

August 8, 2003

PETER G. CAPTAIN
MANAGER, CENTRAL FLORIDA DISTRICT

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MANAGER, SOUTH GEORGIA DISTRICT

SUBJECT: Audit Report – Southeast Area Employees on the Periodic Roll with No Wage Earning Capacity or Reemployment Determination (Report Number HK-AR-03-003)

This report presents the results of our audit of workers' compensation cases classified by the Department of Labor Office of Workers' Compensation Programs as having no wage earning capacity or reemployment determination (Project Number 03YN004HK000). Our objectives were to assess the Postal Service's internal processes to manage these cases. We also reviewed efforts by the Postal Service to coordinate with the Office of Workers' Compensation Programs on these cases. This audit was initiated as a result of our review of retirement eligible Postal Service employees on the periodic roll.

Our audit disclosed that Central Florida and South Georgia District officials were proactive in managing cases of employees on the periodic roll. Also, injury compensation officials in both districts periodically coordinated with the Office of Workers' Compensation Programs to initiate actions to resolve case issues. However, one district had difficulty getting responses from the Office of Workers' Compensation Programs on the medical status of employees. In addition, the Postal Service could be paying medical charges for nonwork-related injuries for separated employees. In the Central Florida District, a separated employee received medical treatment for nonwork-related injuries totaling approximately \$350,000. The injury compensation manager made numerous written requests for the Office of Workers' Compensation Programs to review this case, but the requests were unanswered for 6 years. We plan to conduct a follow-up audit on this issue. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Erica Blackman, director, Health Care, at (703) 248-2100 or me at (703) 248-2300.

Mary W. Demory
Deputy Assistant Inspector General
for Core Operations

Attachment

cc: Suzanne F. Medvidovich
John A. Rapp
DeWitt O. Harris
Ronald E. Henderson
Karen A. Borowski
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EXECUTIVE SUMMARY

Introduction

This report presents the results of our audit of workers' compensation cases classified by the Department of Labor Office of Workers' Compensation Programs as having no wage earning capacity or reemployment determination.¹ The Office of the Inspector General initiated this audit as a result of our review of retirement eligible Postal Service employees on the periodic roll.

Results in Brief

Our audit disclosed that Central Florida and South Georgia District officials were proactive in managing cases of employees on the periodic roll. Also, injury compensation officials in both districts periodically coordinated with the Office of Workers' Compensation Programs to initiate actions to resolve case issues. However, one district had difficulty getting responses from the Office of Workers' Compensation Programs on the medical status of employees.

In addition, the Postal Service could be paying medical charges for nonwork-related injuries for separated employees. In the Central Florida District, a separated employee received medical treatment for nonwork-related injuries totaling approximately \$350,000. The injury compensation manager made numerous written requests for the Office of Workers' Compensation Programs to review this case, but the requests were unanswered for 6 years. We plan to conduct a follow-up audit on this issue.

Summary of Management's Comments

Management addressed one area of concern in our report regarding the periodic roll categories. Management indicated that the periodic roll category limited duty should be changed to partial wage-earning capacity as defined by the Department of Labor. Management noted that limited duty is a term used by the Postal Service and provided to employees injured at work who are unable to perform their regular duties. Management's comments, in their entirety, are included in the appendix of this report.

¹ The Office of Workers' Compensation Programs classifies injured employees on the periodic roll in five categories. One category—no wage earning capacity or reemployment not determined, consists of employees on the periodic roll who have permanent disabilities or injuries that have lasted or expected to last for prolong periods over 1 year.

**Overall Evaluation of
Management's
Comments**

We reviewed management's information and other supporting documentation and revised the report to reflect the title used by the Department of Labor.

