Audit of the Injury Compensation Program

PURPOSE OF AUDIT

The Office of Inspector General (OIG) conducted an Agency-wide audit of the Injury Compensation Program (Program) at the Equal Employment Opportunity Commission (EEOC). This Program was established by *EEOC Order 570.006, Injury Compensation Program,* to administer provisions of the *Federal Employees' Compensation Act (FECA).* The objectives of the audit were to evaluate the effectiveness of Program administration and the adequacy of management controls to prevent fraud, waste and abuse in processing *FECA* cases. Included in these objectives was determination of adequacy of management controls over administration of the Program.

FECA authorizes a major Federal benefits program which affects the budgets of all Federal agencies. In fiscal year 1997, *FECA* costs totaled about $1.85 billion. According to testimony in recent Congressional hearings, vulnerabilities in the *FECA* program can lead to inefficiencies, loss of Federal funds, and a means by which Federal employees can collect benefits without having any real incentive to return to work.

OIG has not previously audited this Program. However, on January 20, 1995, OIG reported the results of limited investigations involving the *FECA* cases of two EEOC employees. These investigations were done at the request of EEOC's Office of Human Resources (OHR) which, at the time, was referred to as Human Resources Management Services. The report of investigation concluded that the claims made by OHR concerning these two employees could not be verified. One of these cases is included in the sample selected for review in this audit.

SCOPE AND METHODOLOGY

The audit consisted of the review and analysis of procedures, management controls and data in support of open *FECA* claims cases involving EEOC employees during the period from July 1, 1996 through June 30, 1997. OIG reviewed a sample of 22 cases open during that period. These cases include all those with combined medical and wage compensation costs of $20,000 or more, and those with either medical or wage compensation costs greater than $10,000. Total medical and wage compensation costs for the cases in the sample are $669,194 (see **Appendix**). This represents about 85 percent of the total *FECA* costs of $787,127 for the 93 cases involving EEOC employees for the year ending June 30, 1997 as indicated in the Department of Labor's Office of Workers' Compensation Programs (OWCP) chargeback report. Injuries related to these cases occurred from December 1967 to June 1996. OIG also evaluated management controls and compliance with applicable laws and regulations through the review of policies, procedures, guidelines, and instructions involving the Program, and through responses to a survey questionnaire sent to all District Offices[1]. This questionnaire addressed *FECA* training and guidance, injury trend analysis, and claims review.

The audit was conducted in accordance with generally accepted government auditing standards as published in the *Comptroller General's Government Auditing Standards, 1994 Revision* and took place from August 1997 through May 1998. Audit performance was delayed because of OIG staff details to the *Federal Managers' Financial Integrity Act* review and other assignments.

BACKGROUND

FECA as amended, provides for benefits to civilian employees of the United States for disability due to personal injury or disease sustained while in the performance of duty. *FECA* compensation benefits are based on a percentage of an employee's salary. *FECA* claimants on temporary total disability receive, tax free, 75 percent of their salary if they have dependents. This is compensation for loss of wage earning capacity. Compensation decreases to 67 percent if the claimant has no dependents. If the claimant is reemployed at a job paying less than the original position, or if it is otherwise determined that he or she can perform the duties of a specific job that is deemed suitable, medically and otherwise, compensation will be payable based on this loss of wage-earning capacity. Survivors of Federal employees whose deaths are related to employment are also entitled to benefits.

Responsibility for administering the Program at EEOC is shared with OWCP. The authority for administering and enforcing compensation law rests with OWCP while EEOC is responsible for providing OWCP with all pertinent information on which to base its decisions. Within EEOC, OHR administers the Program but does not process claims or oversee claims in the field offices.

OWCP administers the Employees' Compensation Fund (Fund) which is used to finance the *FECA* program. Each year, OWCP furnishes Federal Agencies with statements of payments (chargeback reports) made from the Fund involving *FECA* claims of Agency employees. Total payments for *FECA* claims appear on reimbursement requests covering yearly periods from July of one year to June of the next. OWCP submits these requests to employing

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[1] References to District Offices will assume inclusion of the Washington Field Office.

Federal Agencies for reimbursement of the Fund. Federal Agencies include reimbursement amounts in their budget requests to Congress for the next fiscal year and reimburse the Fund from current year appropriations.

For the year ending June 30, 1997, EEOC's total *FECA* costs were \$787,127 consisting of \$571,521 for wages and \$215,606 for medical compensation.

MANAGEMENT COMMENTS

Both OHR and the Office of Field Programs, as indicated in the attached written comments (See **Attachments One** and **Two**) to our draft report, responded to and agreed with the audit findings and recommendations. According to the Director, OHR, as indicated in **Attachment One**, corrective action is currently underway. Further, meeting with Office of Field Programs officials to implement recommendations is anticipated.

