TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Lack of Compensation for Unused Sick Leave at Retirement Has Contributed to Higher Use by Employees in the Federal Employees Retirement System

April 24, 2008

Reference Number: 2008-30-093

**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

April 24, 2008

MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICER

FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Lack of Compensation for Unused Sick Leave at Retirement Has Contributed to Higher Use by Employees in the Federal Employees Retirement System (Audit # 200730023)

This report presents the results of our review of sick leave usage within the Internal Revenue Service (IRS). The overall objective of this review was to identify the trends and patterns of IRS employees' sick leave use and the policies, programs, and procedures that have been implemented to reduce the opportunity for abuse. This review is part of the Treasury Inspector General for Tax Administration Fiscal Year 2007 Annual Audit Plan coverage, under the major management challenge of Human Capital at the IRS.

Impact on the Taxpayer

A recent Congressional Research Service report[1] estimated that all Federal Government employees will be in the Federal Employees Retirement System (FERS) by Calendar Year 2014. An analysis of sick leave use by IRS employees reflects that FERS employees are more likely to use sick leave than their counterparts in the Civil Service Retirement System, which indicates that FERS employees are using sick leave as a supplement to annual leave because the FERS does not provide a service credit in computing their retirement annuities. The higher use of sick leave by FERS employees has financial implications and can have a detrimental impact on productivity and customer service.

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[1] Congressional Research Service, Report to Congress. *Sick Leave: Usage Rates and Leave Balances for Employees in Major Federal Retirement Systems*, August 29, 2007.

Synopsis

Federal Government employees earn 13 days (104 hours) of sick leave each year. Any unused sick leave remaining at the end of the year can be carried forward into the next year, and there is no limit on the number of sick leave hours an employee can carry forward throughout his or her career. While employees in the Civil Service Retirement System receive compensation for unused sick leave upon retirement, employees in the FERS do not receive the same benefit. The potential abuse of sick leave by FERS employees has become a topic of concern and controversy in the Federal Government. Many people in the Federal Government believe that employees in the FERS are more likely to use sick leave as a supplement to annual leave, given that they would forfeit any unused sick leave at retirement without compensation in the form of a service credit.

Our analysis of time and attendance records for current IRS employees as of January 6, 2007, showed that approximately 97,000 IRS employees took more than 15 million hours of sick leave in Calendar Years 2005 and 2006, costing the IRS $450 million in salary plus lost productivity.[2] Revenue officers[3] alone took 959,030 hours of sick leave, resulting in $256 million in potential lost revenue from uncollected taxes (based on an average collection rate of $267 per hour).[4] According to the sick leave use information contained on the Treasury Integrated Management Information System (TIMIS),[5] IRS employees took an average of 11 days of sick leave in 2006 and had only an average balance of 43 days of accumulated sick leave at the end of the year.

A significant number of IRS employees have also been advanced sick leave because they used all of their accumulated sick leave. For example, TIMIS data showed 6.5 percent[6] of IRS employees had a negative sick leave balance at the end of 2006. Our survey of IRS managers[7] showed that 50 percent[8] of the managers had approved advanced sick leave to an employee in the past year. According to information provided by the IRS, 494 employees separated in 2006 with 38,681 hours of advanced sick leave costing around $830,000. The IRS has collected approximately $412,000 from these former employees. Our manager survey also showed that

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[2] The calculation for sick leave hours taken and associated costs did not include any sick leave taken on weekends for employees whose tours of duty included a Saturday or Sunday.

[3] Revenue officers are IRS employees who are responsible for collecting delinquent tax accounts and securing delinquent tax returns.

[4] We do not consider revenue officers to use more or less sick leave than other IRS employees. Instead, we cited revenue officers as an example, based upon available data, to calculate potential lost revenue.

[5] The TIMIS is the IRS' official automated personnel and payroll system.

[6] We did not compare the percentage of IRS employees with advanced sick leave to the percentage of employees in other Federal Government agencies with advanced sick leave.

[7] We surveyed 295 IRS managers. The survey included 41 questions addressing administration of sick leave. The number of managers responding varied among questions, with a minimum of 257 respondents and a maximum of 293 respondents. Appendix IV contains the detailed results of our survey.

[8] Question 28: 138 of the 274 managers who responded stated that they had approved advanced sick leave to an employee within the past year.

while actions are being taken to address improper use of sick leave, managers need additional training on sick leave administration.

We believe that the lack of compensation for unused sick leave at retirement has contributed to the higher amount of sick leave used by FERS employees. For example, we found that FERS employees are more likely to use sick leave than employees in the Civil Service Retirement System, especially as they approach retirement. While we did not compare sick leave use by IRS employees to that of employees in other Federal Government agencies, these results are consistent with the recent Congressional Research Service report and indicate that changing the FERS to grant employees some form of compensation for unused sick leave at retirement might be warranted, if the change is determined to be less expensive than the current policy. The day of the week also had a significant impact on sick leave use. Specifically, sick leave use is highest on Mondays and Tuesdays. Other factors that can affect sick leave use besides an employee's retirement plan include gender, age, grade, and position.

Recommendations

We recommended that the Chief Human Capital Officer ensure that (1) all IRS managers receive training on updated leave policies to ensure proper sick leave administration and increased awareness of possible abuse, and (2) additional analysis is performed to identify factors contributing to the advancement of sick leave to a significant number of IRS employees and to identify what measures can be taken to both reduce the number of employees that separate with a negative sick leave balance and increase the collection of outstanding debts.

Response

The Chief Human Capital Officer responded that he appreciated our review of IRS sick leave use. He also agreed to all of our recommendations and outlined the corrective actions that the IRS is committed to taking. Among other things, the IRS is committed to updating its sick leave policies, procedures, and training. The IRS will also review negative sick leave balances and use the results to provide guidance on advancing sick leave and identifying abuse so corrective actions can be taken.

Even though actions are being taken to implement all our recommendations, the Chief Human Capital Officer criticized our report in five areas. First, he stated the report is not clear about how training will resolve the issue of higher use of sick leave by employees covered by FERS. Second, he indicated our report provides no evidence that supports sick leave abuse in the IRS. Third, he criticized us for not providing benchmark information from other agencies or the private sector for comparability purposes. Fourth, he thought that presenting the use of sick leave by age and gender is misleading without an analysis of contributing factors. Fifth, he

believes that we did not sufficiently emphasize the impact of legislative and regulatory changes on sick leave. Management's complete response to the draft report is included as Appendix V.

Office of Audit Comment

While we are pleased that the IRS is implementing all of our recommendations, some comments are warranted to clarify the concerns expressed by the Chief Human Capital Officer. We acknowledge that training alone will not completely resolve the issue of higher sick leave use by FERS employees and revised the text accordingly for clarity purposes (page 15). However, the fact that a number of IRS managers believe it is acceptable to improperly use sick leave suggests the need for additional guidance and training.

We agree that the report does not provide evidence of sick leave abuse in the IRS nor does it provide benchmark information since this was not the intent of the review. As stated in the report, our objective was to identify the trends and patterns of sick leave use in the IRS and the policies, programs, and procedures that have been implemented to reduce the opportunity for abuse. We do not agree that presenting the use of sick leave by age and gender is misleading. We reported that other factors such as gender, age, grade, and position can affect sick leave use besides an employee's retirement plan.

Finally, we believe we sufficiently addressed legislative and regulatory changes to expand the criteria for using sick leave. As stated in our report, the justification for using sick leave has been expanded to permit its use to care for a family member and for bereavement purposes. However, regular sick leave is still the primary category used by IRS employees when taking sick leave.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-8510.

Table of Contents

Abbreviations

ALERTS	Automated Labor and Employee Relations Tracking System
CSRS	Civil Service Retirement System
FERS	Federal Employees Retirement System
IRS	Internal Revenue Service
SETR	Single Entry Time Reporting
TIMIS	Treasury Integrated Management Information System

Background

Federal Government employees earn 13 days (104 hours) of sick leave each year. Any unused sick leave remaining at the end of the year can be carried forward into the next year, and there is no limit on the number of sick leave hours that an employee can carry forward throughout his or her career. Prior to 1993, employees were authorized to use sick leave primarily for their own personal illness. Enactment of the Family and Medical Leave Act of 1993 [1] and the Federal Employees Family Friendly Leave Act [2] expanded the circumstances for which an employee may use sick leave. For example, employees may now use sick leave to pursue adoptions, to provide general care for a family member who is ill or receiving medical examination or treatment, to care for seriously ill family members, or to make arrangements necessitated by the death of a family member or attend the funeral of a family member, in addition to using it for personal illness.

The Federal Government has been concerned about the use of sick leave by its employees for decades. Abuse of sick leave occurs when employees use the leave for conditions not authorized in the guidelines established by public law. Sick leave abuse is a serious problem that can adversely affect an agency's productivity and its ability to achieve stated goals and objectives. As a result, proper administration of sick leave by Internal Revenue Service (IRS) managers is essential to prevent its abuse by IRS employees. Proper administration of sick leave by IRS managers includes:

- Informing employees of the conditions authorized for using sick leave and the proper procedures for requesting sick leave.

- Verifying the circumstances of the absence, to justify approval of an employee's request to use sick leave.

- Maintaining accurate records of sick leave use and ensuring that sick leave is charged appropriately in the timekeeping system.

