

**U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSPECTOR GENERAL**

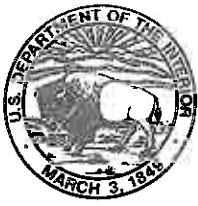
EVALUATION REPORT



**DEPARTMENT OF THE INTERIOR
WORKERS' COMPENSATION PROGRAM**

Report Number: E-IN-MOA-0008-2004

May 2005



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

May 9, 2005

Evaluation Report

Memorandum

To: P. Lynn Scarlett
Assistant Secretary for Policy, Management and Budget

From: Anne L. Richards *Anne Richards*
Assistant Inspector General for Audits

Subject: Department of the Interior Workers' Compensation Program
(Report No. E-IN-MOA-0008-2004)

This report presents the results of our evaluation of the Department of the Interior's (DOI) Workers' Compensation Program. In your request for this evaluation, you expressed concern that DOI's workers' injury rates might be higher than other agencies and that costs were increasing steadily. In addition to responding to these concerns, we evaluated the Program to determine whether DOI and its bureaus were effectively managing the Program to contain costs and prevent fraud and abuse. We would be happy to meet with you regarding our findings on DOI's Workers' Compensation Program, at a mutually convenient time.

We concluded from the evaluation that the management of DOI's Workers' Compensation Program is both inefficient and ineffective. The Program lacks consistent and comprehensive policies and procedures, does not have a national program manager at the Department level to provide focus for the program, and there is minimal accountability for workers' compensation costs at the field level.

The legislation, as amended, creating the Office of Inspector General requires that we report to the U.S. Congress semiannually on all reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented. Accordingly, we are requesting that you provide a response to this report. We would appreciate receiving the response to this report by June 9, 2005.

If you have any questions regarding this evaluation report, please do not hesitate to call me at (202) 208-4252.

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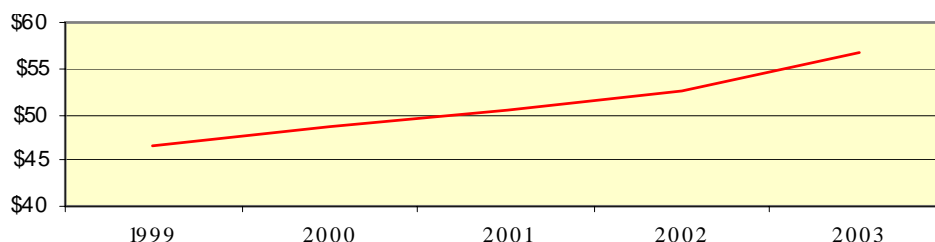
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Workers' Compensation

Introduction

Workers' compensation is a standard, comprehensive program administered by the Department of Labor (DOL) to provide benefits and compensation to federal employees injured on the job. The program applies to all federal agencies, including the Department of the Interior (DOI). The program is designed to protect individual employees, and it is administered by DOL's Office of Workers' Compensation Programs (OWCP), which charges federal agencies for services provided to their employees. To effectively manage their workers' compensation programs, agencies must actively monitor claims, hold themselves accountable for costs, provide their own incentives for cost reduction, and actively guard against fraud and abuse. All agencies have the dual responsibility of protecting their employees as well as protecting the American taxpayer from paying for unnecessary benefits and compensation.

At the request of the Assistant Secretary for Policy, Management and Budget, our office conducted an evaluation of DOI's Workers' Compensation Program. The Assistant Secretary was concerned that DOI's injury rates might be higher than other agencies and that costs were increasing steadily. In fact, as shown in Figure 1, DOI's workers' compensation costs have consistently increased over the 5 years (1999 to 2003) for which we had data.



Workers' Compensation Costs (in millions) for 1999 to 2003

Figure 1

In addition to responding to the Assistant Secretary's concerns, we evaluated DOI's Workers' Compensation Program to determine whether DOI and its bureaus were effectively managing the program to contain cost and prevent fraud and abuse. This program has been the subject of three previous Office of Inspector General (OIG) reviews,¹ as well as an internal DOI task force; however, some of our previous recommendations that could have improved the program were not fully implemented. We also benchmarked three other federal agencies² (the Department of Defense (DOD), the Department of Agriculture's Forest Service, and the Environmental Protection Agency (EPA)) to determine their best practices. In this report, we present additional

¹ **Appendix 1** contains detailed information on previous OIG reviews.

² We selected these agencies because their employees perform similar duties to DOI and they had injury rates lower than DOI from 2000 through 2003 (see **Appendix 3**).

recommendations that we believe, if implemented, will significantly improve DOI's management of the program.

Overview

The federal government is required to pay worker's compensation benefits to its civilian employees when an injury is sustained or death occurs at work. These benefits include compensation for lost wages, bodily impairment or disfigurement, medical care, and rehabilitation services, as well as survivor benefits. Compensation payments may continue as long as a disability exists and the employee and/or spouse are alive. OWCP, which administers these compensation programs, seeks to protect both the federal government and its employees by (1) ensuring timely and accurate adjudication and provision of benefits, (2) administering funds responsibly, and (3) returning employees to gainful work.

How Workers' Compensation Should Work

The workers' compensation process generally begins when, at the employee's request, the supervisor provides the proper paperwork. Injured employees must establish that their accident or illness actually occurred, resulted in personal injury, and was work-related. Supervisors review all forms to ensure they are complete and accurate. If the supervisor does not agree that the injury is work-related, he or she must make note of this on the appropriate form. The supervisor must also review and submit supporting documentation if the employee incurs medical expenses or loses time from work. The supervisor then signs and sends the proper forms within a specified period of time. If the injured employee requires medical treatment, the supervisor should send a written request to the employee's physician to forward information about the treatment to OWCP. The supervisor should also request interim medical reports from the physician to monitor the employee's medical status and the possibility of light duty or limited work. **Figure 2** on the following page details the process used in submitting workers' compensation forms.

