



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Workers' Compensation Data Systems

Audit Report

December 24, 2012

Report Number HR-AR-13-001



OFFICE OF
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HIGHLIGHTS

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Workers' Compensation Data Systems

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BACKGROUND:

Employees who sustain injuries or contract a disease as a result of their employment receive workers' compensation under the Federal Employees' Compensation Act, which is administered by the Department of Labor. In fiscal year (FY) 2011, the U.S. Postal Service paid \$1.3 billion in workers' compensation costs. Since FY 2006, workers' compensation costs have increased 29 percent. Effective and efficient management of workers' compensation claims is critical to the Postal Service's ability to manage costs.

In addition to hard copy case files, the Postal Service primarily uses two systems to help manage workers' compensation claims: the Employee Health and Safety (EHS) system to create and help manage accident and injury claims and the Injury Compensation Performance Analysis System (ICPAS) to provide workers' compensation data for analysis.

Our objectives were to determine whether the EHS system provides accurate and reliable data and how the use of workers' compensation data in ICPAS can be improved.

WHAT THE OIG FOUND:

The EHS system does not always provide accurate and reliable information because employees entering data into the system do not always receive adequate training or comply with workers' compensation policies and procedures. We also determined that ICPAS does not provide the reports needed to effectively measure performance, identify trends, and make improvements in the workers' compensation program due to system limitations. As a result, management does not always have accurate and reliable information to make critical decisions related to workers' compensation, including cost containment, compliance, and case management.

WHAT THE OIG RECOMMENDED:

We recommended that management provide additional training for personnel responsible for entering EHS data, issue supplemental guidance, and enhance internal controls to ensure that responsible officials consistently adhere to claims management procedures. We also recommended management assess options to enhance and integrate the reporting capabilities of ICPAS to provide the data necessary for effective analysis and decision making.

[Link to review the entire report](#)



December 24, 2012

MEMORANDUM FOR: DEBORAH GIANNONI-JACKSON
VICE PRESIDENT, EMPLOYEE RESOURCE
MANAGEMENT

E-Signed by Lucine M. Willis
/VERIFY authenticity with eSign Desktop


FROM: *for*
Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – Workers’ Compensation Data Systems
(Report Number HR-AR-13-001)

This report presents the results of our audit of Workers’ Compensation Data Systems (Project Number 12WG003HR000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Andrea L. Deadwyler, deputy director, Human Resources and Support, or me at 703-248-2100.

Attachments

cc: Anthony J. Vegliante
Linda DeCarlo
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of Workers' Compensation Data Systems (Project Number 12WG003HR000). Beginning in fiscal year (FY) 2012, the U.S. Postal Service Office of Inspector General (OIG) began conducting a series of audits related to how the U.S. Postal Service uses data to manage their operations. Specifically, these audits will determine whether the Postal Service collects and manages critical data to allow managers and employees to perform analyses that can lead to additional revenue, reduced costs, and improved business processes. Our objectives were to determine whether the Employee Health and Safety (EHS) system provides accurate and reliable data and how the use of workers' compensation data in the Injury Compensation Performance Analysis System (ICPAS) can be improved. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Postal Service employees are covered by the Federal Employees' Compensation Act (FECA), which provides benefits to civilian federal employees who sustain injuries or contract a disease as a result of their employment. The Department of Labor (DOL) administers FECA and provides direct compensation to providers and claimants and the Postal Service later reimburses the DOL. In FY 2011, the Postal Service paid \$1.3 billion in workers' compensation costs. The Postal Service's goals include controlling workers' compensation costs, improving compliance with federal and Postal Service regulations, and identifying fraud and improper payments.

In addition to hard copy case files, management uses the EHS system to create and help manage accident and injury claims. The EHS system provides centralized functionality to automate, standardize, and streamline the reporting and processing of accident and injury claims for human resources (HR) officials and supervisors. It was originally designed to be a self-service system¹ that would improve the timeliness of accident reporting and injury claim submissions. The EHS system provides real-time reporting capabilities and feeds data to ICPAS through an interface.

The purpose of ICPAS is to create a data repository that efficiently stores and retrieves data required for productive management and analysis of safety and injury compensation functions within the Postal Service. The DOL provides the Postal Service with bi-weekly updates of DOL workers' compensation claims activities and payments and the Postal Service downloads these updates into ICPAS. ICPAS is intended to enhance data integrity, streamline access to required statistical data, and provide workers' compensation data for analysis. Having accurate and timely data would assist the Postal Service in identifying fraud and improper payments and related cost recovery efforts.