INTRODUCTION

Background

The Federal Employees' Compensation Act, enacted in 1916, is a comprehensive workers' compensation law designed to provide medical and death benefits, income replacement, and other services to employees with work-related injuries. The Federal Employees' Compensation Act was not intended to serve as a retirement program and places no age or time limitation on an injured worker's receipt of workers' compensation benefits. As long as the injured employee's medical evidence substantiates that the total or partial disability is related to the work injury, the individual is entitled to receive benefits. Employees who fully or partially recover from their injuries are expected to return to work. Once an employee reaches retirement age, there is no requirement for them to be removed from the periodic roll. Consequently, some beneficiaries may remain on the periodic roll until they die.

The Office of Workers' Compensation Programs adjudicates claims and pays compensation, medical, and death benefits to injured federal workers. These benefits are paid from the Department of Labor's Employees' Compensation Fund. Annually, all fund outlays are billed to each employing agency through a mechanism known as a chargeback. It is the responsibility of each agency to reimburse the Employees Compensation Fund for expenses paid from the fund for their injured workers. The Postal Service pays compensation for work-related injuries and death, and an administrative fee from operating revenues. The Office of Workers' Compensation Programs chargeback year is July 1 through June 30.

Employees eligible for Federal Employees' Compensation Act benefits receive either 66 2/3 percent or 75 percent² of their basic salary tax-free until they return to work. This amount also includes an annual cost-of-living adjustment. In fiscal year (FY) 2002, the program paid all injured federal workers over \$2.2 billion in benefit compensation, including \$1.61 billion in wage loss compensation and the remainder in medical and death benefits.

² Only employees with dependents receive 75 percent of their basic salary.

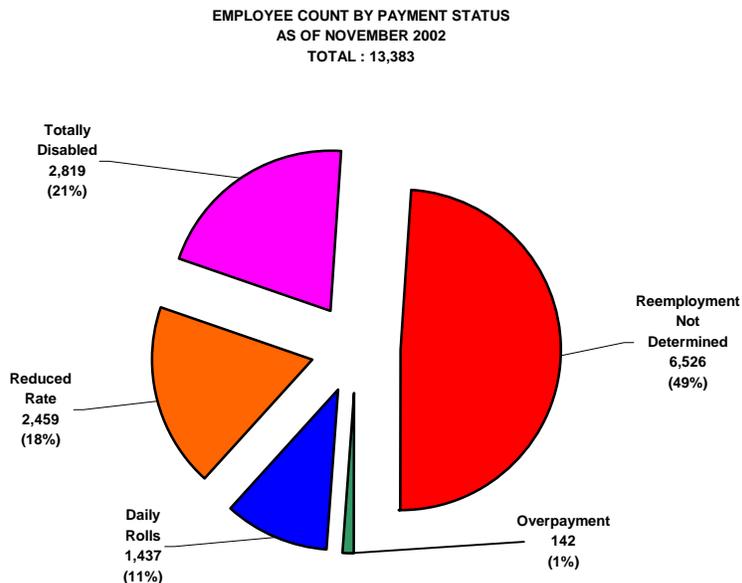
In chargeback year 2002, the Postal Service paid over \$805 million in workers' compensation benefits and administrative fees to the Office of Workers' Compensation Programs for approximately 13,400 Postal Service employees on the periodic roll. The Postal Service's 2002 chargeback costs accounted for 35 percent³ of total workers' compensation program expenditures. The Postal Service's costs include some cases that originated over 25 years ago because the act places no age or time limitation on an injured worker's receipt of workers' compensation benefits.

The Office of Workers' Compensation Programs classifies injured employees on the periodic roll in several categories. These include employees on the daily roll, totally disabled, partial wage-earning capacity, overpayment and no wage earning capacity or reemployment determination. Employees classified as no wage earning capacity or reemployment determination consists of employees on the periodic roll who have permanent disabilities or injuries that have lasted or are expected to last for prolonged periods exceeding 1 year. The employee is expected to return to duty as soon as possible and is to contact the agency to find out whether light or limited duty is available.