Workers' Compensation Submitting the Proper Forms

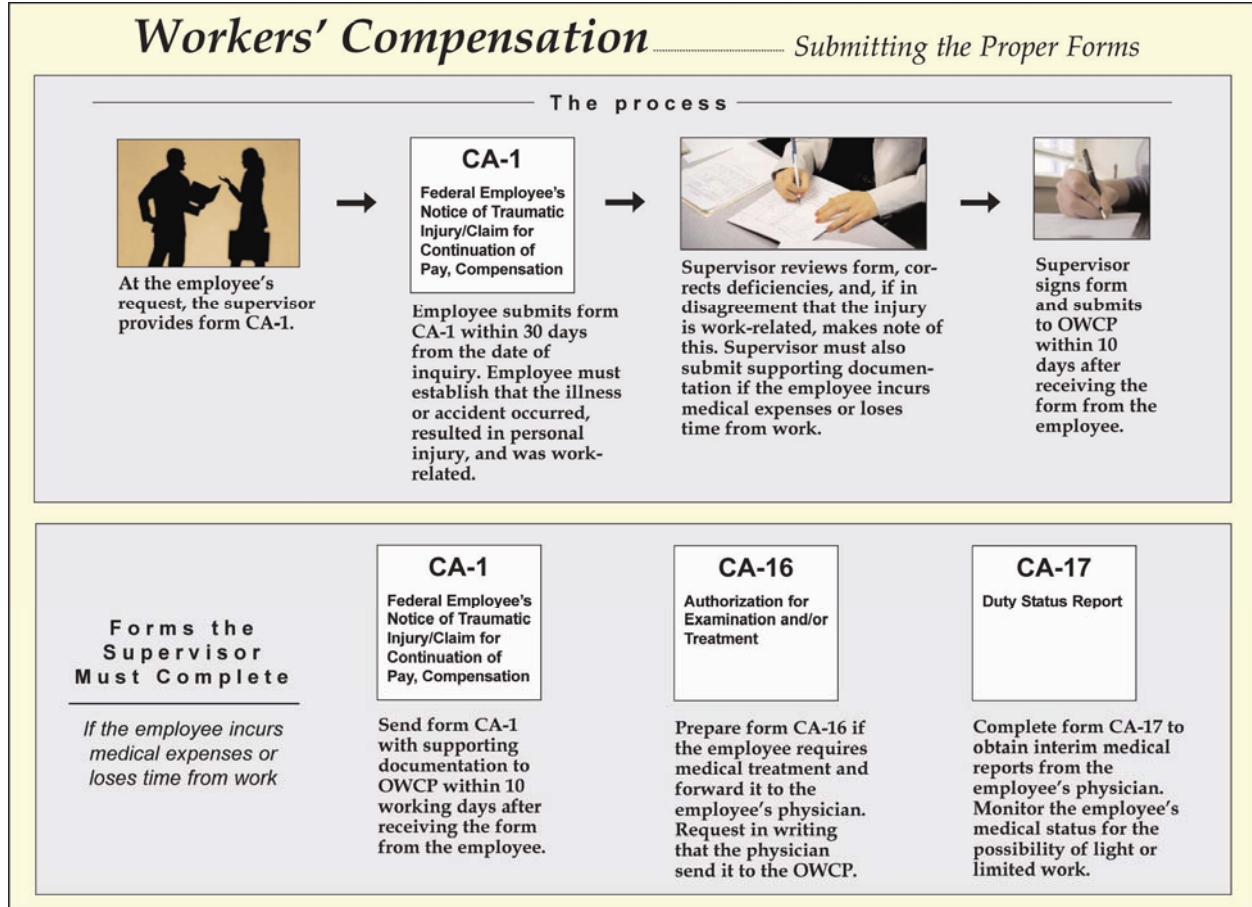


Figure 2

Employee Benefits

Injured employees are entitled to full pay for a 45-day period following an injury, unless disputed by the federal agency, and a percentage of their salary thereafter. While employees are entitled to choose their own physicians for treatment, OWCP or the employee's agency may ask other physicians to evaluate injured employees and review their files. OWCP also employs registered nurses who meet with employees, physicians, and agency representatives to ensure proper care is provided, assist employees in returning to work, and, for approved traumatic injury claims, provide extended care. To assist employees in returning to employment, OWCP also provides rehabilitation services and considers cases for long-term rehabilitation when the agency cannot re-employ the individual. When an employee is ready to return to work, OWCP performs an analysis to determine what duties the employee can perform. If the employee's new position will pay less than the former one, OWCP will compensate for this loss. However, if the employee refuses to participate in the rehabilitation program or refuses to make an effort to return to work, OWCP may reduce or terminate the employee's compensation.

OWCP charges federal agencies annually for payments on workers' compensation claims and provides them with a quarterly report on paid claims. OWCP also issues regulations and guidance for managing workers' compensation programs. The responsibility to implement and manage this process, however, falls upon federal agencies.

How Workers' Compensation Works at DOI

Although DOI has been effective in ensuring workers' compensation claims are filed and processed in a timely manner, it is not effectively managing the program. Specifically, employees are not returning to work in a timely manner, costing DOI millions of dollars unnecessarily each year. We found that DOI is not using OWCP's registered nurses, second medical opinions, and rehabilitation services to the fullest extent. We also found that DOI's Workers' Compensation Program is understaffed, employees lack training, and there is no uniform process for ensuring costs charged by DOL are accurate.

Unlike the agencies we benchmarked, DOI does not have a full-time Workers' Compensation Program Manager at the national level that provides focus for the program. DOI's equivalent of this position performs workers' compensation as a collateral duty – at less than 10 percent of her annual workload. This individual is unable to adequately review reports submitted by the bureaus, and as a result, each bureau, and in some cases each region or field location, is left to manage its own program, develop its own policies, and maintain contact with DOL. Many of the employees who handle these matters have little or no specialized training in workers' compensation.

Accordingly, workers' compensation costs continue to increase annually, approaching \$60 million in 2003. Without significant improvements, we believe this trend will continue.

Workers' Compensation Task Force

At the beginning of 2004, DOI's Designated Agency Safety and Health Officials Council established a task force to review the Workers' Compensation Program and develop a strategy to manage and contain costs. A senior official in Policy, Management and Budget headed the task force along with representatives from the bureaus, the Office of Personnel Policy, and the Office of Occupational Health and Safety. The task force issued recommendations to the Council on August 2, 2004, and it established a new team to implement the recommendations. We have included the task force's recommendations in **Appendix 2**.

