

**GENERAL MANAGEMENT:  
Treasury Workers' Compensation Program  
Could Benefit From Increased Attention**

OIG-CA-02-005

May 29, 2002



**Office of Inspector General**

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The Department of the Treasury

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## Abbreviations

ATF	Bureau of Alcohol, Tobacco and Firearms
BEP	Bureau of Engraving and Printing
CBY	ChargeBack Year
COP	Continuation of Pay
Customs	U.S. Customs Service
DOL	Department of Labor
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
GAO	U.S. General Accounting Office
IRS	Internal Revenue Service
OIG	Office of Inspector General
OWCP	Office of Workers' Compensation Programs
SHIMS	Safety and Health Information Management System
Treasury	Department of the Treasury
WCP	Workers' Compensation Program

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*The Department of the Treasury  
Office of Inspector General*

May 29, 2002

Edward R. Kingman, Jr.  
Assistant Secretary for Management  
and Chief Financial Officer

This report presents the results of our evaluation of the Department of the Treasury (Treasury) Workers' Compensation Program (WCP). We conducted this review to: (1) determine Treasury's progress in reducing workers' compensation costs since our office last comprehensively reviewed this program in 1989 and (2) identify opportunities for reducing Treasury's WCP costs. We performed our fieldwork from June 2001 to October 2001.

We determined that Treasury's WCP costs have increased at a greater rate than the aggregate costs for all other Federal government agencies.<sup>1</sup> We are making two recommendations that we believe, when implemented, will improve the effectiveness of Treasury's WCP.

First, we recommend that the Assistant Secretary for Management oversee the update and implementation of *Treasury Personnel Management Manual Chapter 810, Appendix A, Part 7, Fraud and Abuse*, at all Treasury bureaus and offices. In Part 7, effective techniques and activities in place at the bureaus and offices should be identified and shared.

Second, we recommend that the Assistant Secretary for Management perform regularly scheduled systematic program reviews and oversight of all bureau and office WCP programs.

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<sup>1</sup> The Department of Labor reports WCP costs for 10 major Federal agencies, which includes Treasury, plus all other agencies. The aggregate costs for all other Federal government agencies are these total costs minus Treasury's costs.

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## Background

The Federal Employees' Compensation Act (FECA) provides compensation and medical benefits to civilian Federal government employees for personal injury or disease sustained in the performance of their duties. FECA also provides benefits to dependents if a work-related injury or disease results in an employee's death.

With some special legislative additions, FECA generally covers all civilian Federal employees except for non-appropriated fund employees. Benefits provided under the FECA program constitute the sole remedy against the United States for work-related injury or disease. Additionally, under FECA, employees sustaining a traumatic injury in the performance of their duties are entitled to Continuation of Pay (COP) for up to 45 days while they recover from the injury.

### Legislative History

Administration of FECA was initially vested in an independent entity known as the United States Employees' Compensation Commission. This commission was abolished and its functions transferred to the Federal Security Agency's Bureau of Employees' Compensation. In 1950, responsibility for administration of the FECA program was transferred to the Department of Labor (DOL). Currently, DOL's Employment Standards Administration, Office of Workers' Compensation Programs (OWCP), administers the program by determining eligibility, adjudicating claims, and issuing payments. The employing agency is responsible for the initiation of claims and much of the case management. Guidance for these responsibilities is contained in OWCP publication CA-810, *Injury Compensation for Federal Employees*, which serves as a handbook for Federal agency personnel. This publication was last revised in January 1999.

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## **Claim Requirements**

Claims for compensation must meet four specific requirements before the OWCP can accept them. OWCP considers these requirements in a fixed order. However, OWCP can consider these requirements differently depending on the type of claim.

The first requirement specifies that all cases be filed within a limited time period. For injuries and deaths on or after September 7, 1974, FECA requires employees, or their estate in the event of an employee's death, to file claims for compensation within 3 years of injury. For injuries and deaths before this date, different provisions apply.