As illustrated in the chart on the next page, 6,526⁴ of the approximately 13,400 employees on the periodic roll were classified as no wage earning capacity or reemployment not determined.

³ The percentage is based on workers' compensation benefits paid, excluding administrative fees.

⁴ Of the 6,526 employees, 4,111 have been on the periodic roll more than 5 years.



In the Southeast Area, there were 729 Postal Service employees on the periodic roll classified as no wage earning capacity or reemployment determination.

Objectives, Scope, and Methodology

Our objectives were to assess the processes used to manage workers' compensation cases classified as no wage earning capacity or reemployment determination. We also reviewed efforts by the Postal Service to coordinate with the Office Workers' Compensation Programs on these cases.

To assess the processes used by the Postal Service injury compensation office to manage these injury cases, we interviewed injury compensation officials located at Postal Service Headquarters, the Southeast Area, and the Central Florida and South Georgia District offices.⁵ The Southeast Area districts were judgmentally selected because other locations had ongoing Office of Inspector General (OIG) audits. We also statistically selected a sample of 60 injury compensation cases from the Central Florida and South Georgia Districts. Southeast Area officials provided information from the Worker's Compensation Information

⁵ The Central Florida and South Georgia District offices are under the Southeast Area office.

Reporting System. We did not attempt to assess the reliability of the data from the system as part of our audit objectives. We reviewed and analyzed case files to ensure that they contained current duty and medical status reports in an effort to return the employees to work.

To review efforts made by the Postal Service to coordinate with the Department of Labor Office of Workers' Compensation Programs for these cases, we reviewed case files to ensure they contained written correspondence, letters, memoranda, and notes of discussions between Postal Service Injury Compensation officials and the Office of Workers' Compensation Programs.

This audit was conducted from February through August 2003 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We identified three prior OIG reports related to the objectives of this audit.

Retirement Eligible Postal Service Employees on the Workers' Compensation Periodic Rolls (Report Number HK-MA-03-001, dated March 21, 2003). Our review disclosed that Postal Service employees age 55 and older make up 49 percent (6,500) of the approximately 13,400 employees on the periodic roll. Further, 70 percent (9,345) of the employees on the periodic roll are totally disabled (with little or no future reemployment potential) or reemployment has not been determined. Legislative reform of the Federal Employees Compensation Act is needed to address concerns that the act has become, in effect, a retirement system for some workers' compensation beneficiaries. These reforms, if implemented, would decrease the number of employees on the periodic roll, and would reduce compensation and medical costs. We recommended management pursue whether congressional assistance should be sought to pay administrative fees to the Office of Workers' Compensation Programs.

Management agreed with our recommendation, and the actions taken or planned are responsive to the issues identified in the report.

Southwest Area's Efforts in Obtaining Appropriate Chargeback Credits for Identified Wage Compensation Overpayments and Refundable Disbursements (Report Number LH-AR-02-003, dated May 8, 2002). The audit revealed that although the Postal Service had issued sufficient policies, the Southwest Area staff did not implement automated or manual follow-up procedures to effectively monitor previously identified wage compensation overpayments and third party liability refundable disbursements. As a result, the Postal Service did not receive proper chargeback credit adjustments from the Department of Labor, Office of Workers' Compensation Programs, for approximately \$286,000 of wage compensation overpayments and refundable disbursements. In addition, we project the Southwest Area has about 223 cases representing wage compensation overpayments valued at \$702,000, which have not been properly monitored or followed up. We could not project the number of third party cases and associated dollar value for refundable disbursements. We recommended that Postal Service management renew its emphasis on monitoring overpayments and disbursements; issue follow-up procedures that adhere to existing policies; develop a system to track previously identified wage compensation overpayments; and review the cases the OIG did not audit to determine whether chargeback credits were received. In addition, we recommended that management consider implementing these recommendations throughout the Postal Service. Management agreed with our recommendations and monetary impacts, and the actions taken or planned should address the issues we identified.