We agree that the task force's recommendations provide concepts that would improve the Workers' Compensation Program, especially its recommendations to:

- more aggressively use OWCP services, such as nurse case managers and rehabilitation counselors;
- focus workers' compensation responsibilities within the human resources function; and
- create incentives to manage workers' compensation costs.

While we applaud the task force's efforts, its recommendations do not provide a comprehensive plan of action that we feel is necessary for DOI to implement effective, proactive workers' compensation management.

Our Approach

To assess the Department's overall management of the Workers' Compensation Program, we conducted 20 site visits at 5 bureaus (Bureau of Land Management (BLM), National Park Service (NPS), U.S. Fish and Wildlife Service (FWS), Bureau of Reclamation (BOR), and Bureau of Indian Affairs (BIA)). We interviewed workers' compensation personnel at all levels who handle workers' compensation, including regional and field level personnel. We reviewed hundreds of claims with costs reported in 2003. We also selected a sample of case files and reviewed them to determine (1) whether appropriate forms were completed in a timely manner by both employees and supervisors; (2) if medical treatment was fully documented, including the physician's opinion on when the employee could perform regular or light duty; (3) the use of OWCP's registered nurses, second medical opinions, and rehabilitation services; and (4) whether fraud indicators were present. We reviewed cases for fraud/abuse if compensation payments were made with little or no medical costs documented, if compensation payments were made when only medical costs were entitled, and if compensation payments continued after the claim was denied or closed. We performed our fieldwork from December 2003 through October 2004.

We conducted our evaluation in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency in March 1993.

Findings and Recommendations

DOI's Workers' Compensation Program is at a crossroads. Overall, management of DOI's Workers' Compensation Program is both inefficient and ineffective. Previous OIG recommendations, our current recommendations, and the task force provide a collective roadmap for improving the program's management failings. We believe DOI must assume active responsibility for management of its own workers' compensation cases. We also believe the correction of the following five findings through the implementation of our recommendations is essential to improving the management of DOI's Workers' Compensation Program.

Finding 1: DOI's Workers' Compensation Program lacks consistent and comprehensive policies and procedures.

Workers' compensation claims are filed and processed according to the same rules and guidelines throughout the federal government. By issuing and enforcing Department-wide, standardized policies and procedures, DOI would ensure better management of its Workers' Compensation Program.

DOI does not need to start from scratch. Its workers' compensation guidebook, "Injury Compensation – A Guidebook for Program Coordinators," contains useful information – not just on filing claims, but also on managing cases, including returning employees to work, cost

verification and validation, and fraud detection. However, this guidebook is not being used by workers' compensation personnel. In fact, only one of the bureau coordinators we interviewed had a copy of the document. Unaware of this guidebook, many workers' compensation personnel rely on Federal Employees' Compensation Act (FECA) requirements and OWCP regulations, which do not address key parts of the Workers' Compensation Program. Some of the bureaus have made an effort to create their own guidance based on these regulations and requirements, but they, too, fall short.

Recently, DOI's Workers' Compensation Program developed a Web site, providing information on what to do when an injury occurs at work. Similar to the FECA requirements and OWCP regulations, the information provided on the Web site does not include policies and procedures for key components of workers' compensation.

We identified three important areas where DOI's Workers' Compensation Program lacks sufficient policies and procedures: (1) returning injured employees to work, (2) cost verification and validation, and (3) fraud detection and follow-up.

Returning Injured Employees to Work

DOI's program for returning employees to work is, at best, managed inconsistently, and, at worst, is subject to abuse by managers seeking an easy way to deal with problem employees. For example, one NPS employee injured in 1989 has received approximately \$350,000 in payments with no record of any vocational rehabilitation. The employee's physician did not indicate on the OWCP form whether the employee could eventually return to regular or light duty. While there was a brief attempt to assign light duty, management did not actively pursue the claimant's return to work because they considered him a "problem" employee. This employee remains on NPS workers' compensation rolls nearly 16 years later.

While DOI appears to respond adequately to claims and files them with OWCP, there also appears to be an "out of sight, out of mind," attitude among some supervisors once a claim is filed. There is no guidance on how to follow up on cases and re-employ claimants. A former NPS official said he had talked to people who were out on long-term disability who wanted to return to work, but they were never contacted by anyone at the bureau. When a NPS contractor contacted an employee on long-term workers' compensation about returning to work, the employee responded, "Why now after not hearing from NPS for 20 years?"

In the past, the OIG has raised concerns with DOI's ability to return employees to work. In response, DOI issued a personnel management letter in 1993 requiring the bureaus to identify positions that could be used or modified to allow employees to perform light duty. Recovering employees often return to work if their supervisors create light duty assignments. Although DOI now requests information from the bureaus about these positions on a quarterly basis, DOI does little with the information it receives and does not follow up with bureaus that fail to respond. Our review, alone, identified 38 employees that could have returned to light duty work – their benefit payments total \$4.4 million. This quarterly data call by DOI is a meaningless effort, absent an assertive official at the Department level or a motivated manager in the field to create light-duty assignments and return to work those injured employees with the ability to perform light work.

DOI workers' compensation personnel must be empowered to ensure that bureau supervisors are seeking these opportunities and creating assignments for injured employees who are capable of performing the work. DOI officials must also ensure all bureaus respond to its call for information.

Cost Verification and Validation

DOI has no systematic chargeback verification process. DOI officials need to verify, validate, and account for workers' compensation costs. The 1993 DOI personnel management letter required the bureaus to provide quarterly certifications that they verified the accuracy of DOL chargeback reports when they submit their return-to-work information. We found, however, that the bureaus are not doing this and DOI is not holding them accountable. In fact, only four of eight bureaus responded to the February 2004 request, and nine of the locations we visited did not receive chargeback reports. At half of the field locations we visited, the regional office performed the chargeback verification; however, without firsthand knowledge of all local cases, the regional official cannot perform an accurate or efficient review. In one region, a single program manager was responsible for verifying reports for nearly 1,000 cases.

At five of the locations we visited, the bureaus' reviews of the chargeback reports were generally limited to simply verifying that the individuals on the reports are current employees, without regard for accuracy of costs reported. In one case, we found \$5,525 in medical expenses claimed and paid even though the claim had been denied. Apparently, OWCP made a mistake and paid for a medical procedure that was not related to a work-sustained injury. We found that the employee's private insurance provider also paid for the expense. After we informed OWCP of the error, it submitted a bill to recover the overpayment.