Second, for claims filed on time, OWCP determines if injured claimants or deceased individuals were "employees" at the time of injury or death.

Third, OWCP verifies whether claimed injuries or diseases occurred, and the claimants' conditions.

Fourth, for claims that meet the first three criteria, OWCP confirms that claimants were performing official duties when the injury or death occurred.

Finally, after considering these four factors, OWCP examines the causal relationship (the connection) between the conditions claimed and the injuries or diseases sustained. If OWCP finds that a connection exists, the claim is approved.<sup>2</sup>

## **Claim Adjudication and Payments**

OWCP adjudicates claims and makes payments to approved claimants. OWCP provides wage replacement benefits, payment for medical treatment, vocational rehabilitation, and certain other benefits to injured workers and their dependents. In addition to

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<sup>2</sup> Claims that involve issues of willful misconduct, the intention to bring about injury or death of oneself or another, and intoxication may be denied under the law.

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payment of medical costs and compensation benefits, case management services provided by OWCP include:

- Assistance in returning to work – FECA gives injured workers the right to reclaim their Federal jobs within 1 year of the onset of wage loss;
- Assignment of a registered nurse to work with injured employees who cannot return to work immediately after injury;
- Referral to a medical specialist for second opinion examination when additional medical information is needed; and
- Vocational rehabilitation services if the employee is unable to return to work at the employing agency or in the previously held job or occupational category.

OWCP makes payments for FECA claims out of the Employees' Compensation Fund and bills Treasury annually. Treasury then reimburses this fund through annual operating appropriations. Quarterly, OWCP provides Treasury a listing of payments made to claimants and service providers.

Treasury cannot approve or deny FECA claims. However, Treasury can dispute the payment of COP, which may impact OWCP's decision to approve or deny claims. An appeal process exists for injured employees if the claim is denied. However, once OWCP approves wage loss compensation, the employing agency cannot refute the decision.

### **Treasury's Responsibilities**

Under FECA, Treasury is responsible for:

- Ensuring that supervisors understand their responsibilities;
- Notifying injured employees of their rights and obligations;
- Refuting questionable claims;

- 
- Initiating claims and notifying OWCP timely;
  - Providing and tracking COP for employees unable to return to work;
  - Assisting employees to return to work as soon as possible by modifying work duties; and
  - Monitoring injured employees' medical status to ensure they return to work as soon as possible.

Treasury Directive 61-08, *Intra-Agency Insurance Initiative*, was issued in December 1986, but expired in July 1995. Currently, Treasury has not reissued this guidance on the implementation of its Workers' Compensation Program, but rather relies on another document.

During September 1986, the Acting Director of the Office of Personnel issued Chapter 810 to Treasury's Personnel Management Manual, which delegated Treasury's WCP responsibilities to its bureaus and offices. In addition, Chapter 810 provided instructions and guidance to employees, supervisors, and workers' compensation specialists on injury benefits, case management, and WCP cost containment. The Chapter states:

"Administration of the injury compensation program will also reflect sound management and fiscal practices, with emphasis on minimizing costs of program benefits and maximizing the value to the Department of each injured employee and his/her productivity consistent with applicable law and regulation."

Appendix A of Chapter 810, *Workers' Compensation Handbook*, is a detailed guide for compensation specialists to administer the WCP. It states that bureaus may establish their own internal procedures to suit organizational needs and characteristics as long as those procedures do not hinder FECA. The following parts were issued in September 1986: General Information, Claims Management, Records Management, Forms Preparation,

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Controversions, and OWCP Hearings. In October 1990, two additional parts were issued: Rehabilitation, and Fraud and Abuse.

