

March 31, 2003

DEWITT O. HARRIS
VICE PRESIDENT, EMPLOYEE RESOURCE
MANAGEMENT

SUBJECT: Management Advisory – Postal
Service’s Death Benefit Payments to
Decedent’s Survivor(s)
(Report Number HK-MA-03-002)

This management advisory report presents the results of our self-initiated review of the Postal Service’s Death Benefit Payments to the Decedent’s Survivor(s) within the Capitol Metro, Southeast, and Southwest Areas (Project Number 03YG045HK000). The objectives of the review were to determine whether the Postal Service is effectively managing death benefit claims by identifying changes to and termination of survivors’ benefit entitlements and notifying the Department of Labor. In addition, we evaluated the program to identify potential areas for cost reductions.

Results in Brief

Our review determined that the Postal Service’s Injury Compensation Control Office (control office) did not effectively monitor or review death benefit claim files. We found the Office of Workers’ Compensation Programs death claim files did not always contain current documentation such as Forms CA-12¹ and EN-1615.² We also found the Office of Workers’ Compensation Programs continued providing benefits to survivors who remarried before age 55 and paid benefits to a deceased survivor. In addition, our review identified a third-party award check for over

¹ Office of Workers’ Compensation Programs Form CA-12 is used by survivors to report their current marital status, dependent status, employment, and receipt of other benefits each year.

² Office of Workers’ Compensation Programs Form EN-1615 is used by children between the ages of 18 and 23 to report whether they are pursuing a course of full-time study.

\$29,000, which was submitted to the Office of Workers' Compensation Programs but was not credited to the Postal Service's chargeback account in a timely manner. This occurred because the control office perceived the monitoring and reviewing of death claims as the responsibility of the Office of Workers' Compensation Programs. Also, the Postal Service did not provide the area control offices with adequate training and procedures for handling death benefit claims after approval by the Office of Workers' Compensation Programs. As a result, the Office of Workers' Compensation Programs paid an estimated \$1.3 million to survivors for benefits that were questionable.

We recommended that the injury compensation control office staff coordinate with the Office of the Workers' Compensation Programs district offices and review all death benefit claims to verify survivors' entitlement. In addition, control office managers should review chargeback reports for timely credits for third-party awards and provide control office staff with training and guidance for monitoring and reviewing death benefit claims.

Management neither agreed nor disagreed with recommendation 1 or provided an opinion concerning the \$1.2 million in questionable costs. The actual amount of the questionable costs cannot be determined until the Office of Workers' Compensation Programs makes an assessment of survivors' entitlement to continued benefits. Management did state that active monitoring of the survivor's benefits is not the Postal Service's primary responsibility. Management also stated that they planned to write the Office of Workers' Compensation Programs to request that they make a concerted effort to follow-up and enforce requirements for submission of Forms CA-12 and EN-1615 to reduce the Postal Service's financial burden. Further, management stated their interest in knowing how many of the 55-death claim files used in the calculation of the \$1.2 million in questionable costs were entitled to death benefits. In addition, management neither agreed nor disagreed with recommendation 2, however, management stated they took steps in December 2002 to reinvigorate the third party program and implement a tracking system. Finally, management was not responsive to recommendation 3 which addressed training staff and

providing guidance for monitoring and reviewing death benefit claims.

Although management neither agreed nor disagreed with recommendation 2, the actions taken or planned should correct the issues identified in the report. However, management's comments were not responsive and did not meet the intent of recommendations 1 and 3. We believe that management has a responsibility to coordinate actions with the Office of Workers' Compensation Programs to review death benefit claims and verify survivors' entitlement to continued benefits. Also, without adequate training and guidance, the control office staff will not have the knowledge or experience to recognize situations that could be potentially fraudulent or could result in costs savings to the Postal Service. We do not plan to pursue recommendation 3 through the formal audit resolution process. However, we consider recommendation 1 unresolved and plan to pursue it through the formal audit resolution process. Management's comments, in their entirety, are included in the appendix of this report.