In another case, a Bureau of Reclamation (BOR) laborer was injured in 1983 with unusually high medical costs totaling \$441,326 to date. An OWCP investigation denied her request for a "continuing attendant allowance" because there was no medical evidence to establish continuing need for receiving the allowance. Nonetheless, OWCP approved more medical payments in 1997. To date, BOR is still paying considerable amounts for unexplained medical costs for this individual, which amounted to \$43,244 in 2003 – 20 years after her injury. We have referred this case for investigation.

All the agencies we benchmarked have personnel who conduct in-depth reviews of cases to verify correct ownership and billing and accuracy of benefit payments, as well as screening for re-employment potential. Specifically, the chargeback report is used to verify accuracy and "reasonableness" of all workers' compensation charges. At DOD, the workers' compensation manual requires validating payments charged against the claim through a review of the employee's case file and related electronic data. Both DOD and the Forest Service perform this type of review on a monthly basis. Forest Service officials also monitor an injured employee's continuation of pay to ensure it does not extend beyond 45 days, and they ensure medical documents exist for the dates of absence. If full payments extend beyond 45 days or no medical documents are received for dates of absence, the Forest Service considers it to be a debt incurred by the employee. The Forest Service also charges workers' compensation costs at the field level. According to its

National Program Manager, this gives Forest Service field units an incentive to ensure that costs are accurate and to identify costs that are not attributable to their employees.

The Forest Service also uses a charging model that could greatly benefit DOI's management of workers' compensation cases. The model reinforces using information presently available to bureaus and field offices and focuses on the importance of verifying data. If DOI adopts this model, offices at every level would be held accountable for their costs and would have to review chargeback reports more closely.

Fraud Detection and Follow-up

Failure to effectively manage the Workers' Compensation Program creates an environment in which fraud can be perpetuated with impunity and abuse can occur undetected. Currently, there is no threat of detection for DOI employees abusing workers' compensation or for managers who misuse the program. Although this can be attributed, in part, to a lack of consistent DOI guidance, the problem is more widespread. In fact, we found an overwhelming lack of awareness and consideration of fraud during our review. None of the workers' compensation personnel we interviewed had received fraud detection training or maintained a list of fraud indicators. Over 10 percent of the workers' compensation cases we reviewed had indications of potential fraud or abuse, but no action had been taken by the bureaus. Over a 2-year period, these cases amounted to almost \$1.5 million charged to DOI.

We selected cases for fraud and abuse review if compensation payments were made with little or no medical costs documented, if compensation payments were made when only medical costs were entitled, and if compensation payments continued after the claim was denied or closed. Then we evaluated each claim against the following fraud indicators:

- After an accident, health condition never seems to improve.
- Claimant protests about returning to work.
- Claimant drops out of rehabilitation programs.
- Claimant changes doctors when released for work by treating physician.
- Claimant cannot be reached directly on the home telephone.
- Details of accident are vague.
- There was no witness to the accident.
- Accident is not promptly reported to a supervisor.
- Employee's first report of injury is different than the accident described in the medical history.
- Extensive treatment for minor injuries.

Although fraud indicators do not always lead to fraud, they are warnings that signal the need for additional review and follow-up. When reviewing cases, workers' compensation personnel should use a list of fraud indicators to help reveal obvious warning signs that do not require a high level of expertise to identify.

In one appalling example, a BOR temporary employee received \$500,000 in compensation over a 14-year period, even though he was capable of working 5 years after his injury. The employee

did not return to work allegedly because medical conditions unrelated to the on-the-job injury prevented him from performing the duties and responsibilities of his position. Almost 6 years later, OWCP requested a second medical opinion and the doctor stated that the claimant could perform essentially any job expected of a man of his age and training. BOR still failed to follow up on the case. Unknown to BOR, the employee had pursued and received a bachelor's degree in 1998 and a master's degree in 1999 at DOI's expense. OWCP did not reduce the claimant's compensation until BOR informed OWCP in 2002. If workers' compensation personnel had used a list of fraud indicators when reviewing this case, they may have been able to prevent this situation from occurring.

During our review, we found a best practice within the Department for fraud detection and follow-up. The only bureau that pro-actively tried to address workers' compensation fraud was NPS, which hired a contractor in 1999 to investigate potentially fraudulent claims. Over 5 years, NPS paid \$90,000 to the contractor to conduct about 80 investigations. The NPS Web site reports that these investigations resulted in a projected savings of \$2.8 million over the recipients' life expectancies. NPS' National Capital Region also verified workers' compensation claimants through face-to-face meetings during its Alive and Well Program – a workers' compensation verification and return-to-work campaign where NPS contractors visited employees at their homes. NPS contractors met with claimants to find out how they were doing and whether they would return to work if NPS had a job for them. Two people returned to work that had been receiving workers' compensation for 10 or more years. Overall, the workers' compensation coordinator for the National Capital Region thought this program was an overwhelming success and believes this program should have been expanded NPS-wide as well as DOI-wide. Unfortunately, in 2004 the program was discontinued due to a lack of funding.

At DOD, fraud and abuse are defined in the civilian personnel manual. This manual outlines several warning signals or indicators of fraud or abuse. When fraud is suspected, workers' compensation personnel can refer to the manual for guidance on determining if administrative action is necessary or whether to refer the claims to the appropriate investigative component.

According to DOD's workers' compensation liaison supervisor, its home visit project has been successful in detecting cases of fraud. The purpose of the home-visit project is to ensure claimants are receiving their correct entitlements and to assess the possibility of re-employment; however, it is also an opportunity to detect fraud and abuse. Six home-visit projects are conducted annually, and each project may include visits to more than 100 homes. DOD believes home visits are very cost effective. It has returned numerous employees back to work, as well as discovered ineligible employees still receiving benefits. It is also a good outreach program in which workers' compensation personnel can observe living conditions of employees, existence of dependents, and any unusual situations.