- Being alert to possible abuse of sick leave, addressing any concerns with employees suspected of improperly using sick leave, and initiating disciplinary action for unauthorized absences or failure to follow established leave procedures.

Many people in the Federal Government have long suspected that the lack of a service credit in computing retirement annuities for unused sick leave at retirement for employees in the Federal Employees Retirement System (FERS) contributes to the higher use of sick leave by these

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[1] Pub. L. No. 103-3, 107 Stat. 6 (codified as amended at 29 U.S.C. §§ 2601-2654 (2006)).
[2] Pub. L. No. 103-388, 108 Stat. 4079 (1994) (amended 5 U.S.C. § 6307) (expired 1997). Prior to its expiration, the Office of Personnel Management issued final regulations at 5 C.F.R. §§ pt. 630, subpt. D in order to continue to permit the use of sick leave for family care and bereavement purposes.

employees. Prior to the establishment of the FERS on January 1, 1987, Federal Government employees were in the Civil Service Retirement System (CSRS). Until enactment of the Civil Service Retirement Amendments of 1969 (hereafter referred to as Public Law 91-93)[3] on October 20, 1969, employees in the CSRS had no incentive not to use sick leave because they had to forfeit any unused sick leave at retirement. The Civil Service Commission (now the Office of Personnel Management) estimated that, prior to enactment of Public Law 91-93, about one-half of all retiring Federal Government employees had a zero sick leave balance. Public Law 91-93 provided future retiring CSRS employees with a service credit for accumulated sick leave in computing their civil service retirement annuities. In 1985, the General Accounting Office (now the Government Accountability Office) was asked to determine whether the 1969 law authorizing a retirement credit for unused sick leave had the intended effect of encouraging employees to use sick leave appropriately. In June 1986, the Government Accountability Office reported[4] that employees retiring in 1984 and 1985 had a significantly higher average balance of unused sick leave than those who retired in 1968, which it attributed in part to the change in the law.

Unlike CSRS employees, FERS employees do not receive compensation in the form of a service credit at retirement for unused sick leave. Almost all Federal Government employees hired after December 31, 1983, are in the FERS. With the continual retirement of CSRS employees, the percentage of FERS employees has increased. A recent Congressional Research Service report[5] estimated that all Federal Government employees will be in the FERS by Calendar Year 2014. With many FERS employees now becoming eligible for retirement, there is once again growing concern within the Federal Government that many employees are opting to use their accumulated sick leave rather than forfeiting it at retirement. According to the Congressional Research Service report, a 2006 Office of Personnel Management study found that FERS employees eligible to retire or nearly eligible to retire use more sick leave per year, on average, than CSRS employees in these same categories. Our analysis focused on comparing sick leave use by FERS employees to that of CSRS employees. We did not examine the specific circumstances surrounding the actual sick leave taken. Consequently, we did not conclude whether the leave was proper or improper.

This review was performed at the IRS National Headquarters in Washington, D.C., in the Human Capital Office during the period March through October 2007. We conducted this performance audit in accordance with generally accepted government auditing standards. 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

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[3] Pub. L. No. 91-93, 83 Stat. 136 (codified as amended in scattered sections of 5 U.S.C. §§ 8331-8351 (2006)).
[4] *Federal Workforce: Retirement Credit has Contributed to Reduced Sick Leave Usage* (GAO/GGD-86-77BR, dated June 1986).
[5] Congressional Research Service, Report to Congress. *Sick Leave: Usage Rates and Leave Balances for Employees in Major Federal Retirement Systems*, August 29, 2007.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Results of Review

Our analysis of time and attendance records for current IRS employees as of January 6, 2007, showed that approximately 97,000 IRS employees took more than 15 million hours of sick leave in Calendar Years 2005 and 2006, costing the IRS $450 million in salary plus lost productivity.[6] Revenue officers[7] alone took 959,030 hours of sick leave, resulting in $256 million in potential lost revenue from uncollected taxes (based on an average collection rate of $267 per hour).[8] According to the sick leave use information contained on the Treasury Integrated Management Information System (TIMIS),[9] IRS employees took an average of 11 days of sick leave in 2006 and had only an average balance of 43 days of accumulated sick leave at the end of the year.

A significant number of IRS employees have also been advanced sick leave because they used all of their accumulated sick leave. For example, TIMIS data showed 6.5 percent[10] of IRS employees had a negative sick leave balance at the end of 2006. Our survey of IRS managers[11] showed 50 percent[12] of the managers had approved advanced sick leave to an employee in the past year. According to information provided by the IRS, 494 employees separated in 2006 with 38,681 hours of advanced sick leave costing around $830,000. The IRS has collected approximately $412,000 from these former employees. Our manager survey also showed that, while actions are being taken to address improper use of sick leave, managers need additional training on sick leave administration.

In addition to the salary costs and lost productivity, non-judicious use of sick leave may have a detrimental impact on the IRS' ability to accomplish its mission. We believe that the lack of compensation for unused sick leave at retirement has contributed to the higher amount of sick leave used by FERS employees. For example, we found that FERS employees are more likely than CSRS employees to use sick leave, especially as they approach retirement. While we did

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[6] The calculation for sick leave hours taken and associated costs did not include any sick leave taken on weekends for employees whose tours of duty included a Saturday or Sunday.

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[11] We surveyed 295 IRS managers. The survey included 41 questions addressing administration of sick leave. The number of managers responding varied between questions with a minimum of 257 respondents and a maximum of 293 respondents. Appendix IV contains the detailed results of our survey.

[12] Question 28: 138 of the 274 managers that responded stated they had approved advanced sick leave to an employee within the past year.

not compare sick leave use by IRS employees to that of employees in other Federal Government agencies, these results are consistent with a recent Congressional Research Service report and indicate that changing the FERS to grant employees some form of compensation for unused sick leave at retirement might be warranted, if the change is determined to be less expensive than the current policy. The day of the week also had a significant impact on sick leave use. Specifically, sick leave use is highest on Mondays and Tuesdays. Other factors that can affect sick leave use besides an employee's retirement plan include gender, age, grade, and position.

Sick Leave Use Was Higher for Employees in the Federal Employees Retirement System

According to TIMIS data, the IRS had 100,954 current employees as of January 6, 2007.[13] As shown in Figure 1, 78,643 (78 percent) were in the FERS and 21,200 (21 percent) were in the CSRS. Due to the relatively small number of employees involved, we did not attempt to determine the reason why 1,111employees (1 percent) were not reflected in either FERS or CSRS according to TIMIS data. With the continual retirement of CSRS employees, the percentage of IRS employees in the FERS will continue to grow.

Figure 1: Distribution of Employees by Retirement Plan
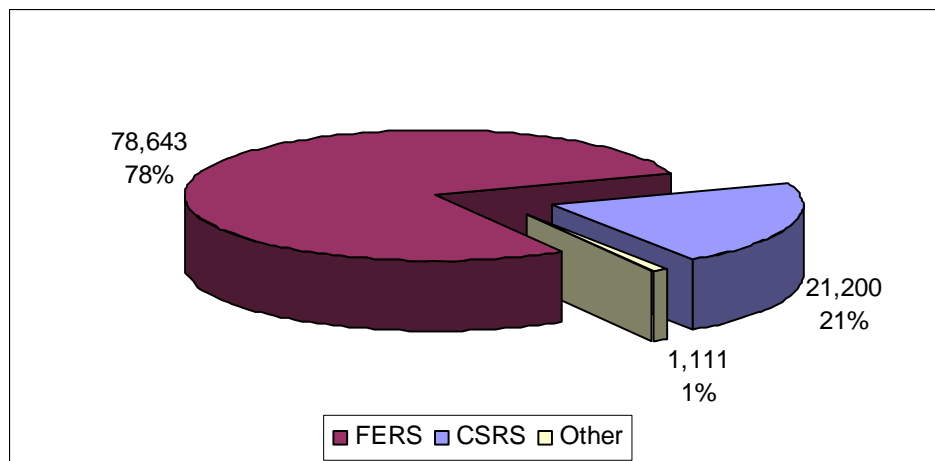
Source: Our analysis of TIMIS data, as of January 6, 2007.

Our analysis of the TIMIS data for Calendar Year 2006 showed that FERS employees used more sick leave than CSRS employees during the year.[14] For example, FERS employees took an average of 11.27 days of sick leave for the year, while CSRS employees took an average of only

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[13] The number presented includes all IRS employees (full-time, part-time, seasonal, etc.).
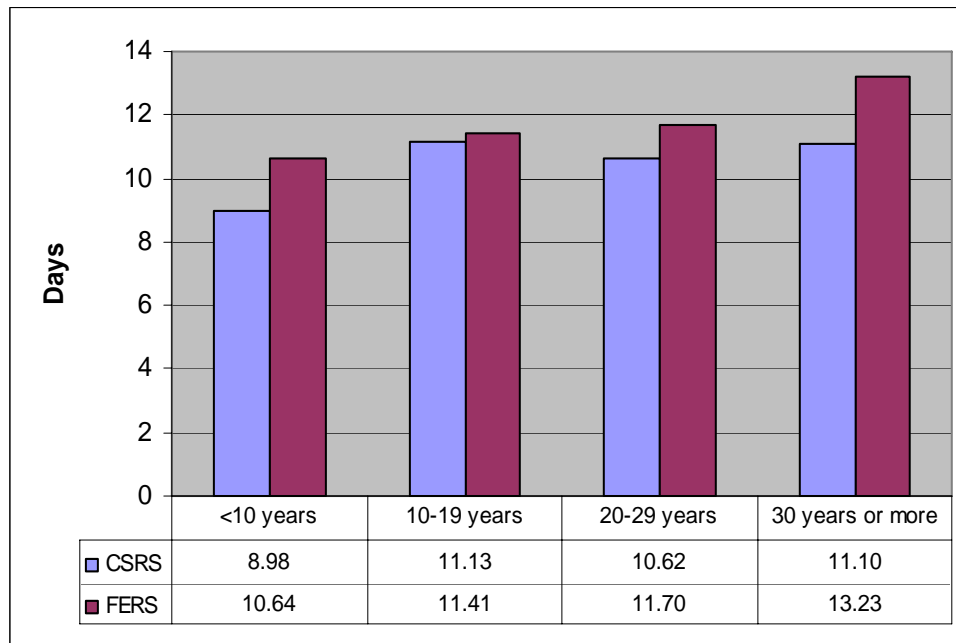
[14] The analysis of TIMIS data included only employees that earned 104 hours (13 days) of sick leave during 2006. Therefore, the analysis included full-time employees and full-time seasonal employees, but did not include part-time employees.

