he acted solely on the basis of their private physician's diagnosis.

According to Office of Personnel Management (OPM) medical officials responsible for administering civil service disability retirements, a diagnosis by an employee's private physician is only an opinion and is not, by itself, proof of disability. Since agency approval for a retirement-eligible employee to exhaust his/her sick leave before retiring is, essentially, an agency-approved disability retirement which is processed as an optional retirement for convenience, we believe that the employing agency must independently verify that such employees are totally incapacitated for their jobs.

The other four installations generally approved employees' extended sick leave after it was taken. That is,

most employees did not request to exhaust their sick leave before retiring. Instead they simply used much or all of their accumulated sick leave during their last year of service and retired. The installations frequently approved these employees' sick leave without independently verifying it or obtaining sufficient medical evidence.

Much of the sick leave granted to employees was in small but frequent increments throughout the 12 months preceding their retirement. For example, we noted several instances where supervisors approved employees' use of 2, 3, or 4 days sick leave each pay period during their last year of service. We believe that this high rate of intermittent use demonstrates that sick leave in conjunction with retirement is still a problem; it has simply taken on a different form which is harder to control.

Intermittent sick leave use is difficult to control because Government-wide sick leave policies and administrative procedures are vague, confusing, and ineffective. For example, the Federal Personnel Manual and service regulations suggest but do not require a medical certificate for absences of more than 3 consecutive days. For absences of 3 days or less, employees may certify their own incapacity for work by initialing their time and attendance card; medical evidence is usually not required.

Despite shortcomings in policies and procedures, the services are not doing all they can to monitor and control sick leave. According to the Federal Personnel Manual and service regulations, employees suspected of abusing their sick leave can be required to (1) furnish administratively acceptable medical evidence for each sick leave absence or (2) undergo a fitness-for-duty medical examination. However, we noted no instances where the services used this authority.

SICK LEAVE USED BY DISABILITY RETIREES

Besides the 916 employees who retired optionally in 1977 or 1978, another 813 retired on disability. These installations' combined disability retirement rate for this 2-year period (47 percent) was considerably higher than the overall civil service disability retirement rate which was 39 percent in fiscal year 1977 and 32 percent in fiscal year 1978; almost three-fourths of the retirements at one installation were for disability.

The Federal Personnel Manual and service regulations permit employees pending disability retirement to exhaust their sick leave before retiring. On the average, the 813 disability retirees were granted 73 days of sick leave and retired with a sick leave balance of only 2.4 days. Many of the disability retirees used all their sick leave, including those who were advanced sick leave.

EFFECTS OF ABSENTEEISM

Sick leave absences, particularly extended ones, can adversely affect productivity and personnel costs. Since retirement-eligible employees generally are more knowledgeable and experienced, their extended absences can create serious staffing problems. Some work may be deferred or not done at all; other work may be redistributed among available remaining workers.

Overtime, overhiring, temporary promotions, and job details can offset the effects of extended absences, but such practices are costly, particularly when two employees are paid to do one job. At Eglin Air Force Base, for example, overhiring was reportedly a rather common practice. It was approved whenever an employee occupying a critical position was placed on extended sick leave pending optional or disability retirement and a replacement was hired before the employee retired. For instance, a retiring attorney was granted 2,904 hours of extended leave which cost about \$48,000. Three days after his extended sick leave began, a military attorney was assigned to fill his position.

LUMP-SUM LEAVE PAYMENTS TO RETIRING EMPLOYEES

As mentioned earlier, employees on sick leave continue to earn annual leave and sick leave. Upon retiring, employees receive a lump-sum payment 1/ for all their unused annual leave. They also receive pay for any holidays which fall within the lump-sum leave period; on the average, each 1977 or 1978 optional DOD retiree received pay for 1 holiday.

1/Equal to the pay the employee would have received had he/she remained in Federal service until the period of that annual leave expired.

Because retiring employees receive pay for unused annual leave but not sick leave, there is a financial incentive for them to conserve their annual leave and to charge sick leave when they are absent from work. At the five installations reviewed, we noted that employees who used large amounts of sick leave, either continuously or intermittently, used very little annual leave. Of the 153 optional retirees who used 10 or more days of sick leave during their last year of service and retired at the end of 1977 or 1978, 60 (39 percent) used no more than 5 days annual leave, and 63 (41 percent) retired with an annual leave balance of 50 or more days. These 153 employees received lump-sum leave payments of up to \$15,897 and averaging \$3,514 per employee.