### **Program Process**

When an employee is injured while performing his/her duties, prompt action should be taken to ensure the employee receives appropriate FECA benefits and returns to duty as quickly as possible. Once an employee reports an injury, he/she is to be informed of his/her rights and obligations under FECA. Generally, employees should receive appropriate medical attention from either a Treasury health unit, a hospital emergency room, or a private physician. If the employee is unable to return to his/her duties as a result of the injury, then he/she is entitled to up to 45 days of COP. COP is authorized for traumatic injury but not for diseases. If the employee is still unable to return to work at the end of the 45 days, he/she is entitled to compensation for lost wages following 3 days without pay. Compensation is based on an assessment of medical conditions and pay rate at the time of the injury. The employee's WCP case should then be monitored until a physician certifies the employee as fit to return to work.

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## **Comparisons**

For ChargeBack Year (CBY)<sup>3</sup> 1999, FECA costs incurred by all Federal agencies totaled about \$1.9 billion; Treasury's FECA costs were approximately \$75 million. In comparison, FECA costs for CBY 1990 totaled approximately \$1.4 billion for all agencies of which Treasury's costs were \$49 million. Total FECA costs for all agencies, except Treasury, grew 31.7 percent during this 10-year time period, while Treasury's costs increased by 53.2 percent. The most significant increases occurred between 1990 and 1995.

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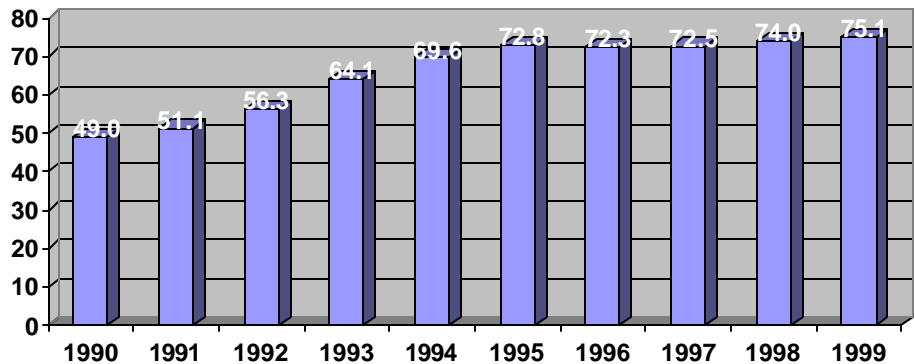
<sup>3</sup> A ChargeBack Year is from July 1 through June 30 of the following calendar year.



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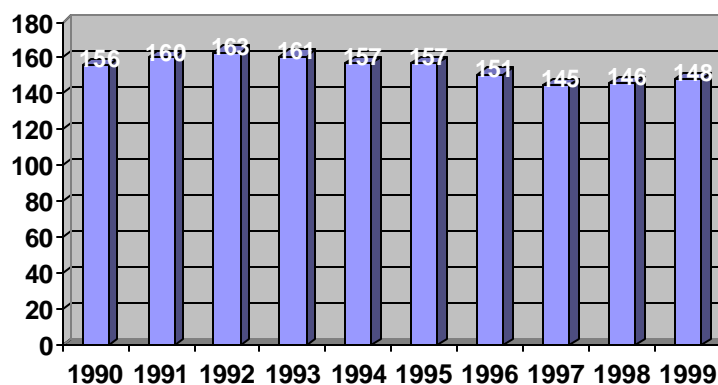
Treasury's annual WCP costs for CBY 1990 through 1999 are shown in the following chart.

Treasury's Annual WCP Costs<sup>4</sup> CBY 1990 – 1999 In Millions of Dollars



In Fiscal Year (FY) 1990, Treasury employed approximately 155,900 employees, while in FY 1999, it had approximately 147,900 employees. During this 10-year period, the number of Treasury employees decreased by approximately 5 percent. Treasury's employment figures for FY 1990 through 1999 are shown in the next chart:

Treasury's Annual Employment<sup>4</sup> Figures FY 1990 – 1999 in Thousands



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<sup>4</sup> DOL's data has not been adjusted for inflation.

