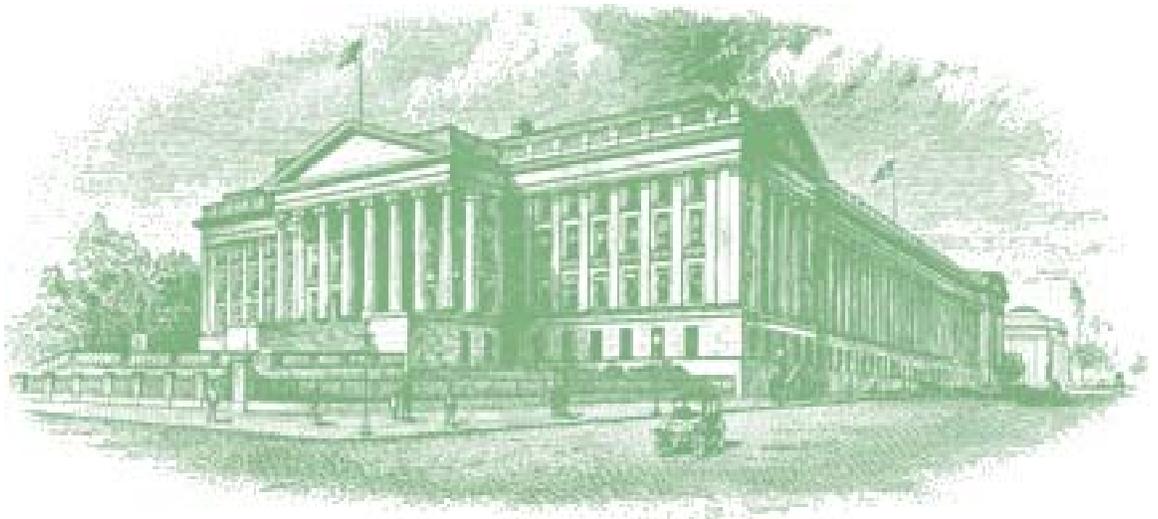




Audit Report



OIG-07-049

GENERAL MANAGEMENT: BEP Generally Has an Effective Program to Monitor Employees Receiving Workers' Compensation Payments

September 20, 2007

Office of
Inspector General

Department of the Treasury

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Abbreviations

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| BEP | Bureau of Engraving and Printing |
| COP | Continuation of Pay |
| DOL | Department of Labor |
| ECF | Eastern Currency Facility |
| FECA | Federal Employees' Compensation Act |
| Fund | Employees' Compensation Fund |
| HR | Human Resources |
| OIG | Office of Inspector General |
| OWCP | Office of Workers' Compensation Programs |
| WCP | Workers' Compensation Program |

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*The Department of the Treasury
Office of Inspector General*

September 20, 2007

Larry R. Felix
Director
Bureau of Engraving and Printing

The Federal Employees' Compensation Act (FECA) provides compensation benefits to civilian employees of the United States for disability due to personal injury or disease sustained while they are in the performance of duty. FECA also provides for payment of benefits to an employee's dependents if a work-related injury or disease causes the employee's death. We conducted an audit to determine whether the Bureau of Engraving and Printing (BEP) has an effective program to monitor employees receiving workers' compensation payments. In accordance with the Office of Inspector General *Fiscal Year 2007 Annual Plan*, we are conducting similar audits at other selected Department of the Treasury offices and bureaus. Appendix 1 contains a description of our objective, scope, and methodology.

In brief, we found that, overall, BEP has an effective program to monitor employees receiving workers' compensation payments, but did not have written internal guidelines to address case file management and to monitor the status of overpayments. We are making one recommendation to address this matter. In the management response, provided as Appendix 2, BEP concurred with this recommendation.

Background

FECA benefits include compensation for lost wages, monetary awards for bodily impairment or disfigurement, medical care, and vocational rehabilitation. The Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) and more than 70 employing federal agencies share responsibilities for ensuring the

efficiency, effectiveness, and integrity of the major benefit program established under FECA. OWCP's *Injury Compensation for Federal Employees* serves as a handbook for federal agency personnel specialists, compensation specialists, and supervisors.¹

All workers' compensation claims are adjudicated by OWCP. FECA provides that an employee's regular pay may be continued for up to 45 calendar days to avoid interruption of an employee's income, while the case is being adjudicated by OWCP. This 45-day time frame is referred to as the continuation-of-pay (COP) period. OWCP begins paying FECA compensation benefits at the end of the COP period. Compensation for wage loss is paid at a percentage of the employee's salary. The Employees' Compensation Fund (Fund) finances OWCP FECA payments.