CONCLUSIONS

After examining documentation supporting sick leave used by employees who retired during 1977 or 1978 and discussing the matter with their supervisors, we believe that more emphasis is needed to properly administer sick leave. In many instances supporting documentation was not obtained, and when it was, it did not provide a sufficient basis for approving such absences. Generally, the documentation was a letter or application for leave (standard form 71) signed by a private physician stating the employee was under the physician's care. It usually did not elaborate on the employee's medical condition or explain how and to what extent that condition was disabling.

The services are not doing all they can to monitor and control sick leave. They are not using generally accepted personnel management techniques such as counseling employees or assigning them to less strenuous duties to cut down absenteeism. Also, they are not using their existing authority to require employees suspected of sick leave abuse to (1) furnish administratively acceptable medical evidence of incapacity for each sick leave absence or (2) undergo a fitness-for-duty medical examination.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

We recommend that the Secretary of Defense

--continue to emphasize to the services the need to obtain sufficient medical evidence before approving employees' requests for extended sick leave and

--direct the services to use their authority to (1) require employees on extended sick leave absences to undergo a periodic fitness-for-duty examination and (2) require employees suspected of sick leave abuse to submit acceptable medical evidence for each absence, regardless of length.

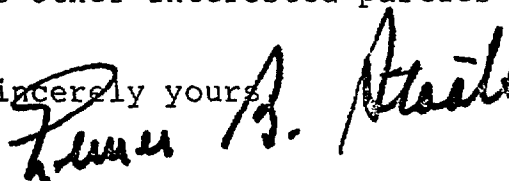
As arranged with your office, we did not obtain DOD's comments on this report but discussed our findings with officials at the five installations and considered their views in preparing it.

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Many of the problems discussed in this report stem from Government-wide sick leave policies and administrative procedures which we believe are vague, confusing, and ineffective. We are deeply concerned about the nature and extent of Federal employees' paid absences from work; on the average, they use about 9.3 days sick leave annually. We have in process a comprehensive, self-initiated evaluation of Federal leave policies, procedures, and practices, particularly those relating to sick leave. We will send you copies of any reports resulting from that review.

As arranged with your office, we are sending copies of this report to other congressional committees; the Secretary of Defense; the Director, Office of Management and Budget; and the Director, Office of Personnel Management. Copies will also be available to other interested parties who request them.

Sincerely yours,



Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
DOD	Department of Defense
FPM	Federal Personnel Manual
OPM	Office of Personnel Management

SICK LEAVE USAGE BY DOD EMPLOYEESWHO RETIRED IN 1977 AND 1978INTRODUCTION

By law (section 6307, title 5, United States Code) Federal employees earn 13 days sick leave annually, and any unused leave is carried over from year to year. Before 1969 employees were required to forfeit unused sick leave upon retiring and, consequently, were motivated to use most or all of it. To provide an incentive for conserving sick leave, the law was amended in 1969 (Public Law 91-93, 83 Stat. 139) to permit employees' unused sick leave to be used to increase their service time in calculating retirement annuity. Although this created some incentive for saving sick leave, it still is financially more advantageous for employees to use their sick leave before retiring. By so doing, they receive full pay and earn additional sick and annual leave plus retirement credit while exhausting their accumulated sick leave.

The Office of Personnel Management (OPM) is responsible for issuing regulations to implement retirement and sick leave laws. OPM's regulations (subch. 4, book 630, Federal Personnel Manual (FPM), supp. 990-2) permit agencies to grant sick leave when an employee:

"(1) receives medical, dental, or optical examination or treatment; (2) is incapacitated for the performance of duties by sickness, injury, or pregnancy and confinement; (3) is required to give care and attendance to a member of his immediate family who is afflicted with a contagious disease; or (4) would jeopardize the health of others by his presence at his post of duty because of exposure to a contagious disease."

FPM (supp. 990-2) and the services' regulations suggest that employees obtain a medical certificate if their sick leave exceeds 3 consecutive days. The supervisor may, however, waive this requirement if the employee was not under a physician's care or if the supervisor believes that a medical certification is not necessary. Sick leave of 3 days or less normally does not have to be certified by a physician; the employee is simply required to initial his/her time and attendance report. Under certain conditions, however, employees suspected of abusing sick leave can be required to furnish medical evidence for each sick leave absence.

OPM has established special sick leave provisions for disabled employees. FPM (supp. 831-1) instructs Federal agencies to encourage "incapacitated" employees who are contemplating disability retirement to use all but about 60 days of their sick leave before filing their application. While the employing agency and OPM are processing the disability retirement application, employees have the option of remaining on the job or going on sick leave or annual leave; most employees take sick leave. After OPM has approved employees' disability retirement, they are permitted to exhaust their sick leave before retiring from Federal service. FPM points out that generally it is more advantageous to the employee to retire as of the date his/her sick leave expires than to retire upon OPM's approval of his/her disability retirement application and receive retirement credit for unused sick leave. It also instructs agencies to grant any sick leave for which employees with an approved disability retirement may apply and to retire them when their sick leave expires.