Administration of Aspects of the Injury Compensation Process - Long Island District (Report Number LB-AR-00-002, dated September 29, 2000). The review revealed that generally, the district effectively managed its limited duty program. We found that district officials assigned limited duty in compliance with medical restrictions, filed injury claim forms with the Department of Labor in a timely manner, and challenged injury claims in accordance with

the Federal Employee Compensation Act regulations. However, we identified opportunities to improve the monitoring of limited duty. Specifically, we found that duty status reports were missing the next medical appointment dates. We also found that limited duty case files were missing documentation of job offers or had gaps of time between job offers. This missing information could delay the employee's return to either limited or full duty. In addition, internal controls over the payments for first-aid injuries and continuation of pay could be improved. We recommended the vice president, New York Metro Area, require district officials to establish procedures to improve management of limited duty cases, provide training to supervisors explaining the importance of completing the injury claim forms properly, and segregate payment function responsibilities for contract physicians on first-aid injuries training.

Management generally concurred with our recommendations and the actions planned should correct the issues identified in the report.

AUDIT RESULTS

Management of Periodic Roll Cases

Injury compensation officials in the Central Florida and South Georgia Districts proactively managed periodic roll cases. The Employee and Labor Relations Manual states that injury compensation officials will monitor the employee's medical progress using Form CA-17,⁶ Duty Status Report. This report gives interim medical information on an employee's ability to return to work.

We reviewed and analyzed 30 case files in each district and found that officials had obtained the Duty Status reports, and physicians' medical reports to monitor the injured employee status. Specifically, in both districts, injury compensation officials:

- Reviewed chargeback reports received from the Office of Workers' Compensation Programs every accounting period to ensure that medical costs were consistent with the accepted injury.
- Initiated referrals to the Postal Inspection Service on suspicious cases.
- Worked with the Office of Workers' Compensation Programs to obtain determination or status on injured employees.
- Presented modified job offers (within medical limitations) to injured employees in an attempt to return them to work.
- Informed employees of their options to elect workers' compensation benefits or disability retirement.

Additionally, in the Southeast Area, the area office acts as a liaison between the Office of Workers' Compensation Programs and district officials to coordinate efforts to return employees to work. The Southeast Area injury compensation office has a process in place to evaluate case

⁶ Form CA-17, Duty Status Report, provides an interim medical report containing information as to the employee's ability to return to any type of work.

management at the district offices. Specifically, individual injury compensation specialists at the area office are assigned to each district office as their point of contact.

**Management's
Comments**

Management addressed one area of concern in our report regarding the periodic roll categories. Management indicated that the periodic roll category limited duty should be changed to partial wage-earning capacity as defined by the Department of Labor. Management noted that limited duty is a term used by the Postal Service and provided to employees injured at work who are unable to perform their regular duties.

**Evaluation of
Management's
Comments**

We reviewed management's information and other supporting documentation and revised the report to reflect the title used by the Department of Labor.

**Coordination with
Office of Workers'
Compensation
Programs Officials**

Injury compensation officials in the Central Florida and South Georgia Districts periodically coordinated with the Office of Workers' Compensation Programs to resolve problems with cases. Specifically, injury compensation officials:

- Requested updated information on a separated employee, which prompted the Office of Workers' Compensation Programs to terminate Federal Employees' Compensation Act benefits due to a lack of updated medical documentation.
- Challenged an employee's medical documentation prompting the Office of Workers' Compensation Programs to decline the employee Federal Employees' Compensation Act benefits.
- Worked with the Office of Workers' Compensation Programs to initiate second opinions from medical professionals and in some cases challenged employees' disability status.