For instance, DOD officials visited one employee who claimed a spouse, but workers' compensation personnel discovered that the spouse was deceased and therefore decreased the employee's workers' compensation benefits. In another situation, DOD noticed a large stack of cash and professional-grade cooking pans in the kitchen and a catering truck outside of the employee's home. After an official investigation, DOD determined that the employee was

operating a catering business from his home and therefore was ineligible for workers' compensation benefits.

Home visits have also proved to be cost effective for the employee. DOD recently visited three employees who were each over 100 years old, still living and receiving workers' compensation benefits. One employee was eligible for additional benefits because she did not consider her spouse as a dependent. These home visits not only provide an opportunity for agencies to detect fraudulent claims, they also educate and inform claimants about their rights and benefits.

As a result of this finding on fraud and follow-up, the OIG plans to establish a special unit in its Office of Investigations dedicated solely to pursuing fraud cases related to workers' compensation. It is evident from these findings that without consistent and comprehensive guidance DOI will continue making costly errors in its Workers' Compensation Program.

Recommendations

We recommend that DOI update, reissue, and enforce the use of a single Department guidebook as well as adopt guidance that will provide all bureaus with clear, comprehensive policies and procedures on returning employees to work, cost verification and validation, and fraud detection and follow-up.

In addition, since NPS' Alive and Well Program was very successful regarding fraud detection, we recommend that DOI consider implementing the program Department-wide. This could be implemented on a staggered basis, assessing success and cost-savings along the way to justify funding for further implementation.

Finding 2: DOI's Workers' Compensation Program does not have a full-time, national program manager at the Department level to provide focus for the program.

DOI has over 70,000 employees but a single "collateral-duty" individual is responsible for overseeing workers' compensation at the Department level. Each of our benchmarking partners has at least one full-time position dedicated to managing workers' compensation at the national level: EPA has approximately 18,000 employees; the Forest Service has 34,000 employees; and DOD has over 700,000 civilian employees.

DOI's national workers' compensation official performs workers' compensation as a collateral duty and therefore is unable to adequately review reports submitted by the bureaus. Work related to workers' compensation comprises less than 10 percent of this individual's total workload. Each bureau, and in some cases each region or field location, manages its own programs, policies, and contacts with DOL. Many of the employees who handle these matters have little or no specialized training in workers' compensation.

Because DOI does not have a dedicated full-time position to provide oversight of the Workers' Compensation Program and to serve as a liaison to OWCP, there is no capacity to monitor the bureaus and enforce DOI policies, no real management of the Program's responsibilities and

costs, and no one to impose accountability in the Workers' Compensation Program Department-wide.

At DOD, its National Program Manager oversees 18 workers' compensation liaisons that are co-located in the same cities or buildings with OWCP district offices. At EPA, the workers' compensation national program manager was established as a result of an EPA OIG report³ and was designated for "central control and management of the program." The Forest Service has a full-time national program manager at its headquarters to provide guidance, training, and consistency in the Workers' Compensation Program. Without a full-time, national program manager at the Department level to provide guidance, training, and oversight for the Department who can serve as an advocate for workers' compensation personnel and as a liaison to OWCP, DOI's Workers' Compensation Program will remain without a national focus and continue to suffer from inconsistent administration throughout the Department.

No National Support for Workers' Compensation Personnel

In response to our 1993 audit, DOI reported that it had established the position of a program administrator to perform medical reviews of long-term workers' compensation cases. This was done to encourage awareness and reverse the upward trend in claims and cost. This effort was discontinued after 2 years, however, because although many employees were capable of returning to work in some light-duty capacity, DOI did not make any meaningful effort to actually return them to work.

In the 38 cases we identified where doctors had approved injured employees for light duty work, either no efforts were made to return the employees to work or the workers' compensation personnel's attempts were not successful due to a lack of support by management. At NPS, one injured employee has received \$235,295 in compensation payments since 1996 because the bureau did not have a light duty position available. Despite the fact that 1 month after the injury occurred he was approved for light duty work with permanent restrictions, he still collects disability.

Absent an assertive workers' compensation official in the field or a motivated manager to create light duty assignments, an injured employee such as this is likely to continue receiving compensation, rather than return to work. Without an advocate at the departmental level, lower level workers' compensation personnel are left to fend for themselves.

No Central Liaison to OWCP

We reviewed cases older than 90 days where the employees had not returned to work. We found that 84 percent of the case files had no evidence to show that nurses had been assigned or second medical opinions had been sought. These services can be the deciding factor in whether or not an employee eventually returns to duty or obtains another job that would eliminate or reduce the claimant's dependence on workers' compensation benefits. Bureau supervisors are not allowed to talk directly to an employee's doctor; a nurse case manager, however, can obtain this medical information directly. According to OWCP, all traumatic injury cases should be referred to an

³ March 23, 1993, report, "EPA's Administration of the Federal Employees' Compensation Act."

OWCP registered nurse regardless of the time elapsed since the injury. However, OWCP does not always assign a nurse on its own accord; in these instances, the agency must actually request that a nurse be assigned to a case.

According to OWCP, the first 100 days after an employee is injured is crucial in returning the employee to work. The best time to use the services of a nurse interventionist is between 45 and 90 days after the date of the injury. OWCP will also provide a nurse when (1) medical evidence does not contain a return-to-work date, (2) the return-to-work date is not in keeping with the severity of the original injury, (3) the return-to-work date is extended without clear medical reasons, or (4) the claimant is partially disabled but the file contains no description of work limitations.

We found numerous incidences where the workers' compensation personnel on site failed to request nurse interventionists. OWCP said the involvement of a nurse interventionist dramatically increases the return-to-work rate of injured employees.

In addition to ensuring the use of nurse interventionists, a national program manager overseeing workers' compensation for the Department could also ensure the use of second medical opinions by OWCP or a bureau-approved physician. These second opinions may provide additional medical information critical in tracking the progress and recovery of the claimant. Second medical opinions are often the determining factor regarding whether or not an employee can return to light or full duty, or whether vocational rehabilitation may be necessary. Securing a second opinion can be time-consuming, however, making it a process that collateral duty personnel may neglect.