¹ Allows users the capability to process claims and create reports based on user preferences.

Conclusion

The EHS system does not always provide accurate and reliable information.² Also, we determined that management could enhance the ICPAS reporting functions for effective analysis and decision making. The inaccuracies in EHS occurred because employees entering data into the system were not always sufficiently trained and did not comply with workers' compensation procedures. In addition, we determined that, because of system limitations, ICPAS did not provide the reports that management needs to help the organization recognize program deficiencies. Without accurate and reliable data in the EHS system, management cannot always effectively make decisions, monitor claims, and manage costs in the workers' compensation program.

Inaccurate and Unreliable Data in the Employee Health and Safety System

The EHS system does not always provide accurate and reliable information. Specifically, we reviewed 60 workers' compensation case files in the Richmond and Suncoast districts and found significant inaccuracies between information in the case files and that shown in the EHS system. Additionally, Postal Service HR conducted its own internal review in 44 districts in FY 2011 and 37 districts in FY 2012 and found similar results. For each district that Postal Service HR reviewed, the HR managers prepared an action plan addressing the issues and have generally improved their accuracy rates. [Table 1](#) shows the issues and related inaccuracy rates.

² Because EHS data feed into ICPAS, data in ICPAS would also be inaccurate, including reports generated from ICPAS.

Table 1: OIG and Postal Service Case File Review Results

Issue ³	OIG Case File Review Inaccuracy Rates	Postal Service Case File Review Inaccuracy Rates	
		FY 2011	FY 2012
Restricted Duty Not Properly Recorded	10% (6 of 60)	43% (612 of 1,426)	39% (251 of 650)
Full Duty Not Properly Updated	7% (4 of 60)	26% (364 of 1,414)	6% (56 of 886)
Third Party Not Properly Updated	75% (3 of 4 ⁴)	58% (629 of 1,085)	38% (295 of 776)
Third Party Not Properly Coded	0% (0 of 4)	22% (203 of 916)	11% (82 of 765)
Medical Treatment Forms Not Properly Used	0% (0 of 60)	20% (303 of 1,503)	22% (171 of 778)
Other	13% (8 of 60)		

Source: The EHS system information and OIG and Postal Service review of workers' compensation case files.

These inaccuracies occurred because employees entering data into the system were not always adequately trained and did not always comply with workers' compensation procedures.

- Although there were two web-based EHS courses available, initial and refresher training for the EHS system is not mandatory for employees responsible for entering the data. Of the 54 HR managers and specialists we surveyed, 31 (57 percent) indicated that lack of training contributed to data inaccuracy. Additionally, the results of the Postal Service's own internal reviews showed that HR managers in 48 out of 81 districts (59 percent) attributed the inaccuracies to lack of training. Also, 14 supervisors and HR officials we interviewed stated that the EHS system is not a user-friendly system and/or requires training, especially for those who do not use it frequently.
- Employees responsible for injury compensation, including supervisors and HR managers, did not always share information with each other as required,⁵ including medical appointments, third-party information, and job offer requests. Sharing information is necessary to update the EHS system in a timely manner. The EHS system should be updated upon notification of new information and changes in status. However, our case file reviews, interviews with HR officials, and internal HR

³ See Appendix A, Objectives, Scope, and Methodology for additional information of the issues reviewed.

⁴ Four of the 60 cases involved third parties.

⁵ Handbook EL-505, *Postal Service Injury Compensation*, July 2005, addresses the communication responsibilities of responsible officials.

reviews all found instances where users did not comply with procedures. For example, in the 44 districts HR reviewed in FY 2011, 34 of the HR officials (77 percent) indicated that they did not follow procedures⁶ although they had knowledge of them.

The *Postal Service Injury Compensation Handbook* requires responsible officials to ensure that employees have properly completed claims and other medical forms and correspondence. Postal Service and Occupational Safety and Health Administration (OSHA) regulations⁷ require Postal Service officials to ensure that employees maintain accurate information in recordkeeping systems.

