



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

Issued on April 24, 2008

Highlights

Highlights of Report Number: 2008-30-093 to the Internal Revenue Service Chief Human Capital Officer.

IMPACT ON TAXPAYERS

By 2014, all Federal Government employees are expected to be in the Federal Employees Retirement System (FERS). TIGTA's analysis of sick leave use by Internal Revenue Service (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.

WHY TIGTA DID THE AUDIT

This audit was initiated 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. The potential abuse of sick leave by FERS employees has become a topic of concern and controversy in the Federal Government. 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. 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.

WHAT TIGTA FOUND

Approximately 97,000 IRS employees took more than 15 million hours of sick leave in 2005 and 2006, costing the IRS \$450 million in salary plus lost productivity. TIGTA's analysis of sick leave use showed that 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.

TIGTA found that FERS employees are more likely to use sick leave than Civil Service Retirement System employees, especially as they approach retirement. TIGTA believes that the lack of compensation for unused sick leave at retirement has contributed to the higher amount of sick leave used by FERS employees. A TIGTA survey of IRS managers showed that while actions are being taken to address improper use of sick leave, additional training on administration of sick leave is needed.

A significant number of IRS employees have also been advanced sick leave because they used all of their accumulated sick leave. For example, 6.5 percent of IRS employees had a negative sick leave balance at the end of 2006. 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.

WHAT TIGTA RECOMMENDED

TIGTA 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.

In response, the Chief Human Capital Officer agreed with all of our recommendations and outlined the actions the IRS has taken or plans to take. Among other things, the IRS is committed to updating sick leave policies, procedures, and training.

Even though actions are being taken to implement all recommendations, some concerns were included in the IRS' response to the report. For example, the Chief Human Capital Officer questioned how training will resolve the issue of higher use of sick leave by employees covered by the FERS. TIGTA acknowledges that 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.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200830093fr.pdf>.

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500