Background

The Federal Employees' Compensation Act as amended, (Title 5, United States Code, Section 8102), provides for the payment of workers' compensation benefits to civilian employees for disability due to personal injury or disease sustained while in the performance of duty. Eligible employees are also entitled to receive medical and related services. In addition, the Federal Employees' Compensation Act provides for payment of benefits to dependents if a work-related injury or disease causes an employee's death. The Department of Labor, Office of Workers' Compensation Programs, administers the Federal Employees' Compensation Act.

Title 20, Code of Federal Regulations Parts 10 and 25, states that the survivors of a federal employee whose death is work-related are entitled to benefits in the form of compensation payments, funeral expenses, transportation expenses for the remains, and payment for termination of the decedent's status as a federal employee. The Office of Workers' Compensation Programs classifies a survivor as a widow or widower; an unmarried child under age 18, or over 18 who is incapable of self-support due to mental or

physical disability; a child between 18 and 23 years of age who has not completed 4 years of post-high school education and is regularly pursuing a full-time course of study; or a parent, brother, sister, grandparent, or grandchild who was wholly or partially dependent on the deceased.

A surviving spouse with no eligible children is entitled to compensation at the rate of 50 percent of the deceased employee's salary. The surviving spouse is entitled to benefits until death or remarriage if he or she is under age 55. If a spouse under age 55 remarries, the Office of Workers' Compensation Programs makes a lump-sum payment equal to 24 times the monthly compensation at the time of remarriage. However, remarriage after age 55 does not affect the spouse's entitlement to benefits.

A surviving spouse who has eligible children is entitled to compensation at the rate of 45 percent of the deceased employee's salary. An additional 15 percent is payable for each child, up to a maximum of 75 percent of the salary. The children's portion is paid on a share-and-share-alike basis. If the deceased employee leaves no spouse, the first child is entitled to 40 percent, and each additional child is entitled to 15 percent of the deceased employee's salary up to a maximum of 75 percent, payable on a share-and-share-alike basis. Other surviving dependents may be entitled to benefits at various percentages specified by the Federal Employees' Compensation Act, according to the degree of dependence.

**Objectives, Scope,
and Methodology**

The objectives of our review were to determine whether the Postal Service is effectively managing death benefit claims by identifying changes to and terminations of survivors' benefit entitlements and notifying the Office of Workers' Compensation Programs, and to evaluate the program to identify potential areas for cost reductions.

To achieve these objectives, we reviewed Postal Service and Office of Workers' Compensation Programs policies and procedures for case management of death claims. To identify the total number of death claims, we reviewed data from the Postal Injury Compensation System and obtained death claims reports as of December 28, 2002, from the Postal Service area offices. We also interviewed officials of

the Postal Service and the Office of Workers' Compensation Programs to obtain additional data on the case management of death claims. In addition, we reviewed death claim files at the Office of Workers' Compensation Programs district offices (District 6—Jacksonville, Florida; District 16—Dallas, Texas; and District 25—Washington, DC).

This review was limited to death claims for which the Office of Workers' Compensation Programs paid compensation to survivors for chargeback year 2002 (from June 2001 through July 2002). We selected the Capitol Metro, Southeast, and Southwest Areas for review. We also identified a total of 142 death claims for the three areas. We only reviewed 132 of the 142 death claims because ten files were not available for review. Of the ten death claims, eight were transferred to other Workers' Compensation Programs district offices and two were missing.

We reviewed the 132 death claim files for completeness to determine whether the files contained current documentation such as, Forms CA-5 and CA-12; death, marriage, and birth certificates; and Form EN-1615 and educational certifications. We determined that 1 of the 132 death claim files did not require current documentation because the survivor selected benefits from the Office of Personnel Management instead of receiving benefits from the Office of Workers' Compensation Programs.