Vocational rehabilitation services are provided for claimants that have not returned to work for an extended period of time, especially if no alternative jobs or light duty assignments are available to accommodate the injured employee. We found cases where people were in vocational rehabilitation for years, but neither DOI nor OWCP followed up. DOI pays for this service and has a vested interest to follow up. By law, if eligible claimants refuse to participate or discontinue vocational rehabilitation, OWCP can terminate their benefits payments.

As a result of management's passive neglect, two cases at NPS have resulted in a combined total of over \$400,000 in compensation payments. We found neither the on-site nor the regional coordinator followed up on these two costly claimants, even after hearing that the claimants had quit rehabilitation. After contacting both coordinators, we were able to confirm the status of these cases in the Safety Management Information System (SMIS)⁴, which indicated that several years had passed since vocational rehabilitation was offered to these claimants. A program manager serving as a liaison to OWCP could ensure follow-up on cases such as this.

⁴ SMIS is a DOI Internet-based automated system for reporting accidents that involve DOI employees, volunteers, contractors, or visitors to DOI facilities. The Departmental Safety Management staff in Denver, CO, maintains the system, which also contains accident, injury, and workers' compensation cost information.

Recommendation

We recommend that a full-time, Workers' Compensation Program Manager be established at the Department level to provide oversight and support – serving as an advocate to workers' compensation personnel and as a liaison to OWCP. We believe this position will enhance the success of the Workers' Compensation Program by providing the support to workers' compensation personnel and securing the services necessary to affirmatively and effectively manage workers' compensation cases.

Finding 3: Minimal accountability for workers' compensation costs exists at the field level.

Although DOI concurred “in principle” with our 1996 recommendation⁵ that it charge workers' compensation costs (in full or in part) to the lowest practicable organizational unit, DOI concluded that a departmental chargeback directive was not practicable due to differences in the bureaus' accounting systems. Instead, DOI took the position that the objective was to create management awareness of the cost of workers' compensation through a performance-based requirement. Each bureau would develop appropriate measures in employees' performance plans to create incentives to reduce costs. To date, however, no performance-based requirements have been developed in these plans except for the USGS Workers' Compensation Program Manager's position. The task force recently identified the “charging-down” concept as worth considering, with some practical considerations to be given for field offices that might be inequitably impacted.

We found that two bureaus within DOI have had remarkable success charging workers' compensation costs to the field level. BOR and the U.S. Geological Survey (USGS) have both implemented our prior recommendation and charged costs down to the location where the injury occurred. The effect of this action was positive, as BOR and USGS have consistently reduced and maintained lower workers' compensation costs.

We found that at the Forest Service, the full cost of workers' compensation is charged down to the level where the injury occurred, and at DOD's Army, the full cost is charged to the regional level. When costs are allocated to the lowest level, the manager must ensure that each unit receives and pays its correct portion of the chargeback billing.

As long as individual units and organizations are not responsible for paying costs, they have no financial incentive to reduce costs. Charging at the lowest level has been successful for two DOI bureaus as well as two of our benchmarking partners. By charging at the lowest organizational level, DOI will compel its bureaus to become aware of the financial consequences of mismanaging claims and the benefits of returning employees to work. Recognizing that smaller organizational units may be disproportionately impacted, DOI should establish appeal or exception procedures for such units to receive financial relief, if necessary.

⁵ 1996 OIG Report “Safety and Health Program, Department of the Interior.”

Recommendation

We reiterate a recommendation from our previous report that all bureaus should charge workers' compensation costs to the lowest practicable organizational unit to impose ownership, cost awareness, and incentives for cost reduction. This recommendation may be much more feasible now with the Financial Business and Management System (FBMS) implementation offering a new opportunity to use chargeback billing.

Finding 4: Bureaus are not maintaining fully documented, up-to-date case files.

Complete and up-to-date case files are essential to effectively monitor claims and ensure that employees' rights are protected; management options are timely exercised, such as offering light duty work; workers' compensation costs are effectively controlled; and claims are legitimate.

We found that at NPS, a third of the cases we requested for review were not adequately documented: 9 files were missing and 23 did not contain enough documentation for us to make potential fraud or return-to-work conclusions or to determine the legitimacy of claims and compensation being paid.

To assist in maintaining up-to-date information, all workers' compensation personnel need to have access to SMIS. Eleven of the 24 workers' compensation personnel we interviewed said they did not have access to this system. These individuals are responsible for case management, and without access to SMIS information it is nearly impossible for them to maintain accurate and up-to-date files. Since SMIS is primarily a safety system, it contains information on all accidents and injuries. SMIS is the first, but not the only, tool workers' compensation personnel need to monitor and track OWCP claims. Ensuring that all of the appropriate medical and rehabilitation documentation is in the case files must be part of a greater training, oversight, and periodic review process.

Recommendation

We recommend periodically reviewing case files to ensure that they are fully documented and updated. Maintaining up-to-date case files is essential to effectively monitor claims and provide information on the status of each claim. DOI must train workers' compensation personnel to know what documentation is appropriate and necessary. Policy establishing the conduct of periodic reviews of workers' compensation case files should be made part of the Department-wide guidance. DOI should ensure that workers' compensation employees have access to information in SMIS as a source of information on all accidents and injuries. Workers' compensation personnel can then use this information to input, monitor, and track OWCP claims to ensure their case files are accurate and up-to-date.

Finding 5: DOI's Workers' Compensation Program is understaffed, existing employees' lack adequate training to perform their jobs, and the placement of personnel is inconsistent throughout the bureaus.

For an agency with about 10,500 active cases amounting to approximately \$57 million a year and only 9 full-time workers' compensation employees, DOI's workers' compensation effort is woefully understaffed. In addition to being understaffed, some of the personnel assigned to administer workers' compensation do not possess the knowledge or time commitment necessary to do the job because they have not received adequate training and are burdened with multiple collateral duties. DOI and the bureaus need to come together to staff the program with well-trained, full-time human resources personnel who can manage the program, rather than simply process paperwork. If the Workers' Compensation Program were administered consistently Department-wide, we believe that DOI and its bureaus could collaborate creatively to share workers' compensation resources and expertise.

Full-time Positions and Elimination of Collateral Duty

Throughout DOI, there are only nine individuals who work full time on workers' compensation, five at NPS and only one person each at USGS, BIA, FWS, and BOR. The rest of the workers' compensation responsibilities are handled as a collateral duty of human resources or safety personnel. We interviewed 19 collateral duty personnel who spent from 5 to 75 percent of their time on workers' compensation. Ten of them believed that they were not able to spend enough time on workers' compensation, including all five personnel at BIA.