FPM (supp. 831-1) authorizes and encourages agencies to allow totally disabled employees who meet the age and length of service requirements for optional civil service retirement to also exhaust their sick leave. Civil Service Commission bulletin 831-30, July 28, 1970, was issued to reduce the number of disability retirement claims. This bulletin and FPM emphasize that disabled employees who qualify for optional retirement begin receiving their annuity sooner since they are not required to undergo an OPM medical examination and other more elaborate claims-processing procedures associated with a disability retirement. But like disability retirees, they may exhaust their sick leave before retiring.

Employees eligible for optional retirement who apply for extended sick leave are, in essence, applying for an agency-approved disability retirement. They are supposed to be totally disabled for further Federal service, but their retirement is processed as "optional" for convenience.

According to OPM medical officials, employees applying for disability retirement are supposed to furnish fully documented medical evidence. Normally this includes physical examinations and diagnostic evidence such as X-rays, electrocardiographs, blood pressure readings, other pertinent tests, and a statement from the employee's supervisor assessing his/her ability to perform the job. Medical officials noted that generally a private physician's diagnosis is only an opinion and is not, by itself, proof of a disability.

EARLIER FINDINGS AND DOD'S RESPONSE

In a February 19, 1974, report to the Secretary of Defense, "Adequate Medical Evidence Needed When Approving Extended Sick Leave for Retiring Employees" (B-152073), we reported that the services were permitting many civilian employees pending optional retirement to exhaust their sick leave. (See app. II.) Three of the five installations covered in that report routinely approved extended sick leave for retiring employees who requested it. Over 50 percent of the employees who retired optionally at the five installations during the 6-month period ended May 31, 1973, were granted extended sick leave averaging 172 days per employee, and many other employees were on extended sick leave pending optional retirement at May 31, 1973. They received full pay and earned additional sick leave, annual leave, and retirement credit while on extended sick leave. Some installations routinely approved extended sick leave merely on the basis of opinions from employees' private physicians which usually were not supported by adequate medical evidence.

We recommended that the Secretary of Defense (1) establish uniform policies for approving employees' extended sick leave before optional retirement and (2) require DOD installations to review cases of extended sick leave and obtain sufficient medical evidence. DOD responded to that report in April 1974 by saying that it would require supervisors to

- carry out their responsibilities for determining that an employee's illness incapacitates him/her for the job,
- review all existing cases of extended sick leave to ascertain if employees' incapacity for duty is supported by adequate medical evidence,
- reassign employees who are incapacitated for their current job to another job they could perform, and
- continually monitor extended sick leave.

In May 1974 DOD directed the services to act on our report's recommendations. The services subsequently began to emphasize the policies and procedures for approving and monitoring extended sick leave used before optional retirement. They made installations aware of our report and similar findings reported by their internal auditors. For example, the Secretary of the Navy in April 1975 informed all naval stations that the Navy's own review at several

installations indicated that most employees on extended sick leave were not totally disabled and that many commands were not requiring proper medical evidence. The Secretary attributed these problems to poor management and supervision. He directed all commands to review their procedures for approving sick leave before retirement and to monitor it closely.

Also in 1974 the Air Force Systems Command told its installations to grant employees extended sick leave only if they believed the supporting medical evidence would be sufficient to obtain the Civil Service Commission's approval of an agency-initiated disability retirement.

In April and December 1975 the Navy and Air Force, respectively, distributed to their supervisors a directive entitled "Guidelines for Supervisors in Administering Sick Leave." Although this directive offered little by way of controlling sick leave before retirement, it emphasized that firstline supervisors are responsible for administering sick leave and that employees should not be allowed to abuse it.

SCOPE OF REVIEW

We performed our review at Eglin Air Force Base, Panama City, Florida; Naval Air Station, Pensacola, Florida; Kelly Air Force Base, San Antonio, Texas; Fort Sam Houston, San Antonio, Texas; and Headquarters, Marine Corps, Arlington, Virginia. We reviewed (1) policies and procedures for approving and monitoring extended sick leave, (2) sick leave and annual leave used during the last year of service by 916 civilian employees who retired optionally in 1977 or 1978, and (3) sick leave used by 813 employees who retired on disability in 1977 or 1978. We also examined the documentation supporting sick leave absences and discussed their effects with personnel officials and many of the former employees' supervisors.

ADMINISTRATION AND CONTROL OF SICK LEAVE

Compared with 1974, there were fewer approvals for employees to exhaust their sick leave before retiring, but sick leave used by employees who retired in 1977 and 1978 continued to be a serious problem.