This review was conducted from January through March 2003 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

We identified two audit reports issued by the Postal Service Office of Inspector General (OIG) and the Department of Labor OIG that address issues relating to death claims.

Postal Service OIG, 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). This audit disclosed that Postal Service

policies ensured that appropriate chargeback credit adjustments for wage compensation overpayments and third-party liability refundable disbursements were received. However, five of the six Southwest Area performance clusters reviewed did not implement automated or manual follow-up procedures to comply with the policies.

Department of Labor OIG, Federal Employees' Compensation Act Excess Payment Recovery Procedures Need Improvement (Report Number 03-98-003-04-431, dated March 31, 1998). This report found that in most cases, excess payments were made because Office of Workers' Compensation Programs offices had not been notified in a timely manner of claimants' deaths, or upon notification, they failed to promptly terminate compensation benefit payments. In addition, Federal Employees' Compensation Act district offices did not follow existing procedures for recovering excess payments, and did not track or account for excess payments to ensure that all were recovered. The Employment Standards Administration concurred with the recommendations.

**Case Management of
Death Benefit Claims**

Our review determined that the control office staff did not effectively monitor or review death benefit claim files. Specifically, we found the Office of Workers' Compensation claim files did not contain current documentation such as, Forms CA-12 and EN-1615. We also found the Office of Workers' Compensation Programs paid compensation benefits that survivors were not entitled to receive. Further, the Office of Workers' Compensation Programs did not credit the Postal Service in a timely manner for over \$29,000 related to a third party claim. These conditions occurred because the control office perceived the monitoring and reviewing of death claims as the responsibility of the Office of Workers' Compensation Programs. In addition, the Postal Service did not provide training and guidance to area control office staff. As a result, the Postal Service paid an estimated \$1.3 million³ to survivors for benefits that they might not have been entitled to receive.

³ We calculated this amount based on \$1.2 million of benefit payments received by survivors who did not submit a current Form CA-12 plus an estimated overpayment of \$87,000 paid to a remarried survivor.

Lack of Current
Documentation in
Death Claim Files

We found death claim files did not always contain current documentation, such as Forms CA-12 and EN-1615. Specifically, we reviewed a total of 132-death claim files assigned to the Capitol Metro, Southeast, and Southwest areas. Of the 132 files:

- 71 files had current Forms CA-12.
- 55 files did not have current Forms CA-12.
- 5 did not include a Form CA-12.
- 1 was assigned to Office of Personnel Management.⁴

Title 20, Code of Federal Regulations, Section 10.414, requires a Form CA-12 to be returned within 30 days of request. If a Form CA-12 is not returned within 30 days of request, the Office of Workers' Compensation Programs shall suspend compensation until the requested form or an equivalent written statement is received.

Although the death claim files were lacking current Forms CA-12, the Office of Workers' Compensation Programs did not suspend benefits. The Office Of Workers' Compensation Programs continued monthly payments to the survivor, although the survivor moved and left no forwarding address. When survivors submitted change of address forms, the Office of Workers' Compensation Programs did not update the survivors' current addresses. As a result, the Office of Workers' Compensation Programs paid \$1.18 million in compensation for death claims lacking current Forms CA-12.

Table 1 below shows the number of death claims and the most recent year a Form CA-12 was returned by the survivor.

⁴ Cases assigned to Office of Personnel Management do not require a current Form CA-12.

Table 1

Area	Year of most recent Form CA-12					
	1997	1998	1999	2000	2001	Total
Capitol Metro	0	1	2	0	0	3
Southeast	0	0	2	4	18	24
Southwest	1	2	8	2	15	28
Total	1	3	12	6	33	55

We also found that in 2001, the Office of Workers' Compensation Programs accepted a Form EN-1615 dated and certified in 1999 from an educational institution. Title 20, Code of Federal Regulations, Section 10.417, requires the Office of Workers' Compensation Programs, at least twice each year, to request that a beneficiary who receives compensation based on the student status of a dependent, provide proof of continuing entitlement to such compensation, including certification of school enrollment. However, the Office of Workers' Compensation Programs did not ensure that the forms were current, and continued benefits based on outdated certifications.