Although management also relies on hard copy case files,⁸ when EHS system information is not accurate, management may not always have reliable information they need to perform effective case management and make critical decisions related to workers' compensation, including cost containment and compliance. In addition, management could have difficulty monitoring injured employees and retiring them from the periodic rolls.⁹ Further, regarding third-party cases, when responsible officials do not properly document third-party liability and follow-up on third-party cases, the Postal Service may miss the opportunity to recover costs. Also, the Postal Service could be subject to OSHA fines and increased liability risks.

Report Enhancements for the Injury Compensation Performance Analysis System

Due to system limitations, ICPAS reporting functions only provide standard reports and do not allow users to generate custom reports or queries to obtain needed information. Further, not all data in ICPAS is accessible through standard reports and the data that are available are not always in a usable format that can be manipulated. Access to critical information is essential to effectively measure performance, identify trends, make improvements in the workers' compensation program, and control costs.

An objective of ICPAS is to provide HR officials and operations managers with valuable data and reports that help the organization recognize the program deficiencies responsible for workers' compensation cost escalation. Management uses ICPAS information to verify DOL workers' compensation payments for reimbursement. ICPAS reporting functions help management analyze data and trends to ensure that payments are appropriate and to reduce and contain costs.

However, ICPAS standard reports do not provide detailed information to:

- Analyze continuation of pay disbursements to discover erroneous payments.

⁶ Examples included not using medical treatment forms appropriately and not updating EHS to reflect an employee's return to full duty.

⁷ Handbook, EL-505 and the Occupational Safety and Health Act of 1970.

⁸ The OIG is reviewing hard copy case files in a separate audit of the Postal Service's Workers' Compensation Program.

⁹ Employees who are receiving workers' compensation benefits and have disabilities that are expected to be permanent or prolonged (60-90 days).

- Determine details necessary to recover funds from incidents caused by a third party.
- Analyze trends in medical payments to identify cost-reduction strategies and areas with greater potential for waste, fraud, and abuse.
- Analyze types of injuries, their causes, and their associated costs to determine trends.
- Assess total payments made per employee to identify high-dollar cases.

In addition, not all data that exist in ICPAS are accessible through standard reports including:

- Medical service provider details and costs to identify billing and payment errors and determine acceptable levels of payment for services.
- Pharmaceutical types and payment details to identify acceptable costs and payments.
- Medical restrictions with evidence supporting the case to ensure full compliance and minimize the Postal Service's legal liabilities.

Information that is available in standard reports is not always provided in a usable format so it can be difficult to analyze. For example, generating information on a national level is not always possible because, in many cases, the information is only provided at the district level and does not roll up to higher levels in a standard report. HR officials must prepare reports by district and combine them to provide a broader trend analysis.

Furthermore, HR officials must obtain and analyze information from other databases because the information is not available in any standard ICPAS reports. For example, management uses the Postal Service's payroll system to analyze and verify compensation payments to the DOL and case information managed by the districts. This process requires extra time and effort.

A major factor contributing to these limitations is the technical capabilities of the computer systems themselves. For example, a search for information that covers a large percentage of the ICPAS data library would require computers to take processing time away from other parts of the Postal Service's computer network. Management stated that generating a report with broad and detailed parameters would slow down other applications and could possibly cause a system-wide crash.

Development of better analysis capabilities continues to be a challenge. During the course of the audit, management studied these issues and developed a proposal that will provide an integrated solution for reporting and analysis in ICPAS. Specifically,

management proposed to integrate the data in ICPAS, EHS, and other databases using the Enterprise Data Warehouse (EDW)¹⁰ to allow for more comprehensive data storage and management. Management stated they are also reviewing other cost-effective alternatives and plan to prepare a proposal for 2013.

According to management, the ability to perform detailed and comprehensive analysis of ICPAS data is necessary for effectively managing the program and achieving goals and objectives related to reducing workers' compensation program costs.

Recommendations

We recommend the vice president, Employee Resource Management:

1. Provide additional training for personnel responsible for entering and monitoring data in the Employee Health and Safety system.
2. Issue supplemental guidance and enhance internal controls to ensure that responsible officials consistently adhere to workers' compensation claims management procedures.
3. Assess options to enhance and integrate the reporting capabilities of the Injury Compensation Performance Analysis System to provide management with data necessary for effective analysis and decision making.