10.83 days. Figure 2 illustrates the difference in sick leave use, based on years of service, between employees in the FERS and the CSRS.

Figure 2: Average Number of Sick Leave Days Used in 2006 by Retirement Plan and Years of Service

	<10 years	10-19 years	20-29 years	30 years or more
☐ CSRS	8.98	11.13	10.62	11.10
☐ FERS	10.64	11.41	11.70	13.23

Source: Our analysis of TIMIS data, as of January 6, 2007.[15]

The disparity in sick leave days taken by FERS and CSRS employees is greatest as employees approach retirement eligibility. For example, there is less than a half-day use difference for employees with 10 years through 19 years of service. However, that difference increases to more than 2 days for employees with 30 or more years of service. This difference indicates that FERS employees are more inclined to use sick leave as they near retirement because any unused accumulated sick leave will be forfeited without compensation when they retire.

The higher use of sick leave by FERS employees over time created a larger disparity in the average balance of accumulated sick leave between CSRS and FERS employees. For example, as shown in Figure 3, the average balance of accumulated sick leave for CSRS employees exceeded the amount for FERS employees by only 4 days for employees with fewer than

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[15] CSRS employees account for a small percentage of the total population of IRS employees with fewer than 20 years of service. There are only 273 CSRS employees with fewer than 20 years of service. FERS employees account for a small percentage of the total population of IRS employees with 30 years or more of service. There are only 538 FERS employees with 30 years or more of service.

10 years of service. However, the difference in the average balance of accumulated sick leave had increased to 36 days for employees with 30 or more years of service.

Figure 3: Average Balance of Accumulated Sick Leave Days by Retirement Plan and Years of Service

	<10 years	10-19 years	20-29 years	30 years or more
CSRS	14.40	19.37	67.40	117.52
FERS	10.80	28.68	42.49	81.20
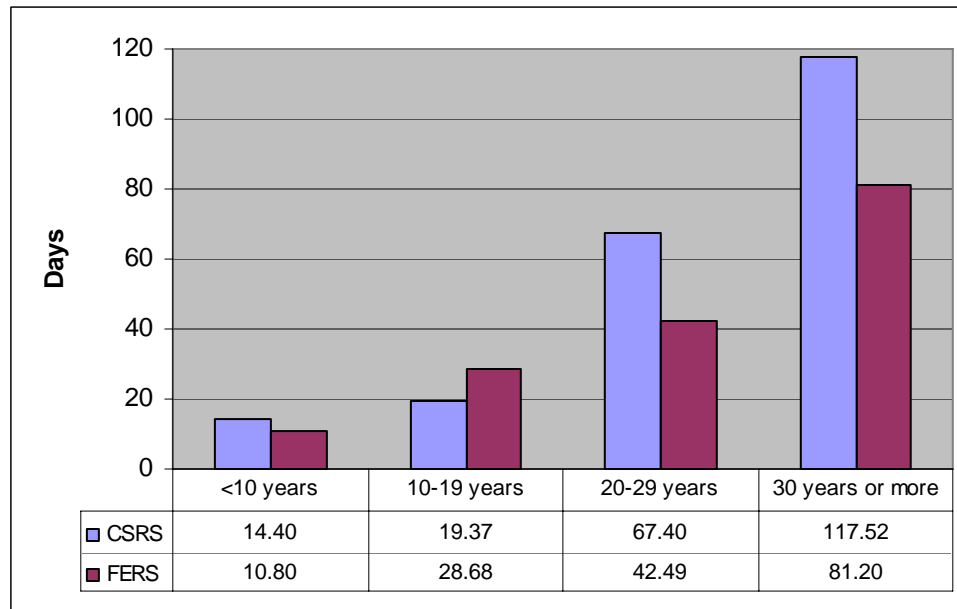
Source: Our analysis of TIMIS data, as of January 6, 2007.

Sick Leave Use Was Highest on Mondays or on Tuesdays Following a Monday Holiday

Our analysis of biweekly time and attendance records input to the IRS' Single Entry Time Reporting (SETR)[16] system for Calendar Years 2005 and 2006 showed that both FERS and CSRS employees most often took sick leave on Mondays or on Tuesdays following a Monday holiday. As shown in Figure 4, 24 percent of all sick leave taken by employees during non-holiday weeks is on Monday. For weeks that have a holiday falling on a Monday, 27 percent of all sick leave taken is on Tuesday. Sick leave use by employees decreases during the remainder of the week.

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[16] The SETR system provides an online timekeeping function that allows the virtual timekeeper to enter, validate, and transmit timecard information to the manager for an online approval.

Figure 4: Percentage of Sick Leave Used by Day of the Week

	Monday	Tuesday	Wednesday	Thursday	Friday
■ Non-Holiday Week	24%	21%	19%	18%	17%
□ Holiday Week	7%	27%	25%	22%	19%
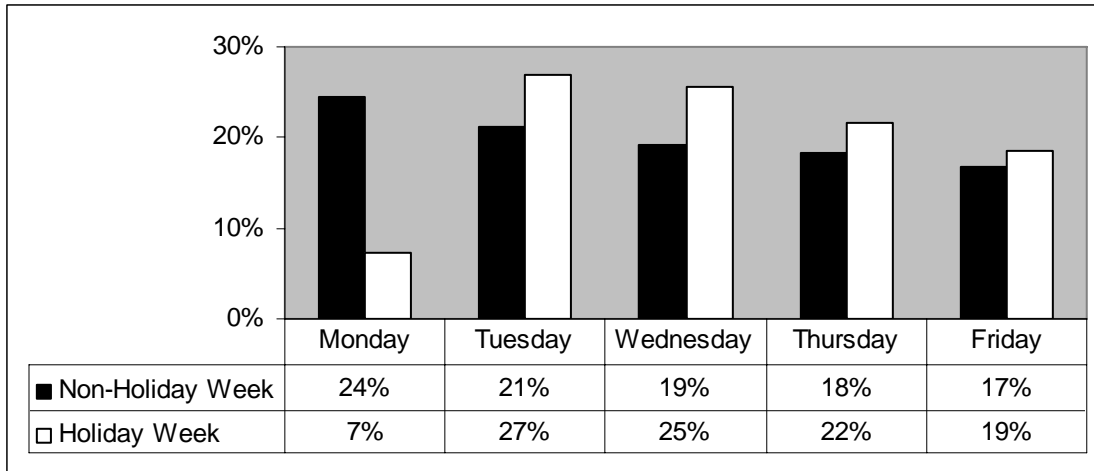
Source: Our analysis of SETR data for Calendar Years 2005 and 2006.

We also found extreme cases of questionable sick leave use. For example, 1 employee used sick leave on 13 of the 14 Tuesdays following a Monday holiday during the 2-year period.

Employee Gender, Age, Grade, and Position Also Affected Sick Leave Use

In addition to the retirement system, an IRS employee's gender, age, grade, and position affected the use of sick leave. As shown in Figures 5 and 6, females averaged a higher number of sick leave days taken in Calendar Year 2006 than males. The disparity was greatest as they approached retirement eligibility. As shown in Figure 7, the higher use of sick leave by females over time created a larger disparity in the average balance of accumulated sick leave between males and females. As shown in Figure 8, the difference in sick leave balances between male and female employees increased from 28 days for employees with 10-19 years of service to 96 days for employees with 30 or more years of service.

Figure 5: Average Number of Sick Leave Days Used in 2006 by Gender and Retirement System

	Female	Male
CSRS	11.58	9.54
FERS	11.68	10.48
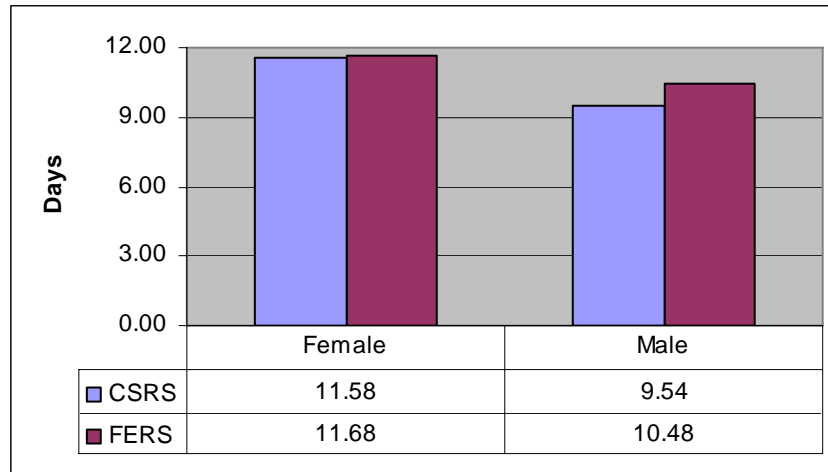
Source: Our analysis of TIMIS data, as of January 6, 2007.