Much of the sick leave used by 1977 and 1978 optional retirees was in small but frequent increments throughout their last year of service. We believe this high rate of intermittent use shows that sick leave before retirement is still a problem; it has simply taken on a different form which is harder to control.

About 100,000 DOD employees now meet the minimum age and service requirements for optional retirement. Consequently, the improper granting of sick leave to employees before retirement could be very expensive and disruptive.

Retirees at all five installations generally used a great deal of sick leave during their last year of service. In the following table employees who retired optionally in 1977 or 1978 used on the average 34 days sick leave in the 12 months preceding their retirement. Sick leave used was valued at \$2.17 million, or \$2,369 per employee.

<u>Installation</u>	<u>No. of optional retirements</u>	<u>Average leave days used during last 12 mos.</u>	<u>Value of sick leave used</u>	<u>Average sick leave balance (days) at retirement</u>
Eglin	66	57	\$ 286,821	73
Pensacola	338	32	798,821	117
Kelly (note a)	365	35	844,596	98
Fort Sam Houston (note a)	101	25	143,448	130
Marine Corps Headquarters	<u>46</u>	21	<u>96,079</u>	107
	<u>916</u>	34	<u>\$2,169,765</u>	105

a/1978 retirements only.

Averages, however, can be misleading. The following table shows almost 19 percent of 1977 and 1978 optional retirees used more than 50 days (400 hours) sick leave in the 12 months before retirement; almost 5 percent used 125 days (1,000 hours) or more.

<u>Installation</u>	<u>Hrs. of sick leave used during last 12 mos. of service</u>								<u>Total</u>
	<u>None</u>	<u>1-40</u>	<u>41-80</u>	<u>81-100</u>	<u>101-200</u>	<u>201-400</u>	<u>401-1000</u>	<u>1001 or more</u>	
Eglin	2	10	11	5	10	7	10	11	66
Pensacola	12	39	33	11	95	85	54	9	338
Kelly (note a)	4	20	46	18	118	92	50	17	365
Fort Sam Houston (note a)	5	18	18	4	28	13	12	3	101
Marine Corps Headquarters	<u>3</u>	<u>3</u>	<u>12</u>	<u>6</u>	<u>14</u>	<u>2</u>	<u>6</u>	<u>-</u>	<u>46</u>
Total	<u>26</u>	<u>90</u>	<u>120</u>	<u>44</u>	<u>265</u>	<u>199</u>	<u>132</u>	<u>40</u>	<u>916</u>
Percent	2.8	9.8	13.1	4.8	29.0	21.7	14.4	4.4	100

a/1978 retirements only.

Of the 916 retirees, 89 (about 10 percent) were granted extended sick leave immediately before their retirement. On the average they were granted 131 days of sick leave after their last day of work, valued at \$856,801 or \$9,627 per employee. They retired with an average sick leave balance of 25 days; about one-third used all their sick leave before retiring.

Optional Retirements in 1977 and 1978

<u>Installation</u>	<u>No. of retirements</u>	<u>No. of employees granted sick leave before retirement</u>	<u>Total no. of sick leave days granted</u>	<u>Average no. of sick leave days granted</u>	<u>Value of sick leave</u>
Eglin	66	16	2,890	181	\$221,002
Pensacola	338	31	3,353	108	234,191
Kelly (note a)	365	30	4,307	144	309,977
Fort Sam Houston (note a)	101	7	713	102	36,087
Marine Corps Headquarters	<u>46</u>	<u>5</u>	<u>433</u>	87	<u>55,544</u>
	<u>916</u>	<u>89</u>	<u>11,696</u>	131	<u>\$856,801</u>

a/1978 retirements only.

Apparently, because DOD and the services have emphasized our earlier findings and similar findings of their internal auditors, four of the five installations did not approve sick leave in advance. Eglin Air Force Base had adequate procedures for approving retiring employees' requests to exhaust their sick leave, but it did not follow them. The procedures required the same documentation as that required for disability retirement applicants--a complete diagnosis by the employee's physician, medical evidence, and a statement from the employee's supervisor assessing his/her ability to perform the job.

Air Force regulations recognize that physicians often base their opinions on broad knowledge of an occupational field rather than specific requirements of an employee's job. Therefore, regulations require that the Federal medical examiner, before determining employees' fitness for duty, interview employees, review requirements of their jobs, and consider supervisory statements assessing their ability to perform their duties.

Although Eglin had on file a diagnosis and opinion from each employee's private physician and a supervisory statement, the records did not show whether the Federal

medical examiner interviewed the employees or what consideration, if any, he gave to supervisors' statements.