Although injury compensation officials periodically coordinated with the Office of Workers' Compensation Programs, injury compensation officials in the Central Florida District stated that they had difficulty obtaining medical status updates from the Office of Workers' Compensation Programs. For example, over a 5-month period injury compensation officials requested an employee's medical status from the Office of Workers' Compensation Programs on three separate occasions, but did not receive a response. District injury compensation officials then referred the case to the Southeast Area office to contact the Office of Workers' Compensation Programs to obtain the information. The Southeast Area office was able to obtain the employee's medical status. South Georgia District officials stated that they did not encounter difficulties communicating with the Office of Workers' Compensation Programs to obtain case information.

**Possible Medical
Charges for
Nonwork-Related
Injuries**

The Postal Service could be paying medical charges for nonwork-related injuries for separated employees. The Employee Labor Relations Manual states that when employees are injured and their medical conditions render them unable to perform their duties, their positions are held for 1 year. At the end of 1 year, if an employee's medical condition has not changed, the Postal Service initiates action to separate these individuals off the employment roll.

Once an employee has been classified as separated, the Postal Service has limited access to medical updates for these employees. However, the Postal Service is still responsible for the medical costs of the injury sustained during their employment. The Office of Workers' Compensation Programs manages these cases and pays the medical provider. After the provider is paid, the Office of Workers' Compensation Programs requests reimbursement from the Postal Service on the chargeback report.

An injury compensation official informed the OIG that there is a potential for separated employees to receive treatment for nonwork-related injuries. For example, in the Central Florida District, a separated employee received medical treatment at a cost of approximately \$350,000 for nonwork-related injuries.⁷ This employee filed a claim that was accepted for post-traumatic stress disorder in 1986. The official also stated that these medical charges were discovered during a review of the chargeback report. The Office of Workers' Compensation Programs had approved and paid medical costs for unrelated hypertension and kidney conditions. Consequently, the medical payment for these nonwork-related injuries had already been made. The injury compensation official stated that the only method of monitoring the medical cost for separated employees is the chargeback report.⁸ This official also stated that it is a difficult process to get the Office of Workers' Compensation Programs to credit the Postal Service for these nonwork-related medical charges.

⁷ This case was not part of the 60 cases reviewed by the OIG. The Postal Service official brought this case to our attention during the course of our audit.

⁸ The Postal Service must send a written request directly to the Office of Workers' Compensation Programs national office to dispute errors in the chargeback report. The Office of Workers' Compensation will make a decision and correct verified errors by crediting the next years billing statement.

The injury compensation official submitted numerous written requests to the Office of Workers' Compensation Programs inquiring why the Postal Service was being billed for this employee's nonwork-related injuries. The official's requests were unanswered for 6 years. The Office of Workers' Compensation Programs responded in June 2002 that these nonwork-related injuries were accepted as part of the original 1986 stress claim. The employee died on August 11, 2002, and on November 12, 2002, the Office of Workers' Compensation Programs sent a letter to the deceased employee asking for any uncashed compensation checks to be returned.

Another employee submitted a claim for carpal tunnel syndrome that was accepted by the Office of Workers' Compensation Programs in 1992. However, the injury compensation official stated that in reviewing the chargeback report nonwork-related medical charges totaling approximately \$1,250 for the treatment of a preexisting condition, narcolepsy, were approved and paid by the Office of Workers' Compensation Programs. The official stated that this condition is not related to the original claim for carpal tunnel syndrome.

Our audit revealed the potential for payment of nonwork-related medical charges for separated employees. We believe this issue should be reviewed further with the Office of Workers' Compensation Programs.⁹ The OIG plans to initiate a future audit on this issue.

⁹ Credits and debits for chargeback adjustments appearing on the agency's most recent bill will be made only if approved by the Office of Workers' Compensation Programs.