The following table shows the percentage change from the previous CBY for FECA costs:

CBY	Percent Increase (Decrease)									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Treasury	4.3	10.1	13.8	8.7	4.6	(0.8)	0.4	1.9	1.6	53.2
All Other Agencies	5.5	9.7	5.1	3.1	1.0	0.4	(0.4)	3.0	1.1	31.7

## Prior Workers' Compensation Program Work

In 1989, the Office of Inspector General (OIG), the Internal Revenue Service (IRS) Inspection Service, and the U.S. Customs Internal Audit issued audit reports on WCPs at five Treasury bureaus:

- U.S. Mint – *Office of Workers' Compensation Program at the U.S. Mint* (OIG-89-022; issued January 26, 1989);
- Bureau of Engraving and Printing (BEP) – *BEP's Management of Workers' Compensation Claims* (OIG-89-027; issued February 27, 1989);
- IRS – *National Coordination Audit of the Services' Implementation of the Federal Workers' Compensation Program* (O9044; issued February 28, 1989);
- U.S. Customs Service (Customs) – *Workers' Compensation Program, Headquarters* (88-HO-53; issued March 7, 1989); and
- Bureau of Alcohol, Tobacco and Firearms (ATF) – *ATF's Workers' Compensation Program* (OIG-89-044; issued May 4, 1989).

The results in these five previous reports were consolidated into one multi-bureau report, entitled *Audit of the Treasury Federal Workers' Compensation Program* (OIG-89-064; issued August 21, 1989). This consolidated report disclosed that DOL billed Treasury over \$37.5 million for CBY 1988. We determined that:

- 
- Treasury officials needed to reduce program costs proactively through more effective management of the overall program;
  - Three bureaus did not have effective light duty/return to work programs resulting in the unnecessary payments of millions of dollars to former employees capable of performing some form of work;
  - One bureau did not have appropriate pre-employment medical screening procedures meant to uncover pre-existing medical conditions. As a result, employees were placed in positions that were unsuitable to their physical conditions;
  - Two bureaus did not monitor cases to ensure recovery of costs to the government from injuries caused by third parties;
  - One bureau had no mechanism to test and ensure the validity of workers' claims; and,
  - One bureau did not verify the accuracy of chargeback billing lists submitted by DOL. The bureau did not identify non-bureau employee claimants, which resulted in erroneous charges of \$2 million.

The IRS Inspection Service issued a follow-up report, *Follow-up Review of Federal Workers' Compensation Program* (O42001; issued March 21, 1994), which cited continued problems with IRS' WCP. The OIG issued three followed-up reports on the corrective actions taken in response to prior recommendations:

- *Follow-up Audit of the Federal Workers' Compensation Program at the Department of the Treasury* (OIG-95-108; issued July 25, 1995);
- *Follow-up Audit of the Federal Workers' Compensation Program at the Bureau of Alcohol, Tobacco and Firearms* (OIG-95-118; issued August 24, 1995); and

- 
- *Follow-up Audit of the Federal Workers' Compensation Program at the U.S. Customs Service* (OIG-96-007; issued October 19, 1995).

As discussed in those reports, we found that the Department and the two bureaus had implemented most of the recommendations where appropriate. However, we reported that ATF and Customs needed to implement a more aggressive return to work program for those employees receiving workers' compensation who were capable of returning to work in some capacity.

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## **Current Workers' Compensation Program Work**

Our overall objective was to determine whether Treasury had achieved reductions in its workers' compensation costs since 1989, the last year this area had been comprehensively audited and to identify opportunities to reduce Treasury's WCP costs. We reviewed: (1) prior Treasury and other Federal agency OIG reports; (2) U.S. General Accounting Office (GAO) reports; (3) DOL instructions, guidance, and reports on Federal WCPs; (4) Treasury budget and staffing information; and (5) various public documents relating to workers' compensation.

We interviewed officials in the Offices of the Deputy Assistant Secretaries for Human Resources and Management Operations. In addition, we surveyed the 13 Treasury bureau WCP coordinators using a 36-question Internet survey. A copy of our survey instrument is provided as Appendix 1. We performed our work from June through October 2001.