The Federal medical examiner told us, however, that his approvals for these employees to exhaust their sick leave before retiring were based solely on their private physicians' diagnosis and opinion. He told us he did not interview or examine the employees or consider their supervisors' statements. Further, he told us that he had never (1) disapproved a retiring employee's request for extended sick leave before optional retirement or (2) questioned a private physician's diagnosis and opinion of an employee's incapacity.

The following example illustrates how Eglin's failure to follow required procedures may have resulted in extended sick leave being granted under questionable circumstances.

A supervisory attorney-advisor (whose job involved supervising the contracts and patents division) received approval to exhaust 2,904 hours of sick leave valued at \$48,119 and eventually retired with a lump-sum leave payment (for annual leave and holidays within the lump-sum leave period) exceeding \$6,000. This employee's physician reported that the employee had "chronic peptic ulcer disease, a hiatus hernia, and esophagitis" and concluded that he was disabled indefinitely. The employee's immediate supervisor reported that the employee had been able to perform all required duties and had not been absent from work because of illness in the last 2 years. The documentation supporting the extended sick leave did not show whether the Federal medical examiner interviewed or examined the employee or considered the supervisor's statement, but the medical examiner confirmed that he had not. He told us he based his decision solely on the private physician's diagnosis and opinion and allowed the employee to exhaust his sick leave before optional retirement.

In view of the supervisor's statement and Air Force regulations, the medical examiner's own independent examination of this employee may have disclosed he was not disabled for his particular job.

Unlike the process discussed in our 1974 report, most of the retirees did not request to exhaust their sick leave before retiring. Instead, they simply used much or all of it either in extensive, continuous amounts immediately before retirement or intermittently throughout their last year of service. Operating and personnel officials we interviewed were aware of retiring employees' extensive use of sick leave but said they could do little to control it.

Our examination of the records showed that, as required, there was generally an approved application for leave (standard form 71) or letter signed by the employee's physician for extended sick leave. However, this information generally did not appear to be sufficient to justify an employee's incapacity for further service. The nature of the illness was either not fully described or not described at all; no evidence was available to substantiate the medical ailment; the duration of the incapacity was not specified; and little, if any, evidence indicated that the employee's medical problems were actually incapacitating. In many cases the installation's medical files contained no findings or prior history of the ailments cited by the employee's physician as incapacitating.

In several cases no documentation was on file to substantiate sick leave of more than 3 days; some cases involved substantial amounts of sick leave. Installation officials said they didn't know whether documentation was obtained when the leave was approved but said that some supporting records had been lost or misplaced.

The following cases illustrate the basis on which extended sick leave was granted to employees who retired optionally.

--According to records at Pensacola Naval Air Station, a fabric worker used 1,684 hours sick leave during his last 12 months of service and retired with only 4 hours of sick leave. The employee was on extended sick leave from August 1977 until his retirement on July 1, 1978. Eleven sick leave applications were on file for 875 hours; no documentation was on file for the remaining 809 sick leave hours. These applications were approved by the employee's supervisor and certified by the employee's chiropractor, but only one of the applications (one application for 112 hours) identified a medical ailment--"back pain." While on extended sick leave the employee requested a disability retirement and was examined by the Federal medical examiner in February 1978. According to the medical examiner's report, the employee complained that he was unable to perform his job, but the medical examiner concluded he was not disabled. The report stated that "this apparently healthy man is requesting disability retirement so that he can use the sick leave that he has earned. He believes that the sick leave belongs to him since he saved it."

--An aircraft mechanic at Pensacola Naval Air Station, eligible to retire optionally, requested a disability

retirement and was examined by the Federal medical examiner. According to the medical examiner's report the employee complained of aching in his upper arms at night after several hours of sleep. But the employee said he could do all the things his job required. The medical examiner reported that the employee said he wanted a disability retirement so he could use his sick leave. The medical examiner also reported that the employee said he had been careful to save his sick leave, felt it was due him, and saw no reason why he should not be permitted to use it. The medical examiner noted several medical problems in his report, including "varicose veins in both legs," but concluded that the employee was not disabled. His report stated that one of the employee's hobbies was square dancing which he enjoyed weekly. Immediately before his optional retirement on July 1, 1978, the employee used 248 hours of sick leave. The applications on file for this sick leave were signed by his private physician and approved by his supervisor, but they did not identify any illness incapacitating him for duty.

Employees on sick leave for 3 consecutive days or less are usually not required to furnish any medical evidence. They are only required to initial their time and attendance record for the leave taken. Since there is no limit on the number of allowable, undocumented absences of 3 days or less, employees can use substantial amounts of sick leave in small increments during a year. We noted several instances where employees used, and supervisors approved, 2 to 5 days sick leave (generally in increments of 3 days or less) each pay period during their last 12 months of service. For example, one employee used a total of 106 days (848 hours) intermittently during 36 of the 39 pay periods preceding his retirement.