Workers' compensation costs are assigned to employing agencies annually at the end of the fiscal accounting period, which runs from July 1 to June 30. Each year, OWCP provides each agency with quarterly chargeback reports, then a final, annual chargeback billing list, which is a statement of payments made from the Fund on account of injuries to its employees. Employing agencies reimburse the Fund for these payments.

Employing agencies play a major role in containing FECA costs by maintaining contact with the employee, helping recovering employees return to work, and accommodating light duty work, when possible.

During January 2007, the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer issued guidance through the policy-setting Office of Human Resources Strategy and Solutions on the Treasury Workers' Compensation Program (WCP) that outlines responsibilities for bureau heads, bureau WCP staff, supervisors, and employees.² BEP produces currency at two facilities that employ approximately 2,600 individuals. The Eastern Currency Facility (ECF) is located in Washington, DC, and the Western Currency Facility is located in Fort Worth, Texas.

¹ OWCP Publication CA-810, *Injury Compensation for Federal Employees* (January 1999).

² Office of Human Resources Strategy and Solutions, Human Resources Issuance System, Chapter 810, Transmittal No. 07-007, "Workers' Compensation Program" (January 21, 2007).

BEP's Office of Environment, Health, and Safety manages programs that minimize BEP's impact on the environment, enhance employee wellness, and protect workers from injuries and disabilities. One of its programs is the WCP, which is managed through the Office of Human Resources (HR). Each facility has its own HR group.

A BEP goal is to reduce occupational injury and illness rates. BEP injury prevention efforts in fiscal year 2006 resulted in a decrease of \$6 million in the actuarial liability for workers' compensation, to a total of \$53.5 million.³ According to BEP, this decrease in actuarial liability was the result of its continued focus on creating a safer working environment and reducing the loss of employee work time caused by injuries.

Finding and Recommendation

BEP Generally Has an Effective Program to Monitor Employees Receiving Workers' Compensation Payments, But Certain Internal Procedures Should Be Formalized

We found that, overall, BEP has an effective program to monitor employees receiving workers' compensation payments. Specifically, BEP has policies and procedures for the administration of FECA that outline assigned responsibilities, the extent of coverage, and procedures for the administration of light and limited duty. BEP monitors the quarterly chargeback reports received from OWCP. It also uses internal monthly reports to (a) review compensation cases, (b) monitor the number of COP days, (c) analyze the costs related to injuries, (d) review cost savings, (e) monitor cases referred to OIG, and (f) review long-term cases. In addition, we found that HR staff members have a working knowledge of cases without referring to documents/files and keep

³ The FECA liability consists of two components. One component, the actuarial FECA liability, is the liability for future benefit payments as estimated by DOL. The other component, the accrued FECA liability, is based on actual claims paid by DOL. For chargeback year 2006, BEP's accrued liability was \$4.2 million. The chargeback year runs from July through June. BEP reimburses DOL for the amount of actual claims, normally within 1 to 2 years after payment is made by DOL.

BEP management abreast of issues at regular WCP meetings.⁴ Furthermore, when necessary, BEP also controverts⁵ claims during initial processing; investigates workers' compensation issues; and pursues third party liability.⁶

During our review, we identified three areas in which BEP could strengthen its WCP. We discussed these with HR managers and staff, and believe that the areas have since been addressed.

- ECF was unable to locate 2 of the 57 case files that we selected for review. FECA benefits paid on these cases totaled approximately \$6,000 for chargeback years 2004 through 2006. The WCP manager believes that the files may have been destroyed when a storage area was being cleared. BEP subsequently recreated the case files.
- At the time of our review, 12 ECF case files did not contain current forms CA-1032.⁷ BEP HR staff explained that although the CA-1032 forms are generally part of the file, OWCP does not send the bureau copies after receiving the completed forms from workers' compensation recipients. BEP generally obtains copies of these forms when a staff member calls or visits OWCP to review the case files and to obtain information. ECF staff advised us that BEP had contacted the responsible OWCP office and has since obtained more than half of the missing forms.
- The status of overpayments was not being monitored. Our sample cases included 13 overpayments, totaling approximately

⁴ In addition to HR representatives, the WCP meetings may include personnel from the following groups: the Office of Chief Counsel; the Office of Security; and the Office of Environment, Health, and Safety.

⁵ An agency's objection to paying COP for one of the reasons provided by regulation is called controversy.

⁶ A third-party claim arises when an injury is caused by a person or object under circumstances which indicate there is a legal liability on a party other than the U.S. government to pay the damages.

⁷ OWCP policy requires FECA claimants receiving compensation benefits to periodically certify their earnings information and dependent status on a "Request for Information on Earnings, Dual Benefits, Dependents and Third Party Settlements Form" (CA-1032). This information is used to determine if any changes are necessary to a claimant's benefit amount.