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## Survey Results

The bureau coordinators responded that administering the WCP in their respective bureaus was not their only responsibility. The following table shows the respondent's estimated percentage of time spent working on WCP:

Percentage of Time Spent on WCP	< 10	10	20	30	40	50	60	70	80	90	100
Number	2	1	1	0	0	2	1	0	0	6	0

For employees who have received payments and medical treatment payments for 1 to 5 years, the coordinators responded that DOL maintained contact not their bureaus. When the bureaus follow-up or maintain contact, it is only to obtain medical forms. The bureaus rely heavily on DOL's monitoring and follow-up and use DOL as the primary contact with these employees. Coordinators for 12 bureaus responded that their bureaus' open or active WCP cases were reviewed to identify opportunities to reduce their costs. However, in certain instances, extensive reviews have not occurred for as many as 4 years.

The coordinators reported that the primary benefits found during their periodic file reviews were:

- Instances where employees could return to work in light duty positions (Coordinators for 11 bureaus reported having light duty programs);
- Instances where additional medical assistance could speed the employee's return-to-work (Coordinators for 8 bureaus reported having return-to-work programs);
- Determinations to pursue disability retirement for the employee, who cannot return to work; and
- The identification of the causes of the injuries, which led the appropriate officials to correct the situations causing the injuries.

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Eight (8) coordinators noted that their bureaus have identified inaccuracies the chargeback billing submitted by DOL. The majority of the reported errors were charges for employees who were not or had not been bureau employees, and errors in social security numbers, agency codes, and chargeback codes. According to the coordinators, these types of errors are ultimately reported to DOL's OWCP to correct in their records.

The coordinators suggested that WCP costs could be further reduced by: (1) increasing reviews of chargeback billings, (2) increasing reviews of case files for indicators of fraud and return-to-work opportunities, (3) sharing WCP information among bureaus, (4) establishing a Treasury-wide unit to address WCP issues, (5) implementing procedures for case file reviews by departmental level personnel, (6) expanding return-to-work and light duty programs, and (7) identifying and correcting hazards that lead to on-the-job injuries.

The coordinators also made several suggestions for improvement. Several coordinators suggested that there should be centralized WCP information with quicker access to information. Other suggestions included: (1) increasing WCP resources in the bureaus, (2) increasing Departmental resources for oversight and review, (3) making the coordinator position full-time, (4) assigning costs to the lowest level possible within an organization for accountability, (5) making knowledge of WCP requirements and correction of hazards a critical element for supervisors' performance, and (6) holding quarterly bureau coordinator meetings to share lessons learned.

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## Summary

During the 10-year period between 1990 and 1999, Treasury's workers' compensation costs have, in the aggregate, increased at a higher rate than that of the Federal government as a whole.

Audit reports issued in 1989 identified a need for more effective management of the overall program and several opportunities to improve the performance at individual Treasury bureaus. From our

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analysis and the responses to our survey questionnaire, we identified the following opportunities to reduce program costs or improve program performance:

- Sharing best practices among the bureaus;
  - Increasing WCP planning, coordination, and oversight;
  - Thoroughly reviewing all old cases to identify indicators of fraud and opportunities to either return the employee to work or, if the employee is eligible, retire the employee from government service; and,
  - Improving the management of new cases to identify indicators of fraud and opportunities to return employees to work as soon as possible.
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## Recommendations

The Assistant Secretary for Management and Chief Financial Officer should:

1. Update Part 7 of *Treasury Personnel Management Manual Chapter 810, Appendix A*, and oversee its implementation at all Treasury bureaus and offices. One purpose of updating Part 7, Fraud and Abuse, should be to include a mechanism for identifying and sharing the most effective techniques and activities the bureaus' and offices' have in place to reduce overall Treasury WCP costs.