Despite shortcomings in Government-wide sick leave policies and procedures, the services are not doing all they can to monitor and control sick leave. Supervisors we interviewed felt they could do little to control short-term absences, but we disagree. Under certain conditions agencies can require an employee to furnish acceptable medical evidence for each sick leave absence, regardless of length. To do this, agencies must (1) have reason to suspect that an employee is abusing his/her sick leave privilege and (2) notify the employee in writing that a medical certificate will be required for all future charges to sick leave. If an employee fails to comply with such a restriction, his/her absence would be unauthorized, and he/she could be subjected

to disciplinary action. At the five installations we noted no instances where supervisors used this authority for short-term absences.

Besides restricting an employee's sick leave, FPM and/or service regulations suggest certain other actions agencies can and should take when they have reason to doubt an employee's illness or injury. These actions include:

- Counseling the employee about his/her absences.
- Assigning the employee to less strenuous duties which he/she can perform.
- Requiring the employee to report to a designated official when sick; only this official or a specified alternate should approve a request for sick leave.
- Requiring the employee returning from sick leave to visit a designated official or alternate for an interview.
- Requiring the employee to undergo a fitness-for-duty medical examination.

At the five installations reviewed we noted no instances where supervisors used these personnel management techniques to monitor and control absenteeism.

At Eglin Air Force Base and Pensacola Naval Air Station, we noted that management may have compromised too many of its prerogatives in administering sick leave. According to local collective bargaining agreements at these installations employees cannot be required to (1) submit information other than that on the application for leave (standard form 71) or (2) elaborate in the form's remarks column when their attending physician has certified that they have been under his care. Also, sick leave abuse, suspected or identified, cannot be mentioned in the employee's official personnel file.

These employee-management agreements make it difficult for supervisors to effectively administer sick leave. Civilian personnel officials at these installations said that supervisors are reluctant to challenge sick leave use under these conditions because they are afraid they might lose the case, thereby further eroding their control of sick leave.

SICK LEAVE USED BY EMPLOYEES
WHO RETIRED ON DISABILITY

Besides the 916 employees at the 5 installations who retired optionally in 1977 or 1978, another 813 employees

retired on disability. This rate of disability retirements (47 percent) is higher than the overall civil service disability retirement rate which was 39 percent in fiscal year 1977 and 32 percent in fiscal year 1978. At Eglin Air Force Base, almost three-fourths of the retirements were for disability. As permitted by FPM and the services' regulations, disability applicants at the five installations exhausted their sick leave before retiring.

The following table shows that disability retirees in 1977 and 1978 used an average of 73 days sick leave and had an average sick leave balance of only 2.4 days upon retiring; some used all of their sick leave, including those who were advanced leave.

Installation	Total no. of retirements	Disability retirees		Total no. of sick leave days used	Average no. of sick leave days used	Total leave balance at retirement (days)	Average leave balance (days)
		Number	Percent				
Eglin	257	191	74	8,819	46	58	.3
Pensacola	588	250	43	12,661	51	356	1.4
Kelly (note a)	670	305	46	30,154	99	1,582	5.2
Ft. Sam Houston (note a)	162	61	38	6,871	113	-	-
Marine Corps Headquarters	<u>52</u>	<u>6</u>	12	<u>474</u>	79	-	-
	<u>1,729</u>	<u>813</u>	47	<u>58,979</u>	73	<u>1,996</u>	2.5

a/1978 retirements only.

In earlier reports to the Congress on the civil service disability retirement program, 1/ we recommended, among other things, that the Congress enact legislation to encourage retention of potentially productive employees and the Civil Service Commission (now OPM) discontinue its policy of encouraging employees to use extended sick leave before filing an application for disability retirement. We still believe these reforms are needed to reduce retirement and personnel costs.

1/"Civil Service Disability Retirement: Needed Improvements" (FPCD-76-61, Nov. 19, 1976) and "Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform" (FPCD-78-48, July 10, 1978).

EFFECTS OF ABSENTEEISM

Sick leave absences, particularly extended ones, can adversely affect productivity and personnel costs. Since retirement-eligible employees generally are more knowledgeable and experienced, their extended absences can create serious staffing problems.

Overtime, overhiring, temporary promotions, and job details can partially offset the effects of extended sick leave, but these practices are costly. Job details or reassignments and overhiring are particularly costly when two employees (the one on sick leave and his/her replacement) are paid to do one job.

