

Statement of  
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Before the  
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Subcommittee on Government Efficiency, Financial Management and  
Intergovernmental Relations  
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Chairman Horn and Members of the Subcommittee, I appreciate this opportunity to discuss the work of the Postal Service Office of Inspector General (OIG) on the Postal Service's administration of its workers' compensation program. In this testimony, I will discuss OIG efforts to help the Postal Service identify ways to better administer its workers' compensation program so that postal employees receive needed assistance and to control escalating costs to ensure the viability of the program. With your permission, I would like to submit my full statement for the record.

With over 850,000 employees, the Postal Service represents the largest participant in the federal workers' compensation program and accounts for approximately one third of the total federal workers' compensation costs. The Postal Service accounted for approximately \$731 million of the \$2.1 billion expended by the federal government for workers' compensation in FY 2001. This is a considerable expense for an agency that recorded a \$1.7 billion net loss in FY 2001 and expects to lose approximately \$1.5 billion in FY 2002. Because of the current financial position of the Postal Service, controlling workers' compensation costs is a high priority for Postal Service management.

Since 1998, annual Postal Service workers' compensation costs have increased by 29 percent from \$567 million to \$731 million. Unlike other federal agencies, these costs are paid from postal revenues and directly impact the Postal

Service's net income. Many external factors that are beyond the control of the Postal Service have contributed to these escalating costs, including the high cost of prescription drugs; new, expensive medical procedures; and the aging of the Postal Service workforce. Additionally, the processing and delivery of mail remains a labor-intensive operation highly susceptible to workplace injuries. Because of these factors, the Postal Service faces a significant challenge to contain workers' compensation costs. These costs have been a contributing factor in the deteriorating financial condition of the Postal Service.

As a result of the Postal Service's financial condition, the General Accounting Office placed the Postal Service on its high-risk list. To respond to the issues presented, the Postal Service published a Transformation Plan, which was delivered to Congress in April. The plan includes a strategy containing many proposals to reduce workers' compensation costs by amending the Federal Employees' Compensation Act. We are in the process of evaluating the plan to determine what assistance we can provide.

The health and safety of postal employees must be of paramount importance to postal management. Workplace safety has always been a concern, but at no time in its 200-year history has the concern been so great as when our nation's postal system was contaminated with anthrax in the fall of 2001. Two postal employees died, others were infected, and thousands were exposed.

Fortunately, there have been no other bioterrorist incidents, but concerns remain about the long-term effects of anthrax medications, as well as the constant fear of another bioterrorist attack. This past weekend yet another threat arose — pipe bombs in rural mailboxes. Sadly, this presents yet another danger to the health and safety of postal employees. Unfortunately, this could also increase Postal Service workers' compensation costs.

The Postmaster General has demonstrated leadership in protecting the health and safety of postal employees during the anthrax crisis. He publicly stated:

“The safety and health of our employees is our foremost concern . . . . We absolutely do not want to risk placing any postal employees in danger. By assuring the safety of our employees, we can assure the safety of our customers.” We will continue to monitor and independently report on progress in this area to ensure the Postal Governors and Congress know what is being done to protect employees.

Before we discuss our efforts in the workers’ compensation area, we would like to point out that performing audits or investigations in this area is extremely difficult because both the Postal Service and the Department of Labor use antiquated and manually driven processes to track and manage their programs. Until the processes are automated and streamlined, effective oversight of the program will be difficult, at best.

The OIG uses a variety of methods to obtain information about the Postal Service’s administration of the workers’ compensation program. One method used is the OIG Hotline, which provides a vital and confidential communications link between the OIG and individuals who contact the Hotline to report allegations of fraud, waste, abuse, and mismanagement. Since our inception in 1997, we have processed 355 Hotline allegations in the Postal Service’s workers’ compensation area. The OIG also has responded to numerous Congressional inquiries about the Postal Service workers’ compensation program. We analyze these allegations and inquiries to identify systemic issues in the workers’ compensation area as well as, on occasion, looking at individual complaints.

Our analysis of systemic trends helps us plan audits to address issues related to the Postal Service’s administration of its workers’ compensation program. Our audits in this area have resulted in improvements in medical privacy, controlling costs, and timely processing of injury claims. In addition to conducting audits, the OIG investigates allegations of fraud involving healthcare providers who are paid by the Postal Service for medical services rendered to postal employees.

To date, the OIG has initiated over 100 investigations involving healthcare fraud. In addition, the Inspection Service, a management arm of the Postal Service, has the responsibility for investigating alleged workers' compensation fraud committed by employees.

The results of OIG's work fall into two categories: program administration, and controlling costs and combating fraud.

### Program Administration

With so many employees in so many places, some managers and supervisors do not handle workers' compensation claims appropriately, regardless of senior postal management's best efforts. The following examples, although isolated, illustrate our point. Further, in each of these cases, our involvement resulted in postal employees receiving needed assistance.