FINDINGS

OIG found that EEOC officials are effectively administering the Program through the use of adequate management controls. While OIG identified areas where improvement could be made to ensure against potential fraud, waste, and abuse, nothing of a material nature was found. The most serious finding involved a weakness in verification of OWCP chargeback report data. The other two findings involve additional resources for District Office staff and better use of data to manage the Program. These findings are indicated below:

1. Data Contained in OWCP's Chargeback Report Are Not Adequately Verified

OHR's existing management controls for verifying the accuracy of data contained in the OWCP chargeback report for year ending June 30, 1997 were not properly executed. According to *Publication Number CA-810*, Agencies should review chargeback reports and yearly reimbursement requests and report any errors to OWCP. OIG found that the chargeback report for year ending June 30, 1997 lists two individuals who could not be identified as current or former EEOC employees. EEOC's current procedures for chargeback report data verification involve two steps. First, OHR manually compares employee names on the hardcopy chargeback report to a listing of current employees in EEOC's Personnel Information Resource System. Second, Office of Information Resources Management officials electronically match chargeback report data to the Personnel Information Resource

System data. OHR officials informed OIG that these procedures were followed but could not explain why the non-employees were not identified. As a result, EEOC was charged for $115 of medical compensation costs for one of these non-employees. According to OHR, EEOC will take steps to receive a credit for this amount when the reimbursement request from the OWCP Employees' Compensation Fund is received. Although this error was not material in amount, the lack of proper execution of existing management control procedures could result in potentially material errors in the future.

2. District Office Staff Who Administer the Program Need Written FECA Guidance and Additional Training

District Office staff responsible for administering the Program do not have all guidance and training resources available. According to *EEOC Order 570.006*, field personnel management specialists shall conduct ongoing administration of the Program in District Offices. Responses to OIG's survey questionnaire from eight District Offices - Albuquerque, Baltimore, Charlotte, Indianapolis, Memphis, Milwaukee, Seattle, and St. Louis - and the Washington Field Office, indicated that none of the members of current staffs who administer the Program have received any formal training. Further, District Offices reported the lack of specific written guidance. OIG identified guidance that should be maintained by each District Office - *EEOC Order 570.006; OWCP's Publication CA-810, Injury Compensation for Federal Employee; Title 20 Parts 1 to 25: Code of Federal Regulations; and EEOC Managers Guide to Injury Compensation.* OIG determined that none of the District Offices responding to the questionnaire have a complete set of this guidance. Availability of written guidance and training could enhance Program efficiency and lessen the potential for Program weaknesses.

3. *FECA* Data Could Be Better Used to Manage the Program

OHR does not provide pertinent *FECA* chargeback report data to Office Directors for employees with approved *FECA* claims. According to OWCP's *Publication CA-810, Injury Compensation for Federal Employees,* Agencies should pay special attention to chargeback reimbursement requests and charge costs to the lowest organizational level practicable to make managers more aware of *FECA* claims costs. OIG found that EEOC's *FECA* chargeback costs are not distributed to the lowest organizational level - the District and Headquarters Offices. Instead, these costs are accumulated at the Agency level within the payroll-related Personnel Benefits object class. EEOC classifies FECA costs as payroll-related costs which are not managed by the Office Directors within individual budget allowances or tracked in the Monthly Director's Financial Status Report. Office Directors are, therefore, not aware of the financial impact of *FECA* claims within their area of responsibility. EEOC's treatment of such costs is consistent with that of another Federal Agency of similar size and structure, the National Labor Relations Board.[2] OIG therefore concludes that the effort involved in attempting to budget and account for these cost at the Office level may not be the most efficient use of resources. However, OHR maintains a Workers' Compensation database which includes all medical and compensation data that OHR receives from OWCP for each EEOC employee with an approved *FECA* claim. This data could be used by Office Directors in highlighting excessive costs which could lead to identification of potential fraud, waste and abuse, and Program weaknesses.

OTHER MATTERS FOR CONSIDERATION

OIG also found other matters for consideration indicated below that do not have the impact of findings but, nevertheless, could result in improved Program administration:

- Using data obtained from OWCP, OIG found that EEOC's claim processing timeliness performance is mixed. EEOC's performance level for processing CA-7 and CA-8 claim forms, used to claim compensation, is 60.9 percent. This significantly exceeds the overall Federal performance level of 31.7 percent. In contrast, EEOC's timeliness reporting level for processing CA-1 and CA-2 claim forms, used by Federal employees to give notice of traumatic injury or occupational disease, is 32.6 percent. This is less than the overall Federal reporting level of 41 percent for timely reporting of these claim forms. OHR should encourage Headquarters, District Offices, and claimants to improve reporting timeliness which, in turn, should improve timely delivery of Program benefits to claimants.