An official at Eglin told us that overhiring was a rather common practice. He said a top management committee approved overhiring whenever employees occupying critical positions were placed on extended sick leave pending retirement and replacements were hired before the employees retired. Operating and personnel officials we interviewed confirmed that overtime and temporary promotions were sometimes necessary to compensate for extended sick leave, but we noted no examples of these practices in connection with the retirements we reviewed.

The following examples illustrate the effects of extended sick leave on installations' operations and personnel costs.

- Interviews with the supervisors of 13 employees at Eglin who used extended sick leave before retiring disclosed that 7 of the jobs were filled before the employees retired (overhire), 3 jobs were not filled until the employees retired, and 3 jobs were eliminated or never filled after employees retired. Three days after one employee's extended sick leave began, a military attorney was assigned to fill his position. For the 1-1/2 years the retiring employee was on sick leave, Eglin paid two people to perform that job.
- A commissary officer's position at Kelly was eliminated, and the employee eligible for retirement was reassigned to another position. This new job involved resolving marketing problems at commissaries through correspondence and onsite visits. According to his supervisor, the employee never reported for duty in the reassigned position because he was on continuous sick leave during the 12 months preceding his retirement. The supervisor told us that the employee's

duties had to be distributed to other employees, and the expertise normally available through that position was lost.

--Two warehousemen at Kelly, whose duties were to supply maintenance shops with required material, were on continuous sick leave for 223 days and 117 days immediately before their retirement. Both employees were absent during the same 7-month period. According to the supervisor their work had to be done by other warehousemen on duty and sometimes by employees borrowed from other work centers; employee morale was reduced because the extra work was shared by other employees for an extended period.

--A disaster plans officer at Kelly took 148 days of continuous sick leave before retiring. The employee's supervisor told us that because of the employee's extended absence (1) certain required disaster preparedness training was not conducted, (2) deficiencies in the disaster program cited in an Inspector General report were not corrected, and (3) a supervisor had to work extra hours to help resolve problems resulting in part from the employee's absence. According to the supervisor, the disaster plans officer position required special training, and a qualified temporary replacement was not available.

In a letter to all civilian employees the Commander, Fort Sam Houston, noted there may be much unnecessary sick leave usage. He said that the installation had:

"* * * no extra employees * * * each is an important contributor to overall effectiveness and any absence requires a substantial extra effort on the part of co-workers who must carry out the duties of others in addition to their own."

LUMP-SUM LEAVE PAYMENTS

Under existing law (section 5551 of title 5, United States Code) an employee who leaves Federal service is entitled to a lump-sum payment for his/her accrued annual leave. The lump-sum payment is equal to the pay the employee would have received had he/she remained in Federal service until the period of that annual leave expired. By FPM regulation, the lump-sum payment includes pay for holidays and premium pay which the employee otherwise would have been entitled. Employees do not, however, earn additional leave during the period covered by the lump-sum payment.

Employees on sick leave continue to earn annual and sick leave. Because retiring employees receive pay for unused annual leave, but not sick leave, there is a financial incentive for them to conserve their annual leave and to charge sick leave when they are absent from work.

At the five installations, we noted that employees who used large amounts of sick leave, either continuously or intermittently, used very little annual leave. Of 153 optional retirees who used 10 or more days of sick leave during their last year of service and retired at the end of 1977 or 1978, 60 (39 percent) used 5 or less days of annual leave; 63 (41 percent) retired with an annual leave balance of 50 or more days. These 153 employees received lump-sum payments of up to \$15,897, averaging \$3,514 each. On the average, each of the 916 optional retirees received pay for 1 holiday falling within their lump-sum leave period.

CONCLUSIONS

After examining documentation supporting sick leave used by employees who retired during 1977 or 1978 and discussing the matter with their supervisors, we believe that more emphasis is needed to properly administer sick leave. In many instances supporting documentation was not obtained, and when it was, it did not provide a sufficient basis for approving such absences. Generally, the documentation was a letter or application for leave (standard form 71) signed by a private physician stating the employee was under the physician's care. It usually did not elaborate on the employee's medical condition or explain how and to what extent that condition was disabling.

The services are not doing all they can to monitor and control sick leave. They are not using generally accepted personnel management techniques such as counseling employees or assigning them to less strenuous duties to cut down absenteeism. Also, they are not using their existing authority to require employees suspected of sick leave abuse to (1) furnish administratively acceptable medical evidence of incapacity for each sick leave absence or (2) undergo a fitness-for-duty medical examination.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

We recommend that the Secretary of Defense

--continue to emphasize to the services the need to obtain sufficient medical evidence before approving employees' requests for extended sick leave and

--direct the services to use their authority to (1) require employees on extended sick leave absences to undergo a periodic fitness-for-duty examination and (2) require employees suspected of sick leave abuse to submit acceptable medical evidence for each absence, regardless of length.