Figure 6: Average Number of Sick Leave Days Used in 2006 by Gender and Years of Service
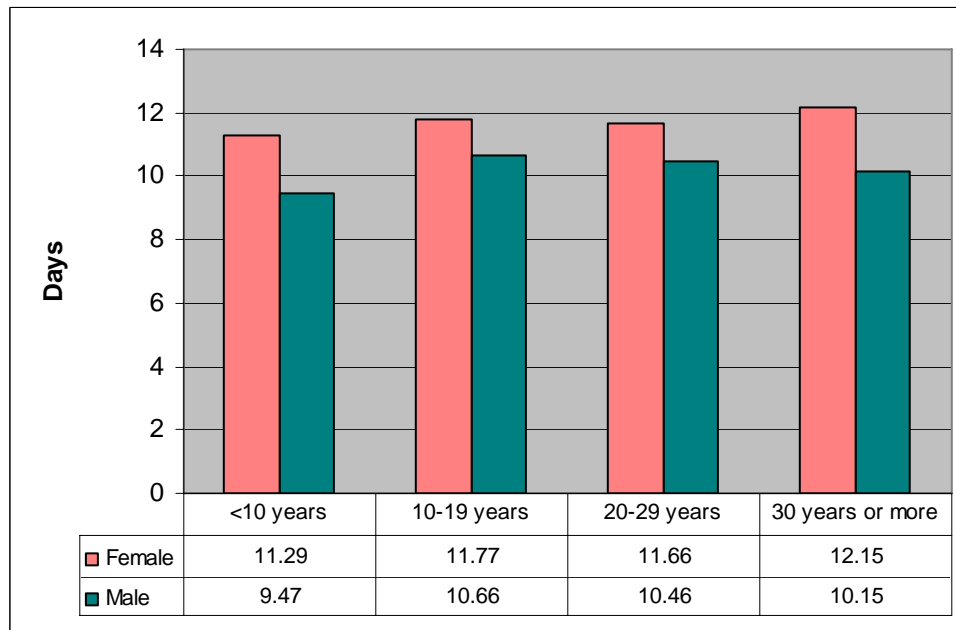
	<10 years	10-19 years	20-29 years	30 years or more
Female	11.29	11.77	11.66	12.15
Male	9.47	10.66	10.46	10.15

Source: Our analysis of TIMIS data, as of January 6, 2007.

Figure 7: Average Balance of Accumulated Sick Leave Days by Gender and Retirement System

	Female	Male
CSRS	55.41	144.74
FERS	18.41	44.57
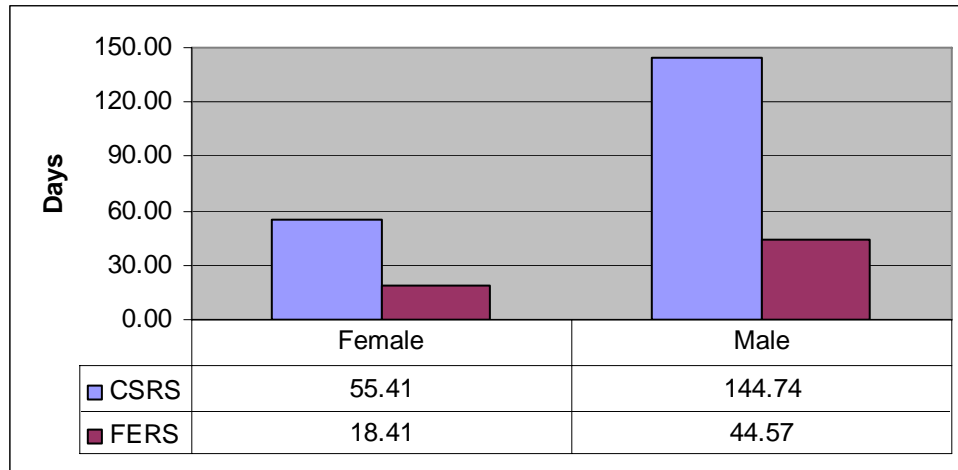
Source: Our analysis of TIMIS data, as of January 6, 2007.

Figure 8: Average Balance of Accumulated Sick Leave Days by Gender and Years of Service
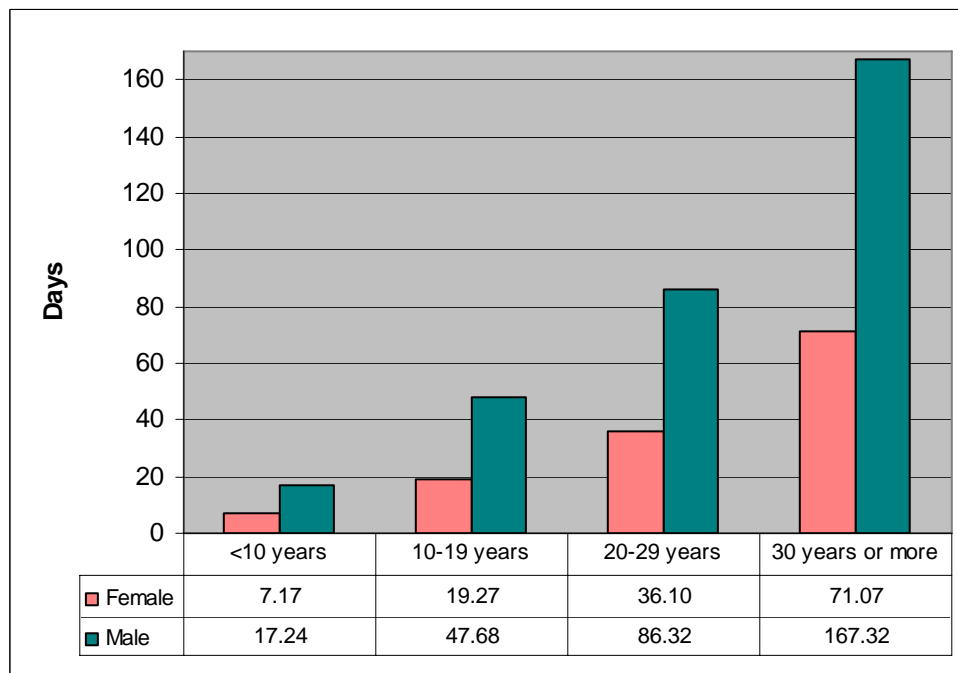
	<10 years	10-19 years	20-29 years	30 years or more
Female	7.17	19.27	36.10	71.07
Male	17.24	47.68	86.32	167.32

Source: Our analysis of TIMIS data, as of January 6, 2007.

For both FERS and CSRS employees, we found that the age of the employee also can affect the amount of sick leave taken each year. As shown in Figure 9, the number of sick leave days taken generally increased as the employee aged. For example, employees between the ages of 20 and 30 took an average of 10.64 days of sick leave in 2006, while those over age 60 took 12.73 days of sick leave. The average balance of accumulated sick leave also increased as the age of the employee increased, except for employees who were 60 or more years of age. The employees with the highest amount of accumulated sick leave were between the ages of 55 and 60, with an average balance of 66.55 days.

Figure 9: Average Number of Sick Leave Days Used in 2006 and Average Balance of Accumulated Sick Leave Days by Age

|	< 20 years	20-29 years	30-39 years	40-49 years	50-54 years	55-59 years	60 or more
■ Average Days of Sick Leave Used in 2006	7.50	10.64	11.21	10.76	10.91	11.41	12.73
□ Average Days of Sick Leave Balance	0.25	7.64	13.46	34.80	54.96	66.55	55.85
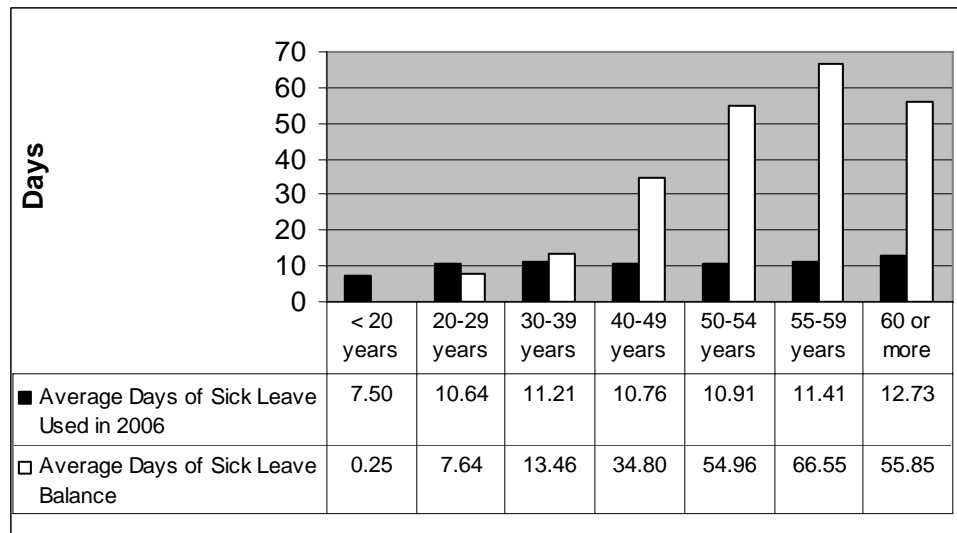
Source: Our analysis of TIMIS data, as of January 6, 2007.