### Management Comment

Management concurred with this recommendation. By July 2002 management plans to issue a new Personnel Policy Manual chapter on workers' compensation that will give the Department additional oversight of bureau programs and will establish standards that bureaus will be required to meet. The new chapter will likely include the following guidelines:

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- Establish a Departmental standard to ensure that bureaus are processing notices within the time frames required in the Code of Federal Regulations,
  - Require that all long-term disability cases be reviewed on an annual basis,
  - Require that chargeback reports be audited on a quarterly basis to verify proper ownership,
  - Require that all bureaus establish light duty/return-to-work programs,
  - Establish guidelines to assist bureaus in identifying possible fraudulent claims and provide guidance on how such cases should be referred for investigation, and
  - Conduct an annual review of bureau programs by requiring bureaus to report on their performance in specific areas.

#### OIG Comment

The OIG believes that the proposed action addresses the intent of the recommendation.

2. Ensure that periodic and systematic program reviews are performed of all bureau and office WCP programs. One purpose of these reviews should be to identify and share effective techniques and activities in place at bureaus for containing WCP costs.

#### Management Comment

Management concurred with this recommendation. The Department is considering moving workers' compensation costs to the bureau discretionary funds in the FY 2004 budget so that bureaus will be accountable and responsible for containing costs.



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In support of the Secretary's efforts to provide a safe and healthy work environment for all employees, management developed the Safety and Health Information Management System (SHIMS). SHIMS is designed as a tool for managers, safety and health staff, and workers' compensation managers to eliminate injuries. The functionality for the system is being expanded to: (1) identify root causes of incidents and track abatement actions so that injuries do not occur, and (2) make it a more valuable tool for bureau management of workers' compensation programs. Finally, according to management, SHIMS will help it monitor the performance and effectiveness of bureau programs.

OIG Comment

The OIG believes that the actions taken and the planned enhancement to SHIMS address the intent of the recommendation.

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We performed our work in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

We will record the above recommendations in the Inventory, Tracking and Closure (ITC) system.

We appreciate the cooperation and courtesies extended to our staff. If you have any questions, please contact me at (202) 927-5400 or John Lemen, Acting Director, Office of Evaluations, at (202) 927-5012.

Marla A. Freedman  
Assistant Inspector General for Audit

# Appendix 1 Survey Questionnaire

## Workers' Compensation Program (WCP) Data Collection Instrument (DCI)

### 1. Name of bureau

- a. Alcohol, Tobacco and Firearms
- b. Comptroller of the Currency
- c. Customs Service
- d. Departmental Offices
- e. Bureau of Engraving and Printing
- f. FLETC
- g. Financial Management Service
- h. Office of Inspector General
- i. Internal Revenue Service
- j. U.S. Mint
- k. Bureau of the Public Debt
- l. Secret Service
- m. TIGTA
- n. Office of Thrift Supervision

### 2. Name and title of official completing DCI.

Name and title

### 3. Date DCI completed.

Date

### 4. Who is the official responsible for the WCP?

Please provide name and title.

### 5. Is this a full time position for this officials?

Appendix 1  
Survey Questionnaire

- a. Yes
- b. No

6. If this is a collateral duty, on the average how much time is spent on the WCP?

- a. Less than 10%
- b. 10%
- c. 20%
- d. 30%
- e. 40%
- f. 50%
- g. 60%
- h. 70%
- i. 80%
- j. 90%

7. This WCP official reports to whom?

Please provide name and title.

8. Identify your bureau's WCP chargeback costs for chargeback years 1995, 1996, 1997, 1998, 1999, & 2000

Chargeback costs

9. Identify the number of your bureau's employees receiving WCP benefits for chargeback year 1995, 1996, 1997, 1998, 1999, & 2000

Number of employees on WCP

10. Identify the number of your bureau's employees (direct & reimbursable) for fiscal year 1995, 1996, 1997, 1998, 1999, & 2000

Number of

Appendix 1  
Survey Questionnaire

employees

**11. How does your bureau implement the WCP?**

Provide description

**12. How is contact maintained with injured employees after 1 year, 2 years, 3 years, 4 years, 5 years, and after 5 years?**

