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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

OCT 25 1973



The Honorable Ralph Nicholson
Senior Assistant Postmaster General, Finance
United States Postal Service

Dear Mr. Nicholson:

The General Accounting Office has completed an examination of certain aspects of the Postal Service's workmen's compensation activities. This examination disclosed a problem involving the timeliness of the payments by the Service to the Department of Labor. However, as discussed below, corrective action rests with Labor rather than the Postal Service. The purpose of this letter is to apprise you of our findings, and to alert you to the fact that we are doing additional work on this matter at Labor.

At present, Postal Service's payments to the Department of the Treasury to reimburse Labor for workmen's compensation benefits paid Postal Service employees are made about one year after receipt of Labor's billing. This one-year lag in reimbursement is proper with respect to benefits paid employees of the former Post Office Department. It is improper, however, regarding benefits paid for injuries sustained by Postal Service personnel.

Guidance on this matter is contained in 5 U.S.C. 8147(b):

"Before August 15 of each year, the Secretary [of Labor] shall furnish to each agency and instrumentality *** a statement showing the total cost of benefits and other payments made from the Employees' Compensation Fund during the preceding fiscal year ***. Each agency and instrumentality shall include in its annual budget estimates for the next fiscal year a request for an appropriation in an amount equal to the costs. Such appropriation pursuant to the request shall be deposited in the Treasury to the credit of the Fund within 30 days after they are available. An Agency or instrumentality not dependent on an annual appropriation shall make the reimbursement from funds under its control." (Underlining supplied.)

Workmen's compensation benefits paid for work injuries sustained before July 1, 1971, by employees of the former Post Office Department

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are a liability of the United States Government, to be funded by the Treasury. Benefits for injuries sustained on or after July 1, 1971, the effective date of the Postal Reorganization Act, are a liability of the Postal Service, to be paid from the Postal Service Fund.

At the end of fiscal year 1972, Labor billed the Postal Service \$38 million representing:

- (1) \$30 million for benefits paid employees of the Post Office Department, for injuries sustained prior to July 1, 1971, and
- (2) \$8 million for benefits paid employees of the Postal Service for injuries sustained on or after July 1, 1971.

The Postal Service included the \$30 million item in its appropriation request for fiscal year 1974. The \$8 million item was not included in the request since it is a liability of the Postal Service Fund. We found that, with respect to obtaining reimbursements, Labor makes no distinction between agencies dependent on annual appropriations and agencies not so dependent. Thus, Labor's billing for the Postal Service \$8 million fiscal year 1972 employees' compensation liability requested that payment be made about 1 year after the billing date--the same reimbursement timing that is properly applicable to agencies dependent on annual appropriations, including the \$30 million Postal Service liability to be paid from appropriated funds.

In June 1973, the Assistant Postmaster General, Finance, told us that he agreed with our position that the Postal Service's liability for injuries sustained after July 1, 1971, is payable on receipt of notice from Labor. However, he said that Labor representatives had advised the Postal Service that Labor could not accept the payment for the fiscal year 1972 liability until fiscal year 1974. He said that the Labor representatives had stated that Labor's fiscal year 1974 budget plans had considered that the Postal Service's reimbursement for its fiscal year 1972 liability would not be available for use until some time in August 1973. If payment was made in fiscal year 1973, the funds would revert to the Treasury if not used in that year; hence, the funds would not be available for use in fiscal year 1974--the year that Labor had budgeted for its receipt.

We are doing additional work at Labor on this and other matters related to the administration of employee compensation benefits.

Since nothing further can be done on the part of the Postal Service,
we have closed out our work there.

Thank you for the cooperation extended to our representatives.

Sincerely yours,

A handwritten signature in cursive script that reads "John Landicho".

John Landicho
Associate Director