The pay grade[17] and position of an employee also affected the amount of sick leave taken each year. As shown in Figure 10, lower grade employees averaged more sick leave taken in 2006 and had a lower amount of accumulated sick leave than their higher grade counterparts. IRS executives used the least amount of sick leave and had the highest balance of accumulated sick leave. For example, employees in grades 2-4 took 11.23 days of sick leave in 2006, while IRS executives took only 7.33 days. The disparity in the accumulated sick leave balances was much more significant. However, many employees in the higher grade positions have likely been employed by the IRS for a longer period of time.

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[17] The pay grade is used in determining an employee's salary based on the General Schedule pay plan, General Management pay plan, and Internal Revenue pay plan. The Internal Revenue pay grades were converted to match those on the General Schedule.

Figure 10: Average Number of Sick Leave Days Used in 2006 and Average Balance of Accumulated Sick Leave Days by Pay Grade

	GS 2-4	GS 5-7	GS 8-10	GS 11-13	GS 14-15	ES
■ Average Days of Sick Leave Used in 2006	11.23	11.82	12.13	10.88	8.79	7.33
□ Average Days of Sick Leave Balance	14.28	16.34	19.40	56.63	109.06	184.06
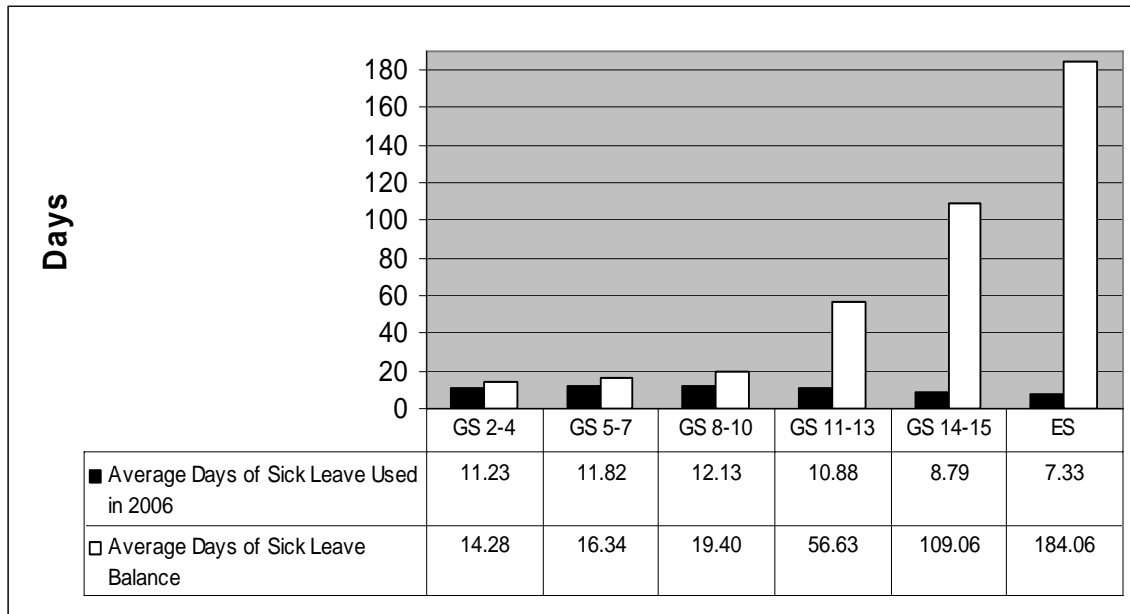
Source: Our analysis of TIMIS data, as of January 6, 2007.

When analyzing sick leave usage by position, we found that employees in a team leader or managerial position took less sick leave in the year and maintained a higher balance of accumulated sick leave.[18] As shown in Figure 11, IRS employees not in a lead, team leader, or managerial position took an average of 11.47 days of sick leave in 2006 and had a balance of only 34.93 days, while employees serving as a supervisor took an average of only 9.21 days of sick leave and had an average balance of 89.10 days of accumulated sick leave.

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[18] Employee positions include (1) lead and team leader, who are work leaders who, as a regular and recurring part of their assignment, lead three or more employees and are responsible to their supervisors for ensuring that the work assignments of the other employees of the team are carried out; (2) management official, who is an individual who formulates, determines, or influences the policies of the agency; and (3) supervisor, who is an individual employed by an agency having authority in the interest of the agency to hire, direct, assign, promote, reward, transfer, furlough, layoff, recall, suspend, discipline, or remove employees. The other category represents all employees not classified as a lead, team leader, management official, or supervisor.

Figure 11: Average Number of Sick Leave Days Used in 2006 and Average Balance of Accumulated Sick Leave Days by Position

	Other	Lead	Team Leader	Management Official	Supervisor
■ Average Days of Sick Leave Used in 2006	11.47	11.99	9.55	9.55	9.21
□ Average Days of Sick Leave Balance	34.93	22.83	89.37	88.88	89.10
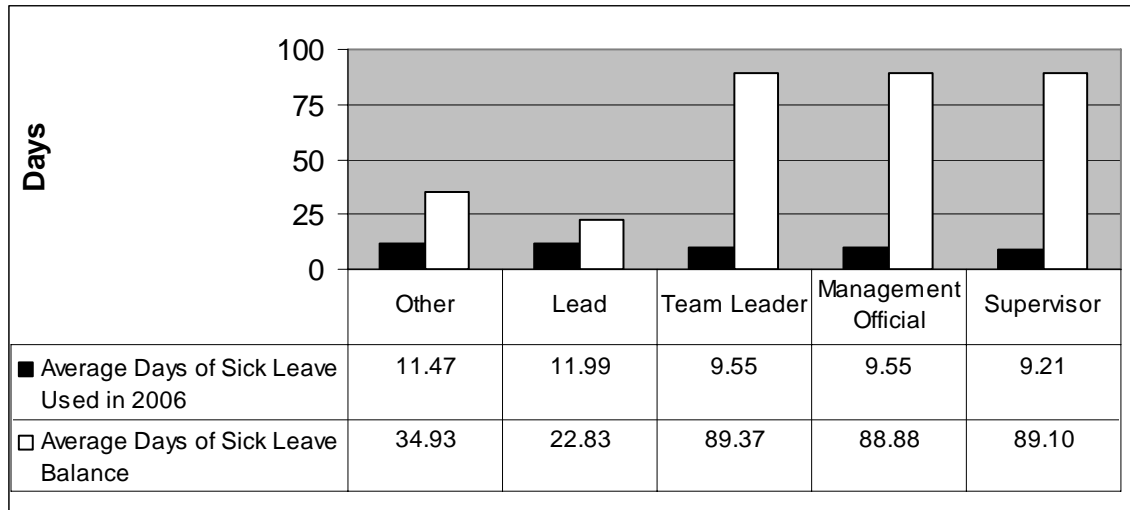
Source: Our analysis of TIMIS data, as of January 6, 2007.

Regular Sick Leave Was Used Most Often, Despite the Expansion of Sick Leave by Family-Friendly Leave Policies

In recent years, the Federal Government has expanded the justification for using sick leave to permit its use to care for a family member and for bereavement purposes. Figure 12 shows that, even with the expanded justification for using sick leave under the family-friendly leave policies, regular sick leave is still the primary category used by IRS employees when taking sick leave.

Figure 12: Percentage of Sick Leave Hours Taken by Category
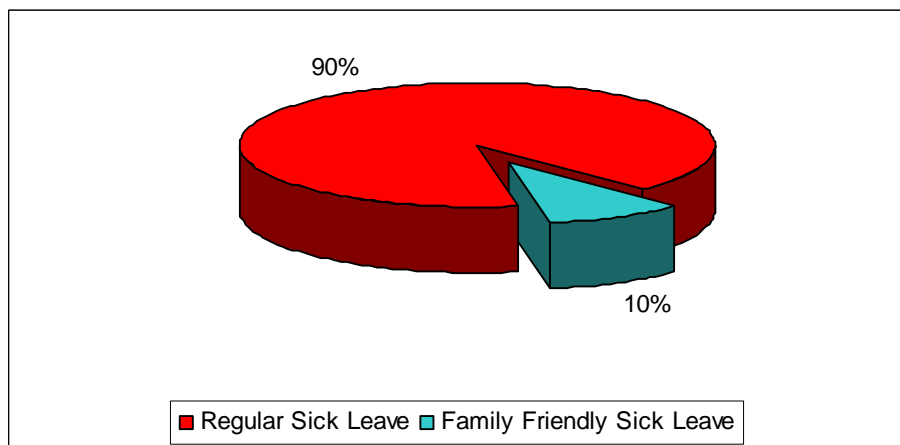
90%

10%

■ Regular Sick Leave ■ Family Friendly Sick Leave

Source: Our analysis of SETR data for Calendar Years 2005 and 2006.