Management's Comments

Management agreed with all of our recommendations. Regarding recommendation 1, management agreed to provide on-site training to Health and Resource Management personnel at the district level and update eLearning materials on the Learning Management System training site. Regarding recommendation 2, management will support district personnel responsible for claims management activities and provide written guidance on particular topics throughout the year. They further stated that Safety and Health has revised the EHS system process to focus on those areas of deficiency identified in prior audits. For recommendation 3, management stated they have assessed technological options to upgrade ICPAS and, based on funding and the capabilities of the system, enhancements to ICPAS are not feasible. As a workaround, the data from the EHS system and ICPAS are being routed to a database that can be used for ad-hoc reporting.

Management stated they will take corrective action for recommendations 1 and 2 by September 30, 2013. For recommendation 3, management stated they have taken corrective action. See [Appendix C](#) for management's comments in their entirety.

¹⁰ The Postal Service's centralized data management system. It allows detailed queries across the database allowing more in-depth analysis without affecting other systems in the network. According to management, ICPAS and EHS case management data was originally meant to reside within the EDW but this feature was not configured when EHS was first deployed.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

The OIG considers all the recommendations 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 Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendix A: Additional Information

Background

Postal Service employees are covered by FECA, which provides various types of benefits to civilian federal employees who sustain injuries or an occupational disease as a result of their employment. The DOL's Office of Workers' Compensation Program (OWCP) administers FECA and determines the injured workers' eligibility for benefits. The Postal Service is the largest FECA participant and reimburses the DOL for all workers' compensation benefits paid to or on behalf of its employees. In 2011, the Postal Service paid \$1.3 billion in workers' compensation costs. The Postal Service uses the EHS system and ICPAS to help manage the administration and daily activities of the workers' compensation program.

Postal Service HR officials at headquarters are responsible for establishing policies and procedures, ensuring uniform management of the program and providing workers' compensation reports to management at all levels. Primarily, supervisors are responsible for reporting accidents and workers' compensation claim requests. They use the EHS system to create the claim form, which district HR officials then review. As part of the case management system, the EHS system provides the medical and duty status of the employee and the nature and type of work assigned if the employee is on limited-duty status. See [Appendix B](#) for a flowchart of the EHS process and users.

ICPAS is a technology solution HR initiated to assist in the management of accident prevention and claims processing. ICPAS was originally designed as a case management tool that would allow national measurement of performance trends and provide cost analysis of OWCP claims. DOL data is downloaded into ICPAS and used by HR to reconcile the DOL's OWCP payments. The database contains employee workers' compensation data from initial injury to resolution, including employee health information, case history, and medical payments that the Postal Service reimburses to the DOL.

Objectives, Scope, and Methodology

Our objectives were to determine whether the EHS system provides accurate and reliable data and how the use of workers' compensation data in ICPAS can be improved. Our scope included an analysis of Postal Service workers' compensation claims data entered and processed through the EHS system in FYs 2011 and 2012.

To accomplish our objectives, we reviewed Postal Service policies and procedures relating to OWCP administration, case management, and the use of the EHS system and ICPAS. We interviewed HR management officials to identify the data that are critical to the workers' compensation program. We also administered an electronic questionnaire to 67 HR managers to obtain feedback about their experience with the EHS system. Additionally, we judgmentally selected and reviewed 60 claim files from

the Richmond and Suncoast districts¹¹ and evaluated the results of the Postal Service's internal reviews of case files in FYs 2011 and 2012. Our analysis of the case files included a review of the following areas.

- Proper Use of Medical Treatment Forms – indicates that the required OSHA recordable code was properly used. HR officials should determine whether the case required first-aid or more serious medical treatment, the latter indicating a recordable case.
- Restricted Duty Properly Recorded – indicates whether physical restrictions are noted, whether there are any modified assignments due to that restriction, and whether there are any days of work missed.
- Full Duty Properly Updated – indicates whether full-duty work status is updated properly.
- Third-Party Cases¹² Properly Coded in EHS – indicates whether an appropriate determination was made that a third party (other than another government agency) was involved in the claim and that the correct code was used.
- Third Party Properly Updated and Managed – indicates that initial correspondence and appropriate follow up is occurring and updated.
- Other Inaccuracies – indicates inaccurate or missing data such as duplicate case files, inconsistent dates between the source documents and the EHS system, or claim forms not completed according to guidelines.