*GENERAL ACCOUNTING OFFICE
REPORT TO THE SECRETARY OF
DEFENSE*

*ADEQUATE MEDICAL EVIDENCE NEEDED
WHEN APPROVING EXTENDED SICK LEAVE
FOR RETIRING EMPLOYEES B-152073*

D I G E S T

WHY THE REVIEW WAS MADE

Federal civilian employees earn 13 days of sick leave a year and any not used may be accumulated. Before 1969, unused sick leave was forfeited when employees retired. To prevent the forfeiture of unused sick leave, the retirement law was amended in 1969 to permit unused sick leave to be used to increase employees' service time in computing their retirement annuities.

During other reviews, the General Accounting Office (GAO) noted at some military bases that a large number of employees had taken extended periods of sick leave immediately prior to their retirement. Accordingly, GAO made an examination during 1973 at five military bases to evaluate the procedures for approving extended sick leave in conjunction with optional retirements and to determine the extent and impact of this practice.

FINDINGS AND CONCLUSIONS

While the amendment to the retirement law created some incentive for conserving sick leave, it still is financially more advantageous for employees to use sick leave immediately before retirement. By doing that, the employees generally obtain a larger increase in their retirement annuities as well as receiving full pay while using accumulated sick leave.

Of 263 employees optionally retiring during the six-month period ended May 31, 1973, at the five bases reviewed, 139 used an average of 172 days of sick leave valued at over \$1 million after their last day of work. Moreover, 246 employees were on extended sick leave pending optional retirement as of May 31, 1973, and received approval for an average of 222 days of sick leave valued at about \$2.7 million. (See pp. 5 and 6.)

At three installations extended sick leave was routinely approved for employees who requested it. Determinations of incapacity generally were based on opinions of private physicians which were usually not supported by adequate medical evidence to corroborate the employees' incapacity for work. Physical examinations or independent medical evidence were generally not required nor was there a requirement for periodic reevaluation of employees on extended sick leave. One base required adequate support for all sick leave requests and the other prohibited extended sick leave in connection with optional retirement. These varying practices may have occurred because the Department of Defense has not issued guidelines to administer this aspect of sick leave. (See pp. 5 to 12.)

Employees on sick leave before retirement are included in agency personnel ceilings and continue on the payroll until their leave

expires and they retire. Limitations on manpower spaces and funds have prevented the hiring of additional permanent employees to replace those on sick leave. Consequently, some work was deferred, the workload of employees on duty was increased, overtime and hiring of temporary employees were required, and funds were diverted from other programs to pay for the increased costs. (See pp. 13 and 14.)

About 300,000 DOD employees--one third of the work force--are either now eligible for optional retirement or will be in the near future. Under these conditions, the improper granting of extended sick leave prior to optional retirement could become a major problem throughout the Department unless sound and uniform administrative controls and practices are instituted. (See p. 15.)

RECOMMENDATIONS

The Secretary of Defense should:

1. Establish uniform policies for approving extended sick leave which would include:
 - requiring medical examinations,
 - defining the type of medical evidence that should be obtained to support an incapacity for further duty,
 - monitoring extended absences, and
 - if practicable, reassigning disabled employees to other positions which they could perform.
2. Require DOD installations to review current cases of employees who are on extended sick leave pending optional retirement and obtain sufficient medical evidence for those who were determined to be incapacitated based on inadequate medical evidence. (See p. 15.)

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Congress of the United States
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September 19, 1978

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10-12

Honorable Elmer B. Staats
Comptroller General of the
United States
Washington, DC 20548

Dear Mr. Staats:

The Civil Service Commission issues regulations to implement the retirement and sick leave laws. These Civil Service regulations set forth the broad criteria for granting sick leave and assign governmental agencies the responsibility for specifying the evidence required to determine whether an employee is incapacitated for work.

In a February 1974 General Accounting Office report, titled, "Adequate Medical Evidence Needed When Approving Extended Sick Leave for Retiring Employees" your office pointed out that numerous employees were taking advantage of their sick leave to extend retirement dates. By so doing, employees generally obtained larger retirement annuities, and received full pay and accrued additional sick leave and annual leave while using their accumulated sick leave.

It would be appreciated if you would direct a further inquiry into the policies and practices used by various components of the Department of Defense in monitoring the use of extended sick leave for employees pending optional retirement. In conjunction with this review, it may prove productive to examine other payments made to employees upon job separation. For example, the necessity to pay compensatory time in

lieu of granting time off prior to an employee's leaving the federal service or accepting employment with a different federal agency.

The Committee appreciates your continued assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "George M. ...". The signature is written in black ink and is positioned above the printed name "George M. ...".

George M. ...

Chairman

(963076)

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