A Survey of Managers Reflects Actions Have Been Taken to Address Improper Use of Sick Leave, but Additional Training Is Needed

To ensure proper administration of sick leave, managers must be alert to possible abuse of sick leave, raise their concerns with employees suspected of improperly using sick leave, and initiate disciplinary action for unauthorized absences or failure to follow established leave procedures. Our survey of IRS managers[19] indicates that they are noticing improper use of sick leave by employees and are taking actions to address it. For example, managers have:

- Counseled employees for improper use of sick leave (37 percent).[20]

- Denied sick leave (22 percent).[21]

- Placed employees on leave restriction (18 percent).[22]

- Initiated disciplinary action on improper use of sick leave (10 percent).[23]

However, our survey of IRS managers also reflected that additional training on administration of sick leave is needed to increase awareness of the abusive use of sick leave and help minimize improper use of sick leave. Managers believe that:

- It is acceptable for employees to use sick leave in lieu of annual leave when they approach retirement or separation (12 percent).[24]

- Employees should be allowed to use sick leave whatever the situation (11 percent).[25]

- They have not received adequate training in administering employee use of sick leave (12 percent).[26]

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[19] We surveyed 295 IRS managers. The survey included 41 questions addressing administration of sick leave. The number of managers responding varied among questions, with a minimum of 257 respondents and a maximum of 293 respondents. Appendix IV contains the detailed results of our survey.

[20] Question 24: 101 of the 273 managers who responded stated that they had counseled employees for improper use of sick leave within the past year.

[21] Question 25: 59 of the 273 managers who responded stated that they had denied a request for sick leave within the past year.

[22] Question 26: 50 of the 273 managers who responded stated that they had had an employee on leave restriction within the past year.

[23] Question 27: 26 of the 274 managers who responded stated that they had initiated a disciplinary action based on improper use of sick leave within the past year.

[24] Question 2: 35 of the 292 managers who responded stated that they strongly agree or somewhat agree it is acceptable for employees to use sick leave in lieu of annual leave as they approach retirement or separation.

[25] Question 35: 31 of the 273 managers who responded stated that they strongly agree or somewhat agree that employees should be allowed to use sick leave, whatever the situation.

[26] Question 1: 36 of the 293 managers who responded stated that they strongly disagree or somewhat disagree they have received adequate training for administering employee sick leave.

In addition, we found that the Automated Labor and Employee Relations Tracking System (ALERTS)[27] includes very few cases for employees that we identified with questionable sick leave use patterns during our analysis of SETR data for Calendar Years 2005 and 2006. We considered employees to have questionable sick leave patterns if they took sick leave on 7 or more of the possible 14 Tuesdays following a Monday holiday or used sick leave on the same day (Monday, Tuesday, Wednesday, Thursday, or Friday) 45 or more times within the 2-year period. We identified 214 employees with questionable sick leave usage. However, we were able to locate only 4 case files on the ALERTS.[28] The low number of cases may be attributable to the fact that managers can counsel employees and place employees on leave restriction without establishing an ALERTS case file. Additional information was also provided by responsible officials to support that managers are taking steps to address improper use of sick leave. Specifically, management stated that 2,743 cases (25 percent) of the 10,803 administrative misconduct cases entered on ALERTS in Calendar Years 2005 and 2006 included absence and leave as an issue.

The cost of sick leave is substantial, and we believe that the higher use of sick leave by FERS employees can adversely affect morale, productivity, and the IRS' efforts to accomplish its mission. The results of our analysis of sick leave use and the manager survey indicate that additional training is needed to ensure proper administration of sick leave. Representatives from the Employee Support Services organization explained that the Time and Leave Handbook and IRS guidelines are being updated, due to recent changes in leave policies, and they hope to provide new managers with online training after the guidelines have been updated. We suggest that once the guidelines have been updated, current managers should be provided the online training. However, we acknowledge that training alone will not completely resolve the issue of higher sick leave use by FERS employees.

Recommendations

Recommendation 1: The Chief Human Capital Officer should ensure that all IRS managers receive training on updated leave policies to ensure proper sick leave administration and increased awareness of possible abuse.

> **Management's Response:** The Chief Human Capital Officer agreed with this recommendation. The IRS will update regulatory and policy guidance on sick leave to assist managers in properly administering sick leave provisions and will revise the administrative procedures for managers to clearly address managerial responsibilities and

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[27] The ALERTS tracks labor/employee relations case data. It uses a single, standardized record format that is the repository of case data for all official employee misconduct and labor-management relations cases processed by the IRS.

[28] When using the ALERTS to identify associated case files for employees we considered to have questionable sick leave patterns, we matched against all ALERTS case files categorized as absence and leave issues.

instructions regarding sick leave approval. In addition, the IRS will develop online managerial training on the new procedures and review the curriculum for mandatory frontline manager training to ensure that updated leave policies are incorporated and effectively communicated. However, the Chief Human Capital Officer stated the report is not clear about how training will resolve the issue of higher use of sick leave by employees covered by FERS.

Office of Audit Comment: We revised the report to clarify that we acknowledge training alone will not completely resolve the issue of higher sick leave use by FERS employees. However, the fact that a number of IRS managers believe it is acceptable to improperly use sick leave suggests the need for additional guidance and training.

Recommendation 2: The Chief Human Capital Officer should ensure that additional analysis is performed to identify factors contributing to the advancement of sick leave to a significant number of IRS employees and to identify measures that can be taken to both reduce the number of employees that separate with a negative sick leave balance and increase the collection of outstanding debts.

Management's Response: The Chief Human Capital Officer agreed with this recommendation. The IRS will review data on current and separated employees with negative sick leave balances and will provide guidance regarding criteria for approving advanced sick leave as well as appropriate management actions for identifying sick leave abuse and taking corrective action. The IRS also provided written procedures on employee separations involving negative leave balances to payroll center staff to enhance the IRS' ability to expeditiously identify employees who have separated with a negative sick leave balance and increase the likelihood of collecting outstanding debts. The IRS will review these new procedures to determine their impact on outstanding sick leave balances due. However, the Chief Human Capital Officer also indicated our report provides no evidence that supports sick leave abuse in the IRS and criticized us for not providing benchmark information from other agencies or the private sector for comparability purposes. In addition, the Chief Human Capital Officer thought that presenting the use of sick leave by age and gender is misleading without an analysis of contributing factors and believes that we did not sufficiently emphasize the impact of legislative and regulatory changes or IRS contractual obligations on sick leave.

Office of Audit Comment: We agree that the report does not provide evidence of sick leave abuse in the IRS nor does it provide benchmark information since this was not the intent of the review. As stated in the report, our objective was to identify the trends and patterns of sick leave use in the IRS and the policies, programs, and procedures that have been implemented to reduce the opportunity for abuse. We do not agree that presenting the use of sick leave by age and gender is misleading. We reported that other factors such as gender, age, grade, and position can affect sick leave use besides an employee's retirement plan. Finally, we believe we sufficiently addressed legislative and regulatory

changes to expand the criteria for using sick leave. As stated in our report, the justification for using sick leave has been expanded to permit its use to care for a family member and for bereavement purposes. However, regular sick leave is still the primary category used by IRS employees when taking sick leave. We did not address contractual obligations that the IRS has with the National Treasury Employees Union since these should not affect sick leave usage by IRS employees.

Detailed Objective, Scope, and Methodology

The overall objective of this review was to identify the trends and patterns of IRS employees' sick leave use and the policies, programs, and procedures that have been implemented to reduce the opportunity for abuse. To accomplish this objective, we:

I. Profiled the use of sick leave by IRS employees and analyzed it for patterns.

  A. Obtained personnel and payroll information on the TIMIS[1] for current IRS employees as of January 6, 2007. We assessed the reliability of the TIMIS data supplied to us by the IRS by comparing the number of employees in the TIMIS data against the count of employees obtained by conducting an online query of the TIMIS database. The TIMIS data appeared to be reasonably accurate for the purposes of this audit, and we performed no additional data validity tests.

  B. Obtained biweekly time and attendance records processed on the SETR[2] system for all IRS employees in Calendar Years 2005 and 2006. We assessed the reliability of the SETR system data supplied to us by the IRS by comparing the number of employees in the SETR system data against the count of employees obtained by conducting an online query of the TIMIS database. The SETR system data appeared to be reasonably accurate for the purposes of this audit, and we performed no additional data validity tests.

  C. Analyzed employee leave data on the SETR system and the TIMIS to determine if patterns exist in sick leave use and to identify trends in sick leave use by occupation, grade, retirement system, gender, location, service computation date,[3] and birth date.

II. Analyzed ALERTS[4] data provided to us by the IRS to identify IRS employees with reported labor relations problems related to leave use. We matched employees on the ALERTS database with the employees' SETR system leave data to identify patterns and trends. The ALERTS data appeared to be reasonably accurate for the purposes of this audit, and we performed no additional data validity tests.

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[1] The TIMIS is the IRS' official automated personnel and payroll system.

[2] The SETR system provides an online timekeeping function that allows the virtual timekeeper to enter, validate, and transmit timecard information to the manager for an online approval.

[3] Service computation date is a tool used to calculate amounts of government service and is used to determine how much service is creditable toward eligibility for a specific benefit or entitlement.

[4] The ALERTS tracks labor/employee relations case data. It uses a single, standardized record format that is the repository of case data for all official employee misconduct and labor-management relations cases processed by the IRS.

III.   Surveyed 295 IRS managers[5] to determine how sick leave use is managed within their programs and whether they have experienced any problems or weaknesses in administering sick leave policies.