Overpayments to
Deceased and
Remarried Survivors

Our review determined that the Office of Workers' Compensation Programs continued providing benefits to deceased and remarried survivors. For example, a relative sent a letter in September 2002 to the Office of Workers' Compensation Programs stating that this was the third time he had reported the death of the survivor. The relative also took the initiative to return checks to the Office of Workers' Compensation Programs but the compensation payments continued. We reviewed the Social Security Death Index⁵ and confirmed that the survivor died in May 2002. However, from June 2002 through January 2003, the deceased survivor continued to receive monthly payments of \$1,727 totaling approximately \$14,000. As of February 2003, the deceased survivor was still listed on the death roll.

⁵ The Social Security Death Index is a public listing available on the Internet (www.rootsweb.com) that lists the name, date of birth, date of death, last residence, and Social Security number of individuals who have died as reported by a relative or funeral home.

In addition, survivor benefits were paid to a claimant who remarried in August 1993 before the age of 55. Title 20, Code of Federal Regulations, Section 10.410, requires benefits to be terminated if a survivor remarries before the age of 55. If a survivor remarries before age 55, he or she is entitled to a lump sum equal to 24 times the monthly compensation payment. However, the Office of Workers' Compensation Programs paid the remarried survivor over \$105,000 in monthly payments from August 1993 through January 2003. According to Title 20, Code of Federal Regulations, Section 10.410, the remarried survivor should have been paid a lump sum payment of approximately \$18,000. As a result, we estimated that the remarried survivor was overpaid by approximately \$87,000.

Untimely Credit for
Third Party Award
Check

Our review identified a third party award⁶ check for approximately \$29,000 that was submitted to the Office of Workers' Compensation Programs in September 2002 for crediting to the Postal Service's chargeback account. However, during our review, we found that the chargeback account had not been credited. Further, the Postal Service did not consistently monitor the chargeback account for the proper credit. According to the Postal Service's Handbook EL-505, Injury Compensation, December 1995, once the settlement funds are disbursed, the control office must ensure that the Office of Workers' Compensation Programs credits the appropriate payment to the Postal Service.

Although the Postal Service sent a reminder letter in October 2002, the control office did not follow up on the status of the credit until we inquired during our review in February 2003. In a memorandum dated February 13, 2003, the Postal Service stated that the Office of Workers' Compensation Programs has credited the chargeback account for approximately \$29,000. The Postal Service's lack of oversight in reviewing the chargeback report resulted in higher administrative⁷ and chargeback fees.

⁶ A third-party award is paid when a person or organization other than the Postal Service or another agency is responsible for a job-related injury or illness for which an employee receives benefits under the Federal Employees' Compensation Act. The Department of Labor, the Postal Service, or the employee may attempt to recover damages from the third party or the insurer.

⁷ The Postal Service is charged an administrative fee by the Office of Workers' Compensation Programs based on the number of claims and total amount of chargeback amount for the year.