We also interviewed five full-time workers' compensation personnel. Three of them said managing workers' compensation was a full-time job. Two of the three also felt more full-time positions were needed in their regions. One full-time workers' compensation coordinator said, "Without a full-time coordinator, you can only put out fires, not manage the program. You can't check for cost savings, fraud, etc., on a part-time basis."

No Comprehensive Training Program for DOI Employees With Workers' Compensation Responsibilities

Not all workers' compensation personnel at DOI possess the knowledge and confidence needed to manage workers' compensation efficiently. Currently, DOI has no training requirement for workers' compensation personnel or supervisors. Fourteen of the workers' compensation personnel we interviewed said that they had attended OWCP's introductory training course only; 10 of whom also felt they needed more training. Two staff had received no training and three others attended the training 10 years ago. None of the DOI personnel we interviewed had attended training on fraud detection.

OWCP offers free training to all federal agency workers' compensation personnel. The curriculum includes claims processing, documentation and record-keeping, and counseling injured employees. DOI need not create its own training program, but, rather, should take advantage of this free training made available to all agencies. Once all DOI workers'

compensation personnel are trained through OWCP, DOI may wish to consider developing some continuing training opportunities with an emphasis on issues specific to DOI.

DOI's workers' compensation policy and procedures should address minimum training requirements for all workers' compensation personnel. Each bureau should have an employee who is responsible for providing adequate training to his or her own regional and field workers' compensation staff. At a minimum, new workers' compensation staff should attend OWCP's free 3-day training offered at various locations nationwide. In addition, DOI could develop a Web-based training module for use throughout the Department. The USGS workers' compensation coordinator told us that he is developing such a training course in-house, which might serve as a model for the Department.

Lack of Consistency in Workers' Compensation Functions Throughout the Bureaus

We found that the placement of workers' compensation personnel is inconsistent throughout the bureaus. DOI's Designated Agency Safety and Health Officials Council's task force and all three benchmarking agencies agree that workers' compensation should be assigned to a human resources unit. Workers compensation involves personnel regulations, health benefits, leave, pay, and retirement. Human resources personnel are trained to understand the Privacy Act and counsel employees on a range of employee benefits, including workers' compensation. This assignment represents another simple step DOI can take toward more proactive management of this program.

Most of the bureaus have put the workers' compensation function in human resources or use some combination of their human resources and safety programs. Only BIA and U.S. Fish and Wildlife Service (FWS) assigned the workers' compensation function to safety personnel. The safety personnel we talked to at BIA said they felt workers' compensation was a human resources function and their workload as collateral safety officers did not allow them enough time to effectively monitor the workers' compensation cases.

Recommendation

We recommend that DOI assign the workers' compensation function to human resources units, end the practice of having employees perform workers' compensation as a collateral duty, and provide comprehensive training for all DOI employees with workers' compensation responsibilities.

By eliminating workers' compensation as a collateral duty, DOI could effectively staff the program with dedicated full-time workers' compensation specialists with access to consistent DOI-wide guidance, procedural knowledge, management support, and technological tools to manage the program. The assignment of the full-time workers' compensation specialists could be based on either geographic workload (where there are a high number of claims) or organizational profile, such as at the assistant secretary level, or a combination. The bureaus with few cases could negotiate reimbursable agreements under the Economy Act⁶ to manage cases for one another, or the function could be accomplished at the departmental level. The cross-servicing of

⁶ 31U.S.C. Section 1535 (a) of the Economy Act authorizes reimbursable interagency agreements.

the Workers' Compensation Program management function should include timely and continuous communication between the workers' compensation specialist, supervisor, employee, and OWCP, which is critical for effective management of claims. Consolidating the workers' compensation function would also eliminate redundancies in training, administrative costs, and staffing.

Summary of Recommendations

In the previous section, we identified six key recommendations that will assist DOI in establishing a Department-wide structure to oversee and manage a unified and uniform Workers' Compensation Program for all DOI bureaus and offices. The following is a summary of those recommendations.

DOI should:

- (1) Update, reissue, and enforce the use of a single Department guidebook as well as adopt guidance that will provide all bureaus with clear, comprehensive policies and procedures on returning employees to work, cost verification and validation, and fraud detection and follow-up.
- (2) Consider re-implementing the Alive and Well Program Department-wide.
- (3) Establish a Workers' Compensation Program Manager at the Department level.
- (4) Charge workers' compensation costs to the lowest organizational unit to impose ownership, cost awareness, and incentives for cost reduction.
- (5) Periodically review case files and ensure they are fully documented and up-to-date.
- (6) Assign the workers' compensation function to human resources, establish full-time workers' compensation positions, and provide comprehensive training for all employees with workers' compensation responsibilities.

Appendix 1: Previously Issued Audit Reports

1. “Workers’ Compensation Program, Department of the Interior,” July 1993 (Report No. 93-I-1309)

The audit was conducted at the request of the President’s Council on Integrity and Efficiency (PCIE), and the DOL Office of Inspector General (OIG) was the lead agency. The audit’s objectives were to determine whether DOI and the bureaus (1) identified work-capable claimants and returned them to the workforce, (2) processed FECA claims timely, and (3) verified the accuracy of the FECA chargeback billings. We found that DOI and the bureaus did not ensure that employees injured on the job were placed in light duty assignments during their injury-recovery period or returned to regular duty when they were sufficiently recovered from their injuries. We also found that DOI and the bureaus were not ensuring the accuracy of OWCP’s chargeback billings. We reported \$1.2 million in medical and tax-free workers’ compensation payments for 39 claimants even though they could perform light-duty work and \$1.6 million in overcharges because OWCP miscalculated the workers’ compensation payment amounts. We also reported that the bureaus could not identify which offices were responsible for 500 claimants who were paid \$8.4 million in workers’ compensation payments.