\$27,000.⁸ HR staff advised that overpayments are generally identified by BEP rather than OWCP. While resolution of overpayments is the responsibility of OWCP, at the time of our review there had been no recent follow-up by BEP as to the status. Once we raised the issue, BEP staff contacted OWCP. The majority of the overpayments have since been resolved, and status requests are pending with OWCP on the others.

At the time of our review, BEP did not have internal guidelines specifically addressing the three issues discussed above. Such internal guidelines, which are sometimes called desk procedures, would be at a more detailed level than the overall WCP policies and procedures discussed above.

Although there is no OWCP requirement for detailed written internal guidelines, we consider it prudent and sound business practice to develop and implement such guidelines, which serve as a line of defense in safeguarding assets and in preventing and detecting errors and fraud. Internal guidelines that prescribe steps to monitor case files and employees with work-related injuries will help to improve the efficiency of the program, possibly reduce program costs, and aid in the recovery of overpayments to claimants.

We discussed this matter with the ECF HR manager, who concurred and advised us that BEP is developing written internal guidelines outlining specific steps to be taken for workers' compensation cases. Among the areas to be covered are conducting a periodic inventory to make sure there is a file for each case, tracking and reviewing forms CA-1032, and monitoring the status of overpayments.

Recommendation

We recommend that the Director of BEP ensure that written internal guidelines are developed to outline specific steps to monitor the status of workers' compensation cases.

⁸ These overpayments were caused by issues such as an underdeduction for Basic Life Insurance coverage and an excess payment on a Schedule Award. Also, three of the overpayments were to one recipient.

Management Response

BEP concurs with this recommendation and will develop and implement internal guidelines to monitor the status of workers' compensation cases by January 2008.

OIG Comment

We believe that the actions planned by BEP address the intent of the recommendation.

* * * * *

We appreciate the courtesies and cooperation provided to our staff. If you wish to discuss this report, you may contact me at (202) 927-6512 or Maria V. Carmona, Audit Manager, at(202) 927-6345. Major contributors to this report were Ms. Carmona; Gerald H. Kelly, Auditor-In-Charge; and Horace A. Bryan, Auditor.

Stephen P. Syriala
Acting Director, Fiscal Service Audits

Our audit objective was to determine whether the Bureau of Engraving and Printing (BEP) has an effective program to monitor employees receiving workers' compensation payments.

We performed fieldwork primarily from November 2006 to March 2007 in Washington, DC. As part of the fieldwork, we reviewed laws, regulations, and Treasury and BEP guidance. We interviewed BEP management to gain an understanding of the workers' compensation process and controls at BEP. This included personnel at both BEP facilities, including HR, Counsel, and Security staff. We analyzed data from the 2006 chargeback report for BEP and files for indicators of program abuse, and referred such instances to the Office of Investigations for further inquiry.

We also selected for review a sample of 85 records from a universe of 420 records of compensation and/or medical payments made during chargeback years 2004 through 2006.⁹ This sample included 57 claimants for the Eastern Currency Facility and 28 claimants for the Western Currency Facility. We determined if BEP had case files for each record in our sample. Additionally, we checked each file for completeness, which included, but was not limited to, whether there were certain OWCP basic forms in the file, such as the CA-1032s. We also determined whether BEP was monitoring the status of overpayments and reviewing the case files for opportunities to return the injured employees to limited light-duty work.

We conducted our audit in accordance with generally accepted government auditing standards.

⁹ There were a total of 1,059 individual BEP cases during the 2004-2006 chargeback periods, totaling more than \$13.4 million in compensation and medical payments. From this universe, we removed any case that had a zero or negative balance. A zero balance indicates that no compensation or medical payments were made. A negative balance indicates that an overpayment was collected during the period. In addition, if a claimant name appeared more than once, the cases were counted as one record.



DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D. C. 20228

September 17, 2007

MEMORANDUM FOR CEDRIC E. HAMMONDS, SR.
ACTING DIRECTOR, FISCAL SERVICE AUDITS
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM: Leonard R. Ojjar
Associate Director
(Chief Financial Officer)

SUBJECT: Formal Draft Audit Report "BEP Federal
Workers' Compensation Program"

Thank you for the opportunity to review the Office of Inspector's General's (OIG) formal draft audit report "BEP Federal Workers' Compensation Program". The Bureau of Engraving and Printing (BEP) offers the following comments on the report.

Finding 1, Recommendation 1:

We recommend that the Director of BEP ensure that written internal guidelines are developed to outline specific steps to monitor the status of workers' compensation cases.

Comment:

BEP concurs with this recommendation and will develop and implement our internal guidelines to monitor the status of worker's compensation cases by January 2008.

Department of the Treasury

Office of Strategic Planning and Performance Management
Office of Accounting and Internal Control

Bureau of Engraving and Printing

Associate Director (Chief Financial Officer)

Office of Management and Budget

OIG Budget Examiner