



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

Central Region

134 Union Blvd., Suite 510

Lakewood, Colorado 80228

Report No. C-VS-MOA-0003-2008

May 16, 2008

### Memorandum

To: Assistant Secretary for Policy, Management and Budget  
(Attention: Associate Director of Finance, Policy and Operations)

From: Jack Rouch *Louise M. Nelson*  
*for* Regional Audit Manager

Subject: Review to Verify the Implementation of the Six Recommendations  
Contained in the Evaluation Report Titled, "Department of the Interior  
Workers' Compensation Program" (Report No. E-IN-MOA-0008-2004).

The Office of Inspector General has completed a verification review of the six recommendations presented in the subject evaluation report. The objective of this review was to determine whether the recommendations were implemented as reported by the Department of the Interior (DOI).

We concluded that three recommendations were implemented; however two of the remaining recommendations were not implemented and the third was unresolved. The results of our verification review are summarized below.

### Background

Our May 2005 evaluation report titled "Department of the Interior Workers' Compensation Program," made six recommendations to assist DOI in implementing effective and proactive workers' compensation management. In July 2005, the Assistant Secretary for Policy, Management and Budget responded to the report, concurring that the program needed improvements. Based on that response and a subsequent conversation with the Workers' Compensation Program Manager, we closed Recommendations 3 and 6 in March 2006. However, we referred Recommendations 2 and 4 to the Office of Financial Management (PFM) for resolution and Recommendations 1 and 5 for tracking of implementation.

On May 30, 2007, PFM reported to OIG that the four referred recommendations had been resolved and implemented. Therefore, PFM considered the report closed.

## **Scope and Methodology**

The scope of our review was limited to determining whether DOI implemented the recommendations as reported. To accomplish our objective, we reviewed the supporting documentation that DOI submitted to close the recommendations. We also interviewed DOI personnel and reviewed additional information they provided. We did not perform site visits or conduct detailed fieldwork to determine whether the underlying deficiencies identified in the original audit report have been corrected.

This review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

## **Results of Review**

We concluded that Recommendations 1 and 4 were not implemented and recommendation 6 was not resolved. Our conclusions on these recommendations are presented below. Our conclusions on the remaining recommendations considered resolved and implemented are included in appendix 2.

**Recommendation 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.**

DOI's Office of Human Resources (OHR) provided a revised Department-wide guidebook. While the revised guidebook included policies and procedures on returning employees to work and cost verification and validation, it did not include policies and procedures on fraud detection and follow-up. We therefore consider Recommendation 1 not fully implemented. PFM should reinstate this recommendation and ensure it is fully implemented by the bureaus.

**Recommendation 4: Charge workers' compensation costs to the lowest organizational unit to impose ownership, cost awareness, and incentives for cost reduction.**

In May 2007, OHR reported only two bureaus (U.S. Geological Survey and Bureau of Reclamation) had implemented this recommendation. OHR stated that the bureaus were the appropriate entity to assign completion of this recommendation and requested PFM refer it to them for implementation. We saw no evidence that PFM reassigned this recommendation to the bureaus or ensured that it was implemented. We consider this recommendation not implemented and PFM should reinstate this recommendation and ensure it is implemented by the bureaus.

**Recommendation 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.**

We did not refer Recommendation 6 to PFM for resolution or tracking because we closed the recommendation based on the Department's response to the report and a subsequent conversation we had with the Workers' Compensation Program Manager. However, during this verification review, we found evidence indicating that the recommendation was not resolved.

In May 2007, OHR reported to PFM that there was mixed progress in implementing this recommendation. OHR reported that all bureau employees who manage workers compensation had received training, however:

- One bureau, the National Park Service (NPS), had not transferred its workers' compensation function to human resources.
- None of the bureaus, except NPS, established a full-time workers' compensation position.

OHR officials stated that they attempted to obtain full bureau compliance, but lacked the authority to mandate implementation. Based on this information, we consider this recommendation not resolved and refer it to PFM for resolution and tracking of implementation.

### **Conclusion**

We informed both DOI and PFM officials that we considered Recommendations 1 and 4 not implemented, Recommendation 6 unresolved, and Recommendations 2, 3, and 5 implemented. We therefore refer Recommendation 6 for resolution and tracking of implementation, and request that PFM reinstate Recommendations 1 and 4 and take appropriate follow-up action as noted in the appendix 1.

### **Responding to the Report**

We request that PFM provide a written response to this report by June 20, 2008, indicating whether it reinstated Recommendations 1 and 4 and its plans for resolving Recommendation 6. If applicable, the response should provide PFM's reasons for not taking these actions on the recommendations.

If you have any questions regarding this report, please call me at 303-236-9243.

cc:    Audit Liaison Officer, Department of the Interior  
      Audit Liaison Officer, Bureau of Land Management  
      Audit Liaison Officer, National Park Service  
      Audit Liaison Officer, Bureau of Indian Affairs  
      Audit Liaison Officer, Bureau of Reclamation  
      Audit Follow-up, Bureau of Reclamation  
      Audit Liaison Officer, U.S. Geological Survey  
      Audit Follow-up, Mineral Management Service  
      Audit Follow-up, Office of Surface Mining  
      Audit Follow-up, Fish and Wildlife Service  
      Focus Leader for Management Control and Audit Follow-up  
      Worker's Compensation Program

## STATUS OF PRIOR AUDIT REPORT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
1	Not Implemented	We are requesting that PFM reinstate the recommendation. PFM should ensure the DOI guidebook, "Workers' Compensation Guidance For Department of the Interior Personnel," includes comprehensive policies and procedures on fraud detection and follow-up.
2	Implemented	No Action Required.
3	Implemented	No Action Required.
4	Not Implemented	We are requesting that PFM reinstate the recommendation. PFM should ensure the bureaus charge workers' compensation costs to the lowest organizational unit (In the bureaus) to impose ownership, cost awareness, and incentives for cost reduction.
5	Implemented	No Action Required.
6	Unresolved	We are referring this recommendation to PFM for resolution and tracking of implementation. PFM should ensure the bureaus assign the workers' compensation function to human resources and that they establish full-time workers' compensation positions.

**RECOMMENDATIONS CONSIDERED  
RESOLVED AND IMPLEMENTED**

**Recommendation 2: Consider re-implementing the Alive and Well Program Department-wide.**

The Department decided not to re-implement the Alive and Well Program. Instead, to improve the Department's effectiveness, it is centralizing case management for long-term workers' compensation cases. In May 2007, OHR reported that five agencies were participating in the effort and that it anticipated eventually centralizing all of the Department's long term disability cases. Based on these actions and those described for Recommendation 4, we consider Recommendation 2 to be implemented.

**Recommendation 3: Establish a Workers' Compensation Program Manager at the Department level.**

The Department established, filled, and has maintained a Workers' Compensation Program Manager position since October 2005. Based on these actions, we consider Recommendation 3 to be implemented.

**Recommendation 5: Periodically review case files and ensure they are fully documented and up-to-date.**

In May 2007, OHR reported that its centralized case management team had five bureaus participating in the review project and was managing 534 long-term disability cases. As of March 2008, the team had ten bureaus or offices participating and was managing about 1,000 long-term disability cases. Based on these actions, we consider Recommendation 5 to be implemented.