2. “Safety and Health Program, Department of the Interior,” March 1996 (Report No. 96-I-609)

The audit objectives were to determine whether DOI and its bureaus (1) provided a safe and healthful workplace for employees and volunteer workers; (2) implemented reasonable corrective measures to reduce incidents of work-related injuries and illnesses; and (3) adequately accounted for and investigated work-related injuries and illnesses to enable necessary corrective actions to be made, including adequate oversight of workers’ compensation cases. We found that many previously injured DOI employees who had apparently recovered from their work-related disabilities inappropriately continued to receive workers’ compensation benefits because DOI did not periodically evaluate the physical condition of each claimant.

3. “Evaluation Report on Selected Aspects of the Administration of the Workers’ Compensation Program, Department of the Interior,” September 1999 (Report No. 99-I-892)

The evaluation’s objectives were to determine whether the bureaus removed employees timely from Departmental employment lists, as allowed by FECA, and whether the wages of injured employees were discontinued when they began receiving workers’ compensation payments. We found that DOI administered the Workers’ Compensation Program in accordance with the requirements of FECA.

Appendix 2: Task Force Recommendations

Designated Agency Safety and Health Official Council Workers' Compensation Task Force Strategy Document Recommendations Prioritization List (HR = Human Resources; WC = workers' compensation)

Overall Relative Ranking	Recommendations - Bureaus
1	B. 2. Focus responsibility in HR. Bureaus ensure that trained, knowledgeable and helpful staff is actively engaged in assisting employees and supervisors, monitoring cases, and working with DOL. Should understand their role as advocates for both the employee and the bureau. Case managers would also be looking at the data for possible abuse in cases of frequent filers and to alert safety managers to patterns or trends in causes.
2	B. 1. Bureaus establish processes and identify who will be responsible to regularly review DOL data and employee lists to maintain data accuracy, e.g., SMIS WC Case Management reports and OWCP quarterly and chargeback reports. This will help identify and correct duplicate payments, employee assignment errors, etc.
3	B. 5. Training for responsible HR staff should include 2 levels—basic and case management depending on work assignments. DOL's Office of Workers' Compensation Programs district and regional offices offer free OWCP training for agency workers' compensation coordinators and project managers. (NPS has done considerable work on developing training and developing delivery through remote, interactive broadcasts and satellite downlinks.)
4	B. 3. Develop a just-in-time checklist of steps to be taken by supervisors and have it sent to them as soon as a workers' compensation incident is reported. (could be a return email when file SMIS report) (should be short and to the point) Similar information should be available to employees on what to do and their responsibilities.
5	B. 8. Ensure processes and systems are in place to keep both safety and HR staff aware and informed of new cases.
6	B. 4. Training and information resources for supervisors should include awareness training, the just-in-time checklist, and basic information posted on the bureau intranet. Some information about workers' compensation that creates a general awareness of the benefit should also be incorporated into supervisory, leadership, and other appropriate training courses.
7	B. 7. More aggressively draw upon the nurse case manager/rehabilitation counselor assigned to the case by DOL to help employees get the help they need, to consult on complex or severe injury cases, and to engage in resolving any issues about returning to work.
8	B. 6. Create incentives and awareness to manage safety and workers' compensation costs. Consider moving costs to employee's office (aggregated at a reasonable level and possibly with caps, but where individual managers are accountable for costs and can do something to address them) (look at getting more recent cost information for chargeback).

Overall Relative Ranking	Recommendations - Department
1	D. 5. Standardize the DOI metrics to measure impact of workers compensation cases in days of lost productivity. This is consistent with DOL/OWCP output measure. Have DOI monitor and report the progress of bureaus on a regular basis. (Include in MIT reports, quarterly bureau scorecard meetings, etc.)
2	D. 4. Develop the SMIS system to track cases and provide information for case management. Also, when CA-1/2 is electronically filed with DOL, could trigger an email to supervisor, employee, and HR on what steps/responsibilities should be taken.
3	D. 1. Develop a case management handbook for HR staff and case managers. (NPS has a model.)
4	D. 3. Bring workers' compensation and safety staffs together periodically.
5 (tie)	D. 2. Highlight/recognize successes and failures by bureau and within bureaus. Include within the human resources management performance element for managers and supervisors the responsibility for the health and safety of their employees and accountability for workers' compensation.
5 (tie)	D. 6. Put in place a DOI IDIQ contract for all the bureaus to draw on that would provide medical or other investigative services on a reimbursable basis. (NPS contract up for renewal could be expanded).
6	D. 7. DOI service the Departmental Offices, the Solicitor's Office, and the Office of Hearings and Appeals. Small bureaus may want to explore ties with larger bureaus for some services depending on number of new cases and overall workload.
7	D. 8. Publicize the program and provide a telephone number to report fraud or abuse.

Appendix 3: Benchmarking Comparison

(HR = Human Resources; WC = workers' compensation)

	Fraud Detection	Management Oversight	Chargeback Report Analysis	Training
DOI	No review for fraud indicators at headquarters or bureau level.	DOI does not have a National Program Manager. One HR Specialist working on WC 10% of the time along with 9 other policy areas.	No analysis at headquarters. Some Bureau WC coordinators do not review reports for accuracy of costs charged to their bureau.	Bureau personnel do not receive adequate WC training.
DOD	Developed guidance for WC personnel to utilize if fraudulent claims are suspected. Selected visits to claimant's homes have uncovered fraud and/or abuse.	WC Liaison Supervisor over 18 full-time WC liaisons who are co-located in the same city or building with the DOL OWCP District Offices.	WC personnel review the chargeback report to verify ownership of cases, especially long-term cases.	New WC coordinators receive internal DOD 3-day training. WC liaison coordinators receive annual training.
EPA	No formal fraud detection steps.	EPA has a full-time WC National Program Manager who is responsible for oversight of the WC Program.	WC personnel review for accuracy and ownership of cases.	New WC specialists attend a free DOL 3-day WC specialist training.
Forest Service	No formal fraud detection steps.	Forest Service has a full-time National Program Manager at headquarters to provide guidance, training, and consistency in the WC program.	National Program Manager and WC personnel review to determine if injury claims are assigned to the appropriate field units. Field units are charged directly for WC claims. They also review the reasonableness of costs per injury, and if compensation has changed, they determine the cause.	All WC personnel are required to attend DOL's 3-day WC specialist training. The National Program Manager provides annual training to all WC personnel in regional offices.

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