IV.   Determined the policies and procedures in place to reduce the opportunity for improper use of sick leave by reviewing Office of Personnel Management and IRS requirements for sick leave use and documentation.

V.   Calculated the cost of potential sick leave abuse in terms of IRS salary and the potential revenue cost of sick leave on compliance results for revenue officers.[6]

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[5] The IRS randomly selected 600 managers from of a population of 8,691, who were sent an email by the IRS containing a link to the survey. Based on the survey results that we obtained on October 17, 2007, a total of 295 managers took the survey, resulting in a 95 percent confidence level with a precision rate of ±6 percent and a 6.75 percent expected error rate.

[6] Revenue officers are IRS employees who are responsible for collecting delinquent tax accounts and securing delinquent tax returns.

Appendix II

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Lack of Compensation for Unused Sick Leave at Retirement Has Contributed to Higher Use by Employees in the Federal Employees Retirement System

Appendix IV

Results of Manager Survey

Results for currently selected survey

1.) I have received adequate training in my responsibilities for administering employee sick leave.

293 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	122	41.64%	41.36%
Somewhat Agree	113	38.57%	38.31%
Neither Agree nor Disagree	22	7.51%	7.46%
Somewhat Disagree	33	11.26%	11.19%
Strongly Disagree	3	1.02%	1.02%

2.) When employees approach retirement or separation, it is acceptable for them to use sick leave in lieu of annual leave.

292 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	8	2.74%	2.71%
Somewhat Agree	27	9.25%	9.15%
Neither Agree nor Disagree	40	13.70%	13.56%
Somewhat Disagree	48	16.44%	16.27%
Strongly Disagree	169	57.88%	57.29%

3.) The Federal Employees Retirement System (FERS) has contributed to an increase in the improper use of sick leave.

290 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	69	23.79%	23.39%
Somewhat Agree	69	23.79%	23.39%
Neither Agree nor Disagree	121	41.72%	41.02%
Somewhat Disagree	14	4.83%	4.75%
Strongly Disagree	17	5.86%	5.76%

4.) Improper use of sick leave is a significant problem on my staff.

292 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	20	6.85%	6.78%
Somewhat Agree	42	14.38%	14.24%
Neither Agree nor Disagree	33	11.30%	11.19%
Somewhat Disagree	73	25.00%	24.75%
Strongly Disagree	124	42.47%	42.03%

5.) I am able to identify patterns of sick leave use that might result from improper use of sick leave.

http://surveyman.web.irs.gov/admin/Stats.asp   10/17/2007

Lack of Compensation for Unused Sick Leave at Retirement Has Contributed to Higher Use by Employees in the Federal Employees Retirement System

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288 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	121	42.01%	41.02%
Somewhat Agree	127	44.10%	43.05%
Neither Agree nor Disagree	24	8.33%	8.14%
Somewhat Disagree	7	2.43%	2.37%
Strongly Disagree	9	3.13%	3.05%

6.) The improper use of sick leave by my employees adversely affects my staff in meeting business goals.

291 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	68	23.37%	23.05%
Somewhat Agree	58	19.93%	19.66%
Neither Agree nor Disagree	54	18.56%	18.31%
Somewhat Disagree	37	12.71%	12.54%
Strongly Disagree	74	25.43%	25.08%

7.) I have employees whom I suspect of abusing their sick leave.

291 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	47	16.15%	15.93%
Somewhat Agree	64	21.99%	21.69%
Neither Agree nor Disagree	26	8.93%	8.81%
Somewhat Disagree	44	15.12%	14.92%
Strongly Disagree	110	37.80%	37.29%

8.) I am able to effectively address suspected improper use of sick leave by employees.

287 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	116	40.42%	39.32%
Somewhat Agree	104	36.24%	35.25%
Neither Agree nor Disagree	35	12.20%	11.86%
Somewhat Disagree	26	9.06%	8.81%
Strongly Disagree	6	2.09%	2.03%

9.) Informal discussions with employees about improper sick leave use resolve most problems.

290 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	60	20.69%	20.34%
Somewhat Agree	125	43.10%	42.37%
Neither Agree nor Disagree	58	20.00%	19.66%
Somewhat Disagree	34	11.72%	11.53%

	Strongly Disagree	13	4.48%	4.41%

10.) My manager supports my efforts to address suspected improper use of sick leave by employees.

289 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	172	59.52%	58.31%
Somewhat Agree	43	14.88%	14.58%
Neither Agree nor Disagree	65	22.49%	22.03%
Somewhat Disagree	5	1.73%	1.69%
Strongly Disagree	4	1.38%	1.36%

11.) I review employee leave records to check for possible sick leave abuse.

268 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	59	22.01%	20.00%
Often	97	36.19%	32.88%
Occasionally	91	33.96%	30.85%
Seldom	17	6.34%	5.76%
Never	4	1.49%	1.36%

12.) I document any discussion with employees about the improper use of sick leave.

260 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	109	41.92%	36.95%
Often	55	21.15%	18.64%
Occasionally	42	16.15%	14.24%
Seldom	35	13.46%	11.86%
Never	19	7.31%	6.44%

13.) I set a good personal example in the proper use of sick leave.

266 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	246	92.48%	83.39%
Often	20	7.52%	6.78%
Occasionally	0	0.00%	0.00%
Seldom	0	0.00%	0.00%
Never	0	0.00%	0.00%

14.) I hold informal counseling sessions with employees who show patterns of sick leave abuse.

257 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total

Answer	# Responses	% Who Answered	% of Total
Always	62	24.12%	21.02%
Often	50	19.46%	16.95%
Occasionally	71	27.63%	24.07%
Seldom	43	16.73%	14.58%
Never	31	12.06%	10.51%

15.) I ensure that employees are aware of the proper criteria and procedures for requesting sick leave.

264 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	152	57.58%	51.53%
Often	55	20.83%	18.64%
Occasionally	47	17.80%	15.93%
Seldom	8	3.03%	2.71%
Never	2	0.76%	0.68%

16.) I approve sick leave without knowing the employees' sick leave balance.

264 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	4	1.52%	1.36%
Often	29	10.98%	9.83%
Occasionally	51	19.32%	17.29%
Seldom	80	30.30%	27.12%
Never	100	37.88%	33.90%

17.) I require employees to personally notify me when requesting sick leave.

268 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	209	77.99%	70.85%
Often	35	13.06%	11.86%
Occasionally	11	4.10%	3.73%
Seldom	9	3.36%	3.05%
Never	4	1.49%	1.36%

18.) I require employees to provide the circumstances justifying their request to use sick leave for their absence prior to approving the request.

273 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	60	21.98%	20.34%
Often	46	16.85%	15.59%
Occasionally	66	24.18%	22.37%
Seldom	70	25.64%	23.73%
Never	31	11.36%	10.51%

19.) I verify that the circumstances surrounding the sick leave request meet the criteria for allowable use of sick leave by the organization prior to approving the request.

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	98	36.03%	33.22%
Often	67	24.63%	22.71%
Occasionally	45	16.54%	15.25%
Seldom	43	15.81%	14.58%
Never	19	6.99%	6.44%

20.) I require additional evidence to justify the approval or disapproval of sick leave if I question the employee's statement justifying their request for sick leave.

270 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	80	29.63%	27.12%
Often	44	16.30%	14.92%
Occasionally	62	22.96%	21.02%
Seldom	52	19.26%	17.63%
Never	32	11.85%	10.85%

21.) I require additional evidence to justify the approval or disapproval of sick leave if I question the adequacy of a statement provided by the physician or other practitioner justifying the employee's request for sick leave.

267 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	50	18.73%	16.95%
Often	34	12.73%	11.53%
Occasionally	55	20.60%	18.64%
Seldom	60	22.47%	20.34%
Never	68	25.47%	23.05%

22.) I require medical documentation for requested sick leave in excess of 3 work days.

273 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Always	156	57.14%	52.88%
Often	60	21.98%	20.34%
Occasionally	41	15.02%	13.90%
Seldom	14	5.13%	4.75%
Never	2	0.73%	0.68%

23.) I disapprove sick leave when I suspect that the employee is not actually using sick leave in accordance with IRM criteria.

261 respondents answered this question out of a total of 295

Answer	# Responses	% Who	% of Total

		Answered	
Always	70	26.82%	23.73%
Often	33	12.64%	11.19%
Occasionally	45	17.24%	15.25%
Seldom	53	20.31%	17.97%
Never	60	22.99%	20.34%

24.) I have counseled an employee for improper use of sick leave within the past year.
273 respondents answered this question out of a total of 295

Choice	Number	Percent
Yes	101	37.0
No	173	63.4

25.) I have denied a request for sick leave within the past year.
273 respondents answered this question out of a total of 295

Choice	Number	Percent
Yes	59	21.6
No	214	78.4

26.) I have had an employee on leave restriction within the past year.
273 respondents answered this question out of a total of 295

Choice	Number	Percent
Yes	50	18.3
No	223	81.7

27.) I have initiated a disciplinary action based on improper sick leave use within the past year.
274 respondents answered this question out of a total of 295

Choice	Number	Percent
Yes	26	9.5
No	248	90.5

28.) I have approved advanced sick leave to an employee within the past year.
274 respondents answered this question out of a total of 295

Choice	Number	Percent
Yes	138	50.4
No	136	49.6

29.) The family-friendly leave policies have contributed to an increase in the improper use of sick leave.