We conducted this performance audit from January through December 2012 in accordance with generally accepted government auditing standards and included such tests on internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on October 24, 2012, and included their comments where appropriate.

We reviewed training records from the Learning Management System and verified the accuracy of the data through discussions with Postal Service personnel knowledgeable about the data. We assessed the reliability and accuracy of the EHS system by discussing the data with responsible officials knowledgeable about the data and comparing the data from the system with source documentation. We determined the data were sufficiently reliable for the purposes of this audit.

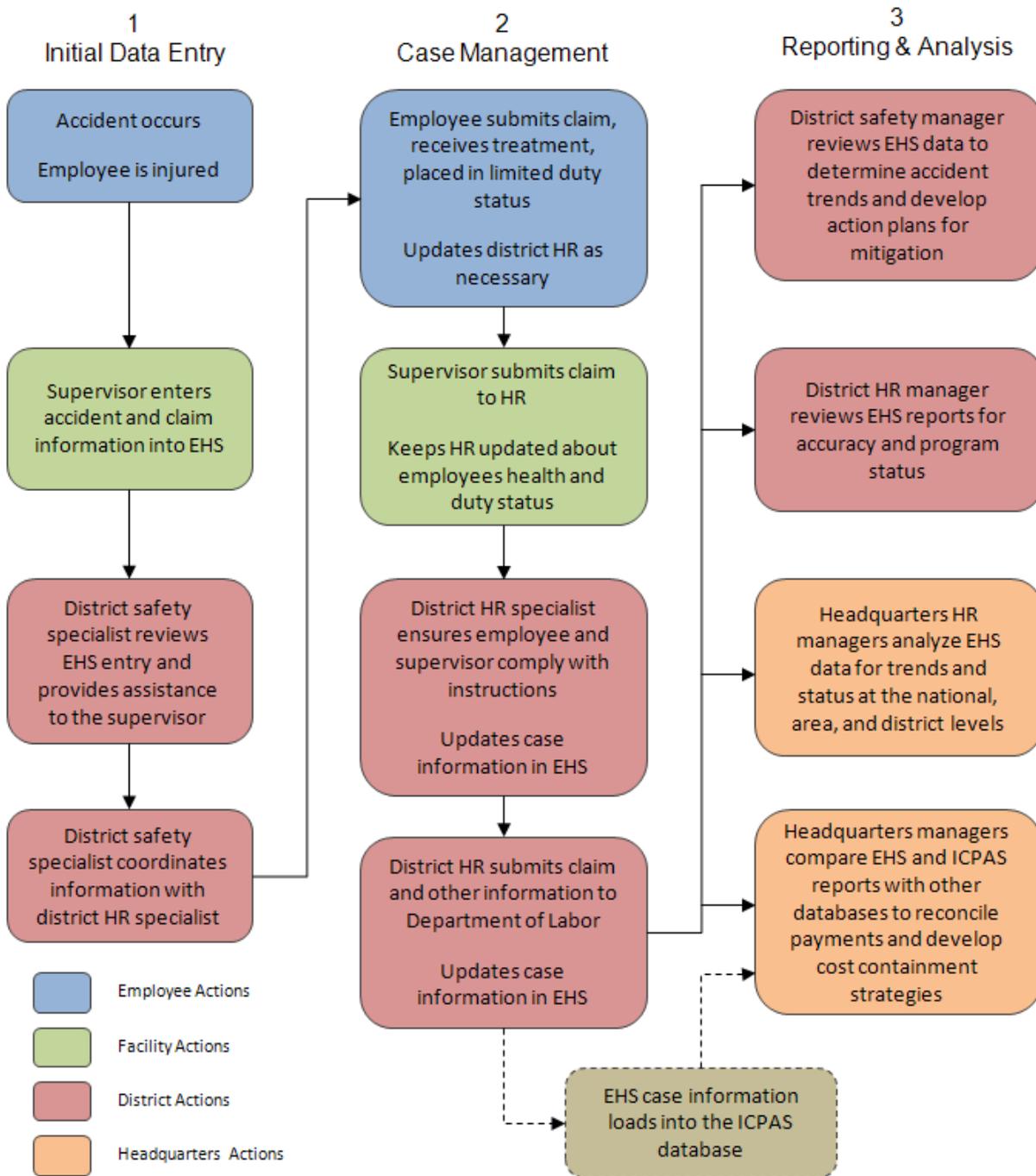
¹¹ We selected the Richmond and Suncoast districts because the Postal Service found high inaccuracy rates in those districts.