Provide description

**13. Are open/active WCP cases reviewed to identify opportunities to**

Appendix 1  
Survey Questionnaire

**reduce costs?**

Comment



**14. If yes, what types of opportunities have been identified?**

Provide  
description



**15. How do you ensure that submitted medical evidence is up-to-date and adequate?**

Comment

Appendix 1  
Survey Questionnaire



16. Are these documents reviewed as they are submitted?

- a. Yes
- b. No

17. Are WCP chargeback reports consistently reviewed for

- a. Yes
- b. No
- c. Some times

18. Have you identified inaccuracies in previous reports?

- a. Yes
- b. No

19. If yes, what was the nature of the error(s)?

Nature of  
error(s)

Appendix 1  
Survey Questionnaire



20. How were errors resolved, if they have been resolved?

Error resolution

21. Does your bureau have any policies or practices that either emphasize safety or provide training to prevent on-the-job injuries?

Safety & preventing on-the-job injuries



22. Does your bureau have a return-to-work program?

23. Does your bureau have a light duty program?

Appendix 1  
Survey Questionnaire

24. If yes to questions 22 &/or 23, briefly describe how your bureau operates this/these programs.

Program operations



25. Do you have independent or contract medical personnel, who review all medical forms submitted by employees?

26. Are your WCP case files reviewed on a periodic basis by Departmental Offices' officials?

- a. Yes
- b. No

27. If yes, how often are they reviewed?

how often



28. Within the last 12 months, has a complete review of old cases (those open more than 5 years) been performed?

29. If the old files were reviewed, who performed those reviews?

Performed reviews



Appendix 1  
Survey Questionnaire

30. If the old case files have not been reviewed within the last 12 months, how often are these documents reviewed?

- a. Never
- b. Yes, time frame

31. What has your bureau done to reduce WCP costs from the previous year?

Description

32. Does your bureau maintain an inventory of its best practices for managing its WCP?

33. If an inventory of best practices is maintained, what are the positive results of those practices?

Positive practices

Appendix 1  
Survey Questionnaire



34. Please provide practices you believe would improve your bureau's WCP and/or Treasury's overall administration of WCP.

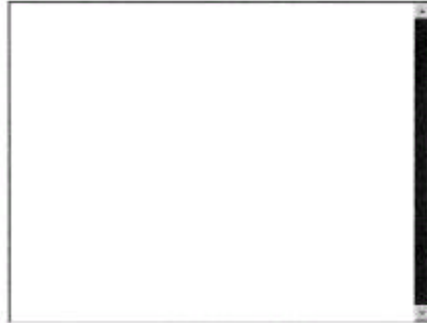
Improvement practices



35. Has your bureau established a confidential hotline for reporting WCP abuse or potential fraud?

36. Please provide any additional comments you believe could improve Treasury's WCP.  
Improvements

Appendix 1  
Survey Questionnaire



Continue





DEPARTMENT OF THE TREASURY  
WASHINGTON

MAY 10 2002

*Thanks for a  
great audit  
EW*

**MEMORANDUM FOR MARLA FREEDMAN**  
**ASSISTANT INSPECTOR GENERAL FOR AUDIT**  
**OFFICE OF INSPECTOR GENERAL**

**FROM:** Edward R. Kingman, Jr.  
Assistant Secretary for Management  
and Chief Financial Officer

**SUBJECT:** Draft Report: General Management of Treasury's Workers'  
Compensation Program Could Benefit from Increased Attention

I appreciate the opportunity to review and comment on the subject report.

Your findings point out that Treasury's workers' compensation costs have increased at a greater rate than aggregate costs for all other Federal agencies. We concur with your recommendation that Treasury needs to do more to control workers' compensation costs and strengthen our policy in this area. We have already taken significant steps to do so.