273 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	50	18.32%	16.95%
Somewhat Agree	50	18.32%	16.95%
Neither Agree nor Disagree	73	26.74%	24.75%
Somewhat Disagree	44	16.12%	14.92%
Strongly Disagree	56	20.51%	18.98%

30.) I find the family-friendly leave policies make it difficult to question employees about suspected improper use of sick leave.

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	58	21.32%	19.66%
Somewhat Agree	61	22.43%	20.68%
Neither Agree nor Disagree	66	24.26%	22.37%
Somewhat Disagree	41	15.07%	13.90%
Strongly Disagree	46	16.91%	15.59%

31.) I ensure that when employees request sick leave under the family-friendly leave policies that the leave usage restrictions are not exceeded.

271 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	148	54.61%	50.17%
Somewhat Agree	66	24.35%	22.37%
Neither Agree nor Disagree	47	17.34%	15.93%
Somewhat Disagree	9	3.32%	3.05%
Strongly Disagree	1	0.37%	0.34%

32.) I ensure that when sick leave is requested under the family-friendly leave policies that it is properly reflected as family-friendly sick leave.

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	183	67.28%	62.03%
Somewhat Agree	59	21.69%	20.00%
Neither Agree nor Disagree	23	8.46%	7.80%
Somewhat Disagree	5	1.84%	1.69%
Strongly Disagree	2	0.74%	0.68%

33.) The family-friendly leave policies have contributed to an increase in advancing sick leave.

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	44	16.18%	14.92%
Somewhat Agree	43	15.81%	14.58%

Neither Agree nor Disagree	91	33.46%	30.85%
Somewhat Disagree	36	13.24%	12.20%
Strongly Disagree	58	21.32%	19.66%

34.) The advancing of sick leave to employees is a significant problem on my staff.

273 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	22	8.06%	7.46%
Somewhat Agree	16	5.86%	5.42%
Neither Agree nor Disagree	33	12.09%	11.19%
Somewhat Disagree	40	14.65%	13.56%
Strongly Disagree	162	59.34%	54.92%

35.) Sick leave is earned; therefore, an employee should be allowed to use it whatever the situation.

273 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Strongly Agree	9	3.30%	3.05%
Somewhat Agree	22	8.06%	7.46%
Neither Agree nor Disagree	39	14.29%	13.22%
Somewhat Disagree	63	23.08%	21.36%
Strongly Disagree	140	51.28%	47.46%

36.) So we can identify your managerial role in the agency, please provide your management level

268 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Section Chief	29	10.82%	9.83%
Group Manager	168	62.69%	56.95%
Branch Chief	23	8.58%	7.80%
Division Chief	8	2.99%	2.71%
Other	40	14.93%	13.56%

37.) So we can identify your managerial role in the agency, please provide the number of employees managed

267 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
1-10	85	31.84%	28.81%
11-20	143	53.56%	48.47%
21-30	9	3.37%	3.05%
31-40	6	2.25%	2.03%
41-50	5	1.87%	1.69%
>50	19	7.12%	6.44%

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38.) So we can identify your managerial role in the agency, please provide your Business Division

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Agency-Wide Shared Services	8	2.94%	2.71%
Appeals	4	1.47%	1.36%
Chief Financial Officer	0	0.00%	0.00%
Communications & Liaison	0	0.00%	0.00%
Criminal Investigation	14	5.15%	4.75%
Equal Employment Opportunity & Diversity	0	0.00%	0.00%
Human Capital Office	5	1.84%	1.69%
Large & Mid-Size Business	22	8.09%	7.46%
Modernization and Information Technology Services	24	8.82%	8.14%
Small Business/Self-Employed	97	35.66%	32.88%
Tax Exempt & Government Entities	5	1.84%	1.69%
Taxpayer Advocate Service	4	1.47%	1.36%
Wage & Investment	88	32.35%	29.83%
Other	1	0.37%	0.34%

39.) So we can identify your managerial role in the agency, please provide years in supervisory position

271 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
0-5	91	33.58%	30.85%
6-10	66	24.35%	22.37%
11-15	30	11.07%	10.17%
16-20	37	13.65%	12.54%
>20	47	17.34%	15.93%

40.) Please provide your Retirement System

272 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
Federal Employees Retirement System (FERS)	146	53.68%	49.49%
Civil Service Retirement System (CSRS)	122	44.85%	41.36%
Other	4	1.47%	1.36%

41.) Please provide your office setting

267 respondents answered this question out of a total of 295

Answer	# Responses	% Who Answered	% of Total
HQ	43	16.10%	14.58%
Area Office	40	14.98%	13.56%

Lack of Compensation for Unused Sick Leave at Retirement Has Contributed to Higher Use by Employees in the Federal Employees Retirement System

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Territory Office	80	29.96%	27.12%
Campus	78	29.21%	26.44%
Call Site Operation	26	9.74%	8.81%

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

HUMAN CAPITAL OFFICE

RECEIVED
APR 1 2008

March 31, 2008

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Robert Buggs, IRS Human Capital Officer

SUBJECT: Draft Audit Report - Lack of Compensation for Unused
Sick Leave at Retirement Has Contributed to Higher
Use by Employees in the Federal Employees
Retirement System (Audit # 200730023)

We have reviewed the subject report dated February 28, 2008 and appreciate TIGTA's review of IRS sick leave use. Regarding the report's two recommendations, IRS includes training as an integral part of correctly adhering to sick leave regulations and has issued guidance to increase the ability to collect outstanding debts for separating employees with negative sick leave balances. While we are in full agreement that training on updated leave policies is essential, it is unclear how training will resolve the major issue of higher sick leave use by Federal Employees Retirement System (FERS) employees. The report recommends training, yet nearly 90% of managers surveyed believed that additional training on sick leave administration is not necessary.

The report identifies the trends and patterns of IRS employees' sick leave use, but provides no evidence that supports abuse. As no comparative data or benchmark information in relation to other federal agencies or the private sector is provided, it is difficult to derive sustainable conclusions from this report or to establish realistic goals for improvement. In addition, the focus on increased use of sick leave by age and gender without an analysis of contributing factors is misleading.

Finally, the impact of legislative and regulatory changes over the past 15 years that significantly expand the criteria for using sick leave as well as agency contractual obligations are factors that TIGTA's review did not sufficiently emphasize. However, TIGTA's conclusion that lack of compensation for unused sick leave at retirement impacts FERS sick leave usage lends support to current legislative efforts to include some form of compensation.

Attached are our responses and corrective actions that address each recommendation.

Should you have questions, please call me at (202) 622-7676 or Rich Cronin, Director, Workforce Progression and Management Division at (202) 622- 4341.

Attachment

ATTACHMENT

RECOMMENDATION 1: All IRS managers should receive training on updated leave policies to ensure proper sick leave administration and increase awareness of possible abuse.

CORRECTIVE ACTION:

(A) A new IRM 6.630, Absence and Leave, which provides regulatory and policy guidance on sick leave, is in the process of being drafted with a target date for publication by September 30, 2008. Managerial guidance will be developed and issued on the IR web, to assist managers in properly administering sick leave provisions, with a particular emphasis on advanced sick leave approval criteria. In addition, the Administrative Procedures for Managers (APM) will be revised to clearly address managerial responsibilities and instructions regarding sick leave approval.

(B) Develop on-line managerial training on the new IRM 6.630 with an emphasis on sick leave administration.

(C) Review the curriculum for mandatory front-line manager training, which includes an interactive course on the APM and Employee/Labor Relations skills, to ensure that updated leave policies are incorporated and effectively communicated.

IMPLEMENTATION DATE:
(A) September 30, 2008
(B) June 30, 2009
(C) June 30, 2009

RESPONSIBLE OFFICIAL:
(A) Rich Cronin, Director, Workforce Progression and Management Division, HCO
(B) David Krieg, Director, Leadership, Education and Delivery Services, HCO
(C) Rich Cronin, Director, Workforce Progression and Management Division, HCO

CORRECTIVE ACTION MONITORING PLAN: Monitor corrective action through status updates from assigned staff.

RECOMMENDATION 2: Additional analysis should be performed to identify factors contributing to the advancement of sick leave to a significant number of IRS employees and to identify measures that can be taken to both reduce the number of employees that separate with a negative sick leave balance and increase the collection of outstanding debts.

CORRECTIVE ACTION:

(A) Review data on current and separated employees with negative sick leave balances and provide guidance to business units regarding the criteria for approving advanced sick leave as well as appropriate management actions for identifying sick leave abuse and taking corrective action.

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(B) Agency Wide Shared Services (AWSS), Payroll and Personnel Systems, Payroll Centers has recently developed and posted UOG 550-5 that provides detailed procedures on employee separations from the IRS involving negative leave balances. Providing payroll center staff with written procedures will enhance IRS' ability to expeditiously identify employees who have separated with a negative sick leave balance and increase the likelihood of collecting outstanding debts. A review of these new procedures will be conducted to determine their impact on outstanding sick leave balances due.

IMPLEMENTATION DATE:
(A) On-going
(B) Completed November 13, 2007.

RESPONSIBLE OFFICIAL:

(A) Rich Cronin, Director, Workforce Progression and Management Division, HCO
(B) Steve Kunze, Director, Employee Support Services, AWSS.

CORRECTIVE ACTION MONITORING PLAN: Monitor this corrective action through status updates from assigned staff.