



## Treasury Inspector General for Tax Administration

### A MORE STRATEGIC APPROACH COULD ENHANCE THE WORKERS' COMPENSATION PROGRAM RETURN-TO-WORK EFFORTS

Issued on March 12, 2008

## Highlights

Highlights of Report Number: 2008-30-056 to the Internal Revenue Service Chief Human Capital Officer.

### IMPACT ON TAXPAYERS

Internal Revenue Service (IRS) cash outlays for workers' compensation claims continue to increase, driven by such factors as cost-of-living increases and higher costs for medical equipment, medications, and treatment. These outlays represent financial obligations to care for injured employees and can be considered a cost of business. However, if costs are not properly managed and increase significantly, obligations could ultimately affect the amount of money the IRS has available to spend on enhancing the delivery of service to the taxpaying public.

### WHY TIGTA DID THE AUDIT

This audit was initiated at the request of the President's Council on Integrity and Efficiency to evaluate the effectiveness of the Workers' Compensation Program administration in the IRS, with an emphasis on the progress made since 2003. TIGTA had issued an audit report in 2003 that focused on whether the IRS' Workers' Compensation Center (WCC) evaluated workers' compensation claims properly and on time.

### WHAT TIGTA FOUND

The IRS has fully or partially implemented all eight of the recommendations from the prior report for enhancing case management techniques, increasing the accuracy of performance measures, and holding IRS managers more accountable for reducing costs associated with workers' compensation claims.

Control processes need to be established to ensure that the IRS is not overpaying workers' compensation benefits. TIGTA questioned more than \$1 million in charges, including benefits that were paid subsequent to Social Security Administration records indicating claimants had died.

The IRS needs to ensure that required agency-wide procedures are followed when initiating claims and to

implement a more strategically oriented approach for returning employees to work following an injury. A review of case files associated with 40 claims found problems in 31 of the claim cases reviewed. For example, injury investigations were not thoroughly conducted, and some questionable claims were not challenged, while others were improperly challenged.

Increasing from \$1.4 billion in 1990 to nearly \$2.4 billion in 2005, the rising cost of workers' compensation has caused concern throughout the Federal Government. TIGTA analyzed practices implemented by agencies that are particularly effective at controlling costs and returning claimants to work. In contrast to these practices, the IRS' return-to-work efforts are more reactive, less strategically oriented, and heavily reliant on its first-line managers. Moreover, specific policies and procedures have yet to be implemented to coordinate and collaborate across functional lines to assist in transitioning more injured employees back to the workplace.

### WHAT TIGTA RECOMMENDED

The Chief Human Capital Officer should develop and implement control processes for reviewing the accuracy of costs in chargeback reports, obtain evidence to ensure that benefits are paid only to current or former IRS employees, and seek reimbursement for the compensation paid subsequent to claimants' deaths and on denied claims. The Chief Human Capital Officer should also coordinate with the Deputy Commissioner for Operations Support to implement a control to provide assurances that required procedures are completed in the claim process and establish a more strategic approach to enhance return-to-work efforts.

In response, the Chief Human Capital Officer agreed with our recommendations and outlined the actions the IRS has taken or plans to take. These actions include implementing control processes for reviewing the accuracy of the costs in chargeback reports, seeking reimbursement from the Department of Labor Office of Workers' Compensation Programs for benefits paid subsequent to claimants' deaths, and developing a policy with a goal of addressing cross-functional placement for injured workers. However, the IRS did not specifically agree or disagree to obtain evidence, such as the originally filed claim documents, to ensure that all workers' compensation benefits are paid only to eligible IRS employees and their beneficiaries. Without obtaining such evidence, the IRS will remain at risk of overpaying workers' compensation benefits for claims arising before the WCC centralization.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200830056fr.pdf>.

Email Address: [inquiries@tigta.treas.gov](mailto:inquiries@tigta.treas.gov)  
Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500