- District Offices are not performing analyses to determine trends in types of traumatic injuries and occupational diseases. OIG made a limited analysis of EEOC's 1997 claim data which did not disclose any unusual or significant trends. While there is no requirement, performance of such analyses may highlight potentially stressful or unsafe conditions in the workplace which could be brought to management's

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[2] Information concerning the treatment of *FECA* costs at other Federal Agencies is not readily available.

attention. OHR should provide data concerning causes of injuries and occupational diseases involving *FECA* claims of their employees to Headquarters and District Offices and encourage periodic data analysis. Such analysis could be included as a step in the functional area report of management controls supporting *Federal Managers' Financial Integrity Act* assurance statements.

CONCLUSION

OIG concludes that, overall, EEOC is effectively administering the Program and management controls are adequate to prevent fraud, waste and abuse in processing *FECA* claim cases we reviewed. However, the conditions reported in **FINDINGS** indicate improvements can be made in Program administration. These recommended improvements involve better use and verification of *FECA* data as well as ensuring basic written guidance is maintained in the District Offices and training is provided to staff who administer the Program in the District Offices. Additionally, observations reported in **OTHER MATTERS FOR CONSIDERATION** indicate further improvements can be made through OHR's encouragement of Headquarters, District Offices and claimants to perform more timely claim processing of forms giving notice of traumatic injuries and occupational diseases, as well as encouragement of Headquarters and District Offices to periodically analyze data concerning causes of injuries and occupational diseases involving *FECA* claims of their employees.

RECOMMENDATIONS

OIG recommends that the Director, OHR:

(1) Ensure proper execution of management control procedures to verify accuracy of data contained in the OWCP quarterly chargeback reports and yearly reimbursement requests, and

(2) Report *FECA* chargeback data obtained from OWCP, including names of claimants and cumulative medical and compensation costs, to appropriate Headquarters and District Office Directors, at least annually.

OIG recommends that all District Office Directors and the Washington Field Office Director:

(1) Ensure that current written *FECA* guidance is maintained consisting of *EEOC Order 570.006; OWCP Publication CA-810, Injury Compensation for Federal Employees; Title 20, Parts 1 to 25 of the Code of Federal Regulations; and the EEOC Manager's Guide to Injury Compensation;* and

(2) Ensure that Individual Development Plans for all staff responsible for administering the Program are updated to include adequate *FECA* training.

AUDIT FOLLOWUP

Office of Management and Budget issued *Circular Number A-50, Audit Followup,* to ensure that corrective action on audit findings and recommendations proceed as rapidly as possible. *EEOC Order 192.002, Audit Followup Program,* implements *Circular Number A-50* and requires that for resolved recommendations, a corrective action workplan should be submitted within 30 days of the final audit report date describing specific tasks and completion dates necessary to implement audit recommendations. *Circular Number A-50* requires prompt resolution and corrective action on audit recommendations. Resolution should be made within six months of final report issuance.

Cases Selected for Review
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Number	Case Number	District Office	Date of Injury	Medical	Wages	Total Compensation
1	030056496	Philadelphia	10/15/80	$	$57,811	$57,811
2	060400135	Charlotte	07/10/86	753	24,727	25,480
3	060459072	Atlanta	03/01/89		30,021	30,021
4	060464477	Atlanta	04/01/73	2,716	26,790	29,506
5	060468976	Birmingham	07/17/89	299	30,077	30,376
6	070184638	New Orleans	09/01/82	8,192	48,475	56,667
7	090220530	Clevland	03/12/79	224	15,957	16,181
8	090263051	Detroit	03/12/82		43,379	43,379
9	090349921	Indianapolis	06/12/90	1,031	10,439	11,470
10	130612028	Los Angeles	01/17/80	70	18,940	19,010
11	130771801	Phoenix	05/10/85		14,865	14,865
12	130863202	Los Angeles	07/28/88	43,309	26,483	69,792
13	140232812	Seattle	03//19/88	15,380		15,380
14	160221059	Atlanta	02/17/93	1,057	29,207	30,264
15	160233617	New Orleans	10/29/93	18,506	33,212	51,718
16	160220980	New Orleans	10/23/92	1,918	41,252	43,170
17	160259733	New Orleans	05/21/96	1,187	14,787	15,974
18	250264503	Headquarters	10/30/84	16,723	787	17,510
19	250305108	Headquarters	04/23/87		23,477	23,477
20	130296337	Albuquerque	12/07/67	7,123	16,142	23,265
21	160276526	New Orleans	03/25/96	15,352	9,891	25,243
22	020717598	Philadelphia	06/26/96	18,635		18,635
Totals				$152,475	$516,719	$669,194