- In response to a Congressional request, we found that an employee who was struck by a postal vehicle on postal property and dragged outside the property was denied the opportunity to file an injury compensation form until one year after her injury. Local postal management originally refused to provide her the form, stating they did not consider the accident to have occurred on postal property. As a result of our inquiries, postal management provided her the necessary form and processed her claim.
- As a result of a Hotline allegation, we reviewed the timely submission of injury claims at one of the Postal Service's 85 districts. We found that postal supervisors did not submit injury claim forms in a timely manner to the Postal Service workers' compensation processing system for one-third

of the 703 injury claims we reviewed. Untimely submission can adversely impact employee morale and delay benefit payments. Management proposed acceptable corrective actions.

- During the course of other audit work, we found the Postal Service was misusing and not safeguarding confidential medical information contained in workers' compensation files. In some instances, these were psychiatric records. We found that this information was used against employees in unrelated administrative actions. As a result of OIG work, the Postal Service has taken steps to ensure that proper procedures are followed and employees' privacy is maintained.

#### Controlling Costs and Combating Fraud

Controlling workers' compensation costs is not only beneficial to the Postal Service, but also ensures the viability of the program on which employees rely. The following examples illustrate our point. Further, our involvement helped preserve the integrity of the program and combat fraud.

- We estimated that overpayments totaling almost \$1 million had not been properly credited to the Postal Service's account in 2 of the 10 Postal Service Areas. We determined this was caused by a lack of coordination between the Department of Labor and the Postal Service. As a result of our work, the Postal Service initiated actions to follow-up on previously identified overpayments postalwide, and to ensure that the appropriate credit is received. As you know, unlike other federal agencies, these claims are paid from postal revenues and directly impact the Postal Service's net income.

- We participated in a multi-agency undercover operation that resulted in the debarment of six physicians from providing services under the Office of Workers' Compensation Program. Specifically, the OIG assisted in identifying fraudulent billings and payments for Postal Service employees who were treated at medical clinics operated by these physicians. This scheme also involved billings for non-existent, or "ghost," workers.
- During an investigation, the OIG identified fictitious doctors who billed insurance companies on behalf of postal employees without their knowledge, and also attempted to file fraudulent workers' compensation claims on behalf of Postal Service employees. As a result, we have expanded these investigations nationwide and are working with the Department of Labor OIG to identify and prosecute fraudulent providers.

### Commitment to Postal Employees

One of the most effective ways to control costs in the workers' compensation area is to ensure the health and safety of employees. The OIG has performed work in the following areas to improve workplace safety and reduce employee injury:

- An OIG review, originating from a Hotline complaint, found that local Postal Service management at a processing and distribution center did not promptly cease operations of unsafe mail processing equipment or warn employees of safety hazards. As a result, employees were exposed to potential hazards including electrical shock and fire. Subsequently, Postal Service management issued a directive to all districts reemphasizing the importance of complying with Postal Service safety policies.
- A Hotline allegation resulted in an OIG audit that disclosed unsafe conditions in a postal facility including: electrical and fire hazards,

deteriorating lead-based paint, falling debris from ceilings, an unsafe water supply, antiquated electrical systems, and a lack of fire suppression and working alarm systems. We found that the facility was considered a low priority to receive renovation funds even though postal management was aware of the health and safety issues that may have resulted in risk of injury and increased liability, including workers' compensation costs. As a result of this audit, management took proper corrective action.

- Acting on information received from a Hotline source, OIG reviewed structural deficiencies at a renovated postal facility and found that the roof posed a potential safety risk and required immediate attention. It was determined that the roof could not support the design load and that any additional weight or stress brought onto the roof by snow, rain, or wind could result in its collapse. As a result, management took immediate action to temporarily relocate the employees, and thus avoided significant potential injury to employees and related workers' compensation liability.

As illustrated by many of our previous examples, it is imperative that postal employees feel free to contact the OIG to report fraud, waste, abuse, or mismanagement of the workers' compensation program without fear of retaliation from management. Since its inception, the OIG has worked closely with the Postal Service and Congress to address this issue. The OIG is working with the Postal Service to enhance whistleblower protection for all postal employees and to make it similar to federal government employee safeguards under the Whistleblower Protection Act.

The past few months have brought a renewed interest by the Bush Administration in controlling workers' compensation costs. We look forward to working with the Department of Labor OIG to address program improvements and to prevent and detect fraud, waste, abuse, and mismanagement. In addition,

we are continuing to work with postal management to identify program areas where we can be of assistance.

As we have seen in the past 6 months, the challenges to the Postal Service and its workers' compensation program continue to change. Therefore, it is essential that the Postal Service continuously improve the program so that it can respond quickly and efficiently to provide benefits to injured employees. The OIG will continue to be an independent voice to monitor the workers' compensation program and ensure that it is fairly administered and cost effective, and to prevent and detect fraud, waste, abuse, and mismanagement.

Thank you for this opportunity to testify before the Subcommittee.