Perceived Responsibility	<p>The control office perceived the monitoring and reviewing of death claims as the responsibility of the Office of Workers' Compensation Programs. Because the Office of Workers' Compensation Programs is the adjudicating authority and has final determination to accept or deny a claim, the control office has taken a hands-off approach with regard to management of death claims. As a result, there is no clear line of responsibility between the Office of Workers' Compensation Programs and the Postal Service for management of death claims.</p>
Inadequate Training and Procedures	<p>The Postal Service did not provide the control offices with adequate training and procedures managing death claims after approval by the Office of Workers' Compensation Programs. Although the Postal Service provided training through the Basic Injury Compensation Course 19Q01-11, "Claims and Medical Management-Death Claims," February 2001, the course did not outline the responsibilities of the control office to monitor and follow up on death claims once the Office of Workers' Compensation Programs approved them. We found that the control offices did not review death claim files to determine whether survivors were entitled to continued benefits. According to the Postal Service's Handbook EL-505, the supervisor of the control office is required to periodically review death benefit claims to ensure that the legal period of entitlement has not been exceeded.</p> <p>Managers at area control offices stated that they have been tasked with monitoring the periodic roll to identify employees who may be eligible for reemployment or disability retirement. As a result, the task of monitoring and reviewing death benefit claims is not a high priority for the control offices.</p>
<hr/> Conclusion	<p>The monitoring and reviewing of death claim files by the control offices would benefit the Postal Service because better follow up by the control office and more timely termination by the Office of Workers' Compensation Programs would avoid inappropriate payments to survivors. Also, the Postal Service would not pay more than required in death benefits, if the control office staff were assigned to annually review all death claim files. Furthermore, the</p>

Postal Service should continually track chargeback amounts to receive proper credit.

Recommendation

We recommend the vice president, Employee Resource Management, direct the manager, Health and Resource Management to:

1. Advise control office managers to coordinate with the Office of Workers' Compensation Programs district offices and review all death benefit claims to verify survivors entitlement to continued benefits.

**Management's
Comments**

Management neither agreed nor disagreed with recommendation 1 or provided an opinion concerning the \$1.2 million in questionable costs. With regards to the \$1.2 million, the actual amount of the questioned costs can only be determined after the Postal Service and the Office of Workers' Compensation Programs complete an assessment of the death claim files reviewed in this report. As a result, the actual amount cannot be determined until the Office of Workers' Compensation Programs makes an assessment of survivors' entitlement to continued benefits. Management stated that active monitoring of the survivor's benefits is not the Postal Service's primary responsibility. Management also stated that they planned to write the Office of Workers' Compensation Programs to request that they make a concerted effort to follow-up and enforce requirements for submission of Forms CA-12 and EN-1615 to reduce the Postal Service's financial burden. Further, management stated their interest in knowing how many of the 55-death claim files used in the calculation of the \$1.2 million in questionable costs were entitled to death benefits. Management stated that over the years, the Inspection Service had taken responsibility to monitor death claim files because they had the resources and authority to check records not available to control office staff. In addition, management stated that the Office of Workers' Compensation Programs does not provide copies of Forms CA-12 and EN-1615 or allow area control office staff to visit the Office of Workers' Compensation Program district offices. Finally, management stated that they are not adequately staffed or have the legal authority to undertake this additional responsibility of conducting routine record checks, with the exception of isolated cases.

Evaluation of Management's Comments	Management's comments were not responsive to this recommendation. Although monitoring of survivors' benefits is not the primary responsibility of the control office staff; we believe an annual review of death claim files by the Postal Service would minimize payments made to survivors who were not entitled to receive benefits. Since benefits were directed by the Office of Workers' Compensation Programs to be paid from the employees' compensation fund, Postal Service management should be cognizant of the injury compensation benefits paid on their behalf. Even though the Postal Service stated that control office staff do not have the legal authority to conduct routine record checks, the Office of Workers' Compensation Programs provides routine access for agency personnel to inspect given files at each district office. We view the disagreement on this recommendation as unresolved and plan to pursue it through the formal audit resolution process.
Recommendation	We recommend the vice president, Employee Resource Management, direct the manager, Health and Resource Management to: 2. Ensure control office managers review chargeback reports to ensure timely credits for third-party awards.
Management's Comments	Management neither agreed nor disagreed with recommendation 2, however, management stated that they took steps in December 2002 to reinvigorate the third party program and implement a tracking system.
Evaluation of Management's Comments	We evaluated management's comments and determined those comments to be responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the report.
Recommendation	3. Ensure control office managers provide staff with training and guidance for monitoring and reviewing death benefit claims.
Management's Comments	Management neither agreed nor disagreed with recommendation 3.