¹² A third-party liability case exists when an employee's compensable injury or death results from circumstances which create a legal liability on some party other than the U.S.

Prior Audit Coverage

Report Name	Report Number	Report Date	Monetary Impact (in millions)
<i>Postal Service Workers' Compensation Program</i>	HR-AR-11-007	September 30, 2011	\$335 annually
<p>Report Results: The Postal Service and the DOL do not always handle Postal Service workers' compensation claims effectively and efficiently. Specifically, FECA reform is needed to improve the Federal Workers' Compensation Program. The OIG recommended, and management agreed to, pursuing legislative change to transform, amend, and reform FECA. Management also agreed to provide training, however, did not agree with our recommendation to request changes to allow employing agencies to present evidence at hearings, clarify responsibilities for fraud detection, and establish a 45-day response time for cases.</p>			
<i>Compliance with Occupational Safety and Health Administration Recordkeeping Requirements</i>	HR-AR-11-004	May 27, 2011	None
<p>Report Results: The Postal Service did not always record and report injuries and illnesses in accordance with OSHA requirements. In addition, if this data are not accurate or complete, it could impact management's ability to identify and correct hazardous conditions, as well as their efforts to mitigate future risks. The OIG recommended, and management agreed to, complying with OSHA recordkeeping standards, revising and completing automation capabilities for the Postal Service's OSHA Form 300, and establishing mandatory training.</p>			

Appendix B: Employee Health and Safety Process



Flowchart based on OIG analysis.

Appendix C: Management's Comments

DEBORAH GIANNONI-JACKSON
VICE PRESIDENT
EMPLOYEE RESOURCE MANAGEMENT



December 13, 2012

To: JUDITH LEONHARDT,
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Workers' Compensation Data Systems
(Report Number HR-AR-13-DRAFT)

This memorandum responds to the subject audit report dated December 4, 2012. The audit report concludes a review of the Employee Health & Safety System (EHS) and the Injury Compensation Performance Analysis System (ICPAS) used by Health and Resource Management personnel to manage and monitor on the job injury claims.

Recommendation 1:

Provide additional training for personnel responsible for entering and monitoring data in the Employee Health and Safety System.

Management Response/Action Plan:

Management Agrees with this Recommendation.

The report supports the actions already underway, through Employee Resource Management (ERM), to provide on-site training to HRM staff at the District Level and to update eLearning materials on the LMS training site.

Target Implementation Date: On going for FY 13

Responsible Official: Robert Souhrada, Manager, OWCP Programs through the Managers, Health and Resource Management (AO).

Recommendation 2:

Issue supplemental guidance and enhance internal controls to ensure that responsible officials consistently adhere to workers' compensation claims management procedures.

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Management Response/Action Plan:

Management Agrees with this Recommendation.

The report supports the actions already underway, through Employee Resource Management (ERM), to provide support to District personnel responsible for claims management activities and to provide written guidance on particular topics throughout the year. Safety and Health has revised the EHS audit process to focus on those areas of deficiency identified in prior audits. Each audit results in a corrective action plan that is shared with District leadership.

Target Implementation Date: On going for FY 13

Responsible Official: Robert Souhrada, Manager, OWCP Programs through the Managers, Health and Resource Management (AO).

Recommendation 3:

Assess options to enhance and integrate the reporting capabilities of the Injury Compensation Performance Analysis System to provide management with data necessary for effective analysis and decision making.

Management Response/Action Plan:

Management Agrees with this Recommendation.

Employee Resource Management has assessed technological options to upgrade the ICPAS system. Based on funding and the capabilities of the system, enhancements to ICPAS are not feasible. As a workaround, the data from EHS and ICPAS are being routed to a database that can be used for ad-hoc reporting.

Target Implementation Date: Complete.

Responsible Official: Linda DeCarlo, Director Safety and Health

This report and management's response do not contain information that may be exempt from disclosure under the Freedom of Information Act (FOIA).



Deborah Giannoni-Jackson

cc: Anthony J. Vegliante
Sally K. Haring
Corporate Audit Response and Management