APPENDIX. MANAGEMENT'S COMMENTS

DISTRICT MANAGER



July 11, 2003

MARY W DEMORY
DEPUTY ASST INSPECTOR GENERAL
FOR CORE OPERATIONS
1735 N LYNN ST
ARLINGTON VA 22209-2020

RE: Transmittal of Draft Audit Report – Southeast Area Employees on the Periodic Roll with No Wage Earning Capacity or Reemployment Determination (Report) Number HK-AR-03-DRAFT)

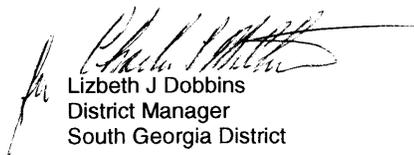
Reference your letter, June 19, 2003. The draft report has been reviewed. Thank you for the favorable comments about our injury compensation staff and program.

In your letter you ask for comments on the accuracy of information presented. On page 2 of the Draft, the second paragraph concerning periodic roll categories is not clear. It states, "These include employees on the daily roll, totally disabled, limited duty, overpayment and-no wage earning capacity or reemployment determination. Employees classified as no wage earning capacity or reemployment determination consists of employees on the periodic roll who have permanent disabilities or injuries that have lasted or expected to last for prolong (sic) periods over 1 year." To clarify, following are periodic roll categories as defined by the Department of Labor:

- PR: Entitled to payment on periodic roll; re-employment or earning capacity not yet determined.
- PN: Entitled to payment on periodic roll; determined to have no wage-earning capacity or re-employment potential indefinitely.
- PW: Entitled to payment on periodic roll at reduced rate, reflecting a partial wage-earning capacity or actual earnings.
- OP: Overpayment exists; final decision made on issues of fault and waiver. Claimant on periodic roll.

Limited duty is a term used by the Postal Service. Limited duty is provided to employees injured at work who are unable to perform their regular duties. Modified duties are assigned based on work restrictions declared by the treating physician.

The remainder of the draft report appears to be accurate. It does not appear to contain information exempt from disclosure under the FOIA.


Lizbeth J Dobbins
District Manager
South Georgia District

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PETER CAPTAIN
DISTRICT MANAGER
CENTRAL FLORIDA DISTRICT



July 17, 2003

Mary W. Demory
OIG Deputy Assistant Core Operations
1735 N Lynn St
Arlington VA 22209-2020

Dear Ms. Demory:

I have received a copy of the OIG Draft Audit Report # HK-AR-03-DRAFT addressing workers' compensation cases classified as having no wage earning capacity or reemployment determination. At my request, this report was also reviewed by Maxine Counts, Manager Human Resources, and Denise House, Manager Injury Compensation.

This draft report addresses areas of concerns as noted during the audit. It is indicated the Central Florida Injury Compensation staff expressed their difficulties in obtaining medical updates from the Jacksonville Office of Workers Compensation. Although the audit involved a research of only 30 claims, it is evident that Inspectors Gerard Sheeran and Francine Jackson were able to substantiate the complaints by referencing the multiple requests for medical updates found in the files they reviewed. I have been advised that the communication difficulties with the OWCP involve not only requests for medical updates, but adjudication status of claims, job suitability decisions, requests for second opinions, as well as issues pertaining to medical expenses and compensation payments. Our office advises of approvals for tests, procedures and surgeries from the OWCP without acknowledgement to our agency, which has presented a number of difficulties in the management of the claims.

The draft report references two cases from the Central Florida District involving payments for non work related conditions. The two cases referenced were examples provided to the Inspectors by the Central Florida Injury Compensation office to support their concerns involving the cost management of claims. I have been advised that the potential for payment of medical bills and prescriptions for non work related conditions exists in claims of both separated and non-separated employees.

It is our hope that an OIG investigation, such as this, will be viewed as an opportunity to locate and focus attention on the various problems existing within the Workers Compensation Program, such as retirement eligible postal employees currently receiving compensation from OWCP, communication issues, and reduction of the chargeback expenditures.

Your consideration of our concerns is appreciated. If additional information is needed with regard to injury compensation matters, please call Denise House, Manager Injury Compensation, at (407) 333-4834.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Captain".

Peter Captain

cc: Denise House, Manager, Injury Compensation
Maxine Counts, Manager, Human Resources

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