In the past, the Department has taken a decentralized approach, delegating to bureaus the authority to establish their own procedures. We are now developing different measures that will assist bureaus in administering efficient, cost-effective injury compensation programs. We are planning to issue a new Personnel Policy Manual chapter on workers' compensation that will give the Department additional oversight of bureau programs and will establish standards that bureaus will be required to meet. The following are some of the guidelines this new chapter will most likely include:

- Establish a Departmental standard to ensure that bureaus are processing Notices of Traumatic Injury and Notices of Occupational Disease and Claims for Compensation within the time frames required in the Code of Federal Regulations,
- Require that all long-term disability cases be reviewed on an annual basis for medical documentation supporting an entitlement to compensation,
- Require that chargeback reports be audited on a quarterly basis to verify "proper ownership" of all cases for which Treasury is currently paying,
- Require that all bureaus establish light duty/return-to-work programs,
- Establish guidelines to assist bureaus in identifying possible fraudulent claims and provide guidance on how such cases should be referred for investigation, and

## Appendix 2 Management Comments

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- Conduct an annual review of bureau programs by requiring bureaus to report on their performance in specific areas.

We have invited all bureau injury compensation managers to provide comments, recommendations, and best practices for possible implementation into our Departmental policy. We have also asked bureaus for suggestions of what the Department can do to assist them in the area of workers' compensation. Their comments and suggestions were due on May 6<sup>th</sup>, and we will issue the new policy within 45 days of this date.

The Department is also considering moving workers' compensation costs to the bureau discretionary funds in the FY 2004 budget so that bureaus will be accountable and responsible for containing costs.

In support of Secretary O'Neill's efforts to provide a safe and healthy work environment for all employees, we have developed the Safety and Health Information Management System (SHIMS). SHIMS is designed as a tool for managers, safety and health staff and workers' compensation managers to eliminate injuries. We are expanding functionality for the system to identify root causes of incidents and track abatement actions so that injuries do not occur. We also are improving the workers' compensation functionality of the system to make it a more valuable tool for bureau management of workers' compensation programs. SHIMS will help us to monitor the performance and effectiveness of bureau programs.

In response to your recommendation that the Department issue and implement Appendix A, Part 7, Fraud and Abuse, we would like to point out that this portion was issued on October 12, 1990 and is in effect. Apparently, when we provided your office with a copy of our policy, this amendment was omitted. A copy is attached. However, we may be updating this portion along with the rest of the chapter.

I appreciate your review of Treasury's workers' compensation program and the recommendations you made which will help to strengthen our program. If you have any questions regarding the above initiatives, please contact Ronald Glaser, Director, Office of Personnel Policy, at (202) 622-2856.


Attachment

Appendix 2  
Management Comments

HUMAN RESOURCES DIRECTORATE MANUAL TRANSMITTAL NOTICE		Date: 10/12/90
Office: OFFICE OF PERSONNEL POLICY		Transmittal No. TN 91-01
Subject: WORKERS' COMPENSATION PROGRAM		
INSERT	REMOVE	
New Part 6 and Part 7 of Treasury Workers' Compensation Handbook, Appendix A, Chapter 810, Treasury Personnel Management Manual.	N/A	

REMARKS: The attached Part 6 - RETENTION/REEMPLOYMENT/REHABILITATION and Part 7 - FRAUD AND ABUSE complete the Treasury Department's Workers' Compensation Handbook, which is designed to assist Treasury bureaus in the cost-effective management of their workers' compensation programs.

NOTE: BUREAU HEADQUARTERS TO REPRODUCE AND SEND TO FIELD OFFICES, FILE IN TREASURY PERSONNEL MANUAL CHAPTER 810, APPENDIX A UNTIL TPMM CONVERTED TO HRD MANUAL.

Approved by Robert J. Breivis Assistant Director of Personnel (Human Relations)	Signature 
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**The Department of the Treasury**

Assistant Secretary for Management and Chief Financial Officer  
Deputy Assistant Secretary for Human Resources  
Office of Accounting and Internal Control  
Office of Strategic Planning and Evaluations  
Office of Personnel Policy

**Office of Management and Budget**

OIG Budget Examiner