**Evaluation of
Management's
Comments**

Management's comments were not responsive to this recommendation because they did not consider the task of monitoring death benefit claims as the primary responsibility of control office staff. Therefore, training regarding this issue is not applicable. However, we believe without adequate training and guidance, the control office staff will not have the knowledge or experience to recognize situations that could be potentially fraudulent or could result in costs savings to the Postal Service. We do not plan to pursue this recommendation through the formal audit resolution process.

The OIG considers recommendations 1 significant and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until and OIG provides written confirmation that the recommendations can be closed.

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

B. Wayne Goleski
Assistant Inspector General
for Core Operations

Attachment

cc: Suzanne F. Medvidovich
Ronald E. Henderson
William J. Brown
George L. Lopez
Jerry D. Lane
James J. Rowan, Jr.
Susan M. Duchek

APPENDIX. MANAGEMENT'S COMMENTS

DeWITT O. HARRIS
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



March 25, 2003

B. WAYNE GOLESKI

SUBJECT: Draft Management Advisory – Postal Service's Death Benefit Payment to Decedent's Survivor(s) (Report Number HK-MA-03-DRAFT)

Thank you for the opportunity to respond to the above referenced Management Advisory. The primary responsibility of the Postal Service's injury compensation program is to ensure that injured employees receive timely Federal Employees' Compensation Act (FECA) benefits to which they are entitled, and return to productive work when employees are medically able to return in an effort to reduce the rate of growth in workers' compensation costs.

Recommendations 1 and 3:

1. Advise control office managers to coordinate with the Office of Workers' Compensation Programs district offices and review all death benefits claims to verify survivors entitlement to continued benefits.
3. Ensure control office managers provide staff with training and guidance for monitoring and reviewing death benefit claims.

Response:

Based on your findings that the Office of Workers' Compensation Programs (OWCP) has not adequately managed the death benefits payments to decedent's survivors, we do not agree that active monitoring of the survivor's benefits is the Postal Service's primary responsibility. The Postal Service is not furnished either the CA-12, (form used by survivors to report their marital status), or the EN-1615, (form used by children between the ages of 18 and 23 to report whether they are pursuing a course of full-time study). In order to track these forms, we would need to get OWCP to either provide these forms routinely, or allow area personnel to visit OWCP and make copies of these forms. In either case, the injury compensation program is not adequately staffed, nor have the legal authority to undertake this additional responsibility of conducting routine records check, with the exception of isolated cases.

Over the years, the Inspection Service has taken on this responsibility as they have the resources and authority to check records not available to Injury Compensation Personnel.

We plan to write OWCP to request that they make a concerted effort to follow up and enforce CA-12 and EN-1615 requirements to reduce our financial burden.

475 L'ENFANT PLAZA SW ROOM 9840
WASHINGTON DC 20260-4200
(202) 268-3783
FAX: (202) 268-3803
WWW.USPS.COM

- 2 -

Recommendation 2:

2. Ensure control office managers review chargeback reports to ensure timely credits for third-party awards.

Response:

With regard to third party recovery credits not being credited by OWCP, steps were taken during December 2002 to reinvigorate the third party program and implement a tracking system. Attached for your review are copies of tracking reports for each of the areas that allows us to track every claim from initial identification to the posting of the credit at OWCP. With regard to the specific example cited where it is alleged that the Postal Service did not track a \$29,000 recovery credit, postal officials responsible for this case contend they were actively tracking the crediting of this recovery by OWCP.

As a point of clarity, we are interested in knowing how many of the 55 non-compliant CA-12 filers, used to calculate the potential \$1.2 million cost were actually found to be entitled to death benefits.

Again, thank you for the opportunity to comment on this Management Advisory.



DeWitt O. Harris

cc: Suzanne F. Medvidovich
William J. Brown
George L. Lopez
Jerry D. Lane
James J. Rowan
Susan M. Duchek
Ronald E. Henderson