



Report In Brief

U.S. Department of Commerce Office of Inspector General

March 31, 2006



Why We Did This Review

In FY 2005, federal agencies spent \$2.3 billion on workers' compensation benefits. Unless carefully managed, the Federal Workers' Compensation Act (FECA) program is highly susceptible to fraud or wasteful spending. A 1992 OIG review of the FECA program at Commerce found major management problems. We evaluated the program again this year to determine whether the Department (1) aggressively minimizes FECA costs by returning work-capable claimants to the workforce as soon as possible; (2) verifies the accuracy and reasonableness of charge-back costs; (3) adequately oversees its workers' compensation contractor; and (4) coordinates its safety and workers' compensation programs to address workplace conditions that contribute to injuries.

Background

FECA pays medical and salary benefits for federal civilian employees who suffer job-related injuries or illnesses until they can return to work. The Department of Labor administers the FECA program and charges benefit costs back to a claimant's agency. Commerce's FECA program is administered by its Office of Human Resources Management, which handles claims for all bureaus except USPTO. During the charge-back period we reviewed (July 1, 2004, through June 30, 2005), Commerce had roughly 1,275 employees on the FECA rolls and paid over \$14.4 million in benefits. Census and NOAA together accounted for about 76 percent (\$11.04 million) of these costs.

View the full report at
<http://www.oig.doc.gov/oig/reports/2006/OS-IPE-17536-03-06.pdf>.

Office of the Secretary

Management of Commerce's Workers' Compensation Program Needs Significant Improvements (IPE-17536)

What We Found

Our review found serious deficiencies in the Department's administration of the Federal Employees Compensation Act program. Since at least 2002, the Office of Human Resources Management has not actively managed the program: only one employee was assigned to oversee the program, manage several hundred long-term cases, and monitor the contractor that handles the Department's short-term cases and a portion of its long-term workload. Commerce lacks an automated system for tracking the status of cases, yet manually monitoring paper files is inefficient. These various weaknesses have cost the Department unnecessary benefit payments. We found instances of overpayments, as well as payments to claimants who remained on the rolls years after medical evidence indicated they could return to work and, in two cases, payments to claimants who were deceased. We also found that the bureaus have not effectively monitored the status of their employees on workers' compensation rolls and verified benefit charges from the Department of Labor.

Though Commerce provides central management of the FECA program, it assigns specific oversight responsibilities to the bureaus. Yet five bureaus that accounted for 89 percent of FY 2005 workers' compensation costs relied entirely on the Department to manage their caseloads. Some of these bureaus had numerous long-term claimants whose continuing eligibility had not been verified in years. Census, in particular, had a number of claimants who were injured while working as temporary staff for the 1990 and 2000 decennials, but were still on the rolls. USPTO, which manages its workers' compensation program independently, also had inadequate policies and procedures, and did not follow up with long-term claimants.

On a positive note, we found that the Department's workers' compensation contractor had a strong record of performance, despite poor oversight from Commerce staff. During the 3 years of performance we reviewed, the contractor had met 10 of 11* contract deliverables.

*We did not assess the contractor's performance against a 12th deliverable.

What We Recommended

We made 23 recommendations specific to the Department's management of the FECA program, advising, among other things, the immediate review of workers' comp rolls to identify claimants who can return to work, have received overpayments, or are deceased. We also recommended that Commerce track the status of short-term cases and follow up on long-term cases the contractor flags as problematic; maintain online FECA policies and procedures to help managers and supervisors understand the requirements of the program and fulfill their related responsibilities; and develop an automated system to verify and monitor the Department's caseload.

We made two additional recommendations specific to the Census Bureau, advising the bureau to work with the Department to bring work-ready claimants back to work as soon as possible and to develop a comprehensive FECA program for the 2010 decennial census. We also made seven recommendations to USPTO, identifying specific ways it can improve management and administration of its workers' compensation program.