



U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Management of the Workers' Compensation Program at Department of Energy Headquarters



Department of Energy

Washington, DC 20585

June 29, 2007

MEMORANDUM FOR THE SECRETARY

FROM: *Gregory H. Friedman*
Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Inspection Report on "Management of the Workers' Compensation Program at Department of Energy Headquarters"

BACKGROUND

The Federal Employees' Compensation Act (FECA) provides medical and salary benefits to Federal civilian employees who suffer work-related injuries or illnesses that prevent them from working. The FECA program pays for medical expenses related to employees' injuries or diseases, provides wage compensation until they can return to work, and covers vocational rehabilitation.

The Department of Labor (Labor) administers the FECA program—allowing or denying claims, paying benefits, and charging benefit costs back to a claimant's agency for reimbursement. The Department of Energy bears the costs of the program and is responsible for providing Labor with pertinent details to inform Labor's decisions about the merits of claims, monitoring the status of the Department's workers' compensation recipients, and bringing employees back to work as soon as appropriate. During the chargeback year of July 1, 2005, through June 30, 2006, the Department of Energy paid approximately \$10.2 million in workers' compensation benefits, of which \$2.2 million comprised workers' compensation benefits paid to Headquarters employees.

The objective of the inspection was to determine whether the Department's Headquarters workers' compensation program, which is managed by the Office of Human Resource Services, Employee WorkLife Center, was managed effectively.

RESULTS OF INSPECTION

We concluded that the Headquarters workers' compensation program was not effectively managed and that several aspects of the program needed improvement.

Specifically, we found that the Department had not:

- Maintained adequate records for many of the cases that we reviewed;
- Adequately monitored its long term cases;
- Promulgated written policies or procedures for managing open cases under the Headquarters workers' compensation program; and,



- Developed and implemented performance measures to assess the Headquarters workers' compensation program.

The President's Council on Integrity and Efficiency (PCIE), of which this office is a member, is currently reviewing aspects of the FECA program at a number of Federal agencies. The data developed during this review and reflected in the attached report, will be considered as part of any government-wide findings associated with the PCIE's effort.

MANAGEMENT REACTION

Management concurred with the findings and recommendations in our draft report and identified specific corrective actions to be taken. Management's comments, which are provided in their entirety in Appendix B of the report, were responsive to our recommendations.

Attachment

cc: Deputy Secretary
Acting Administrator, National Nuclear Security Administration
Acting Under Secretary of Energy
Under Secretary for Science
Chief of Staff
Chief, Office of Human Capital Management (HR-1)
Director, Office of Internal Review (CF-1.2)
Director, Policy and Internal Controls Management (NA-66)

Management of the Workers' Compensation Program at Department of Energy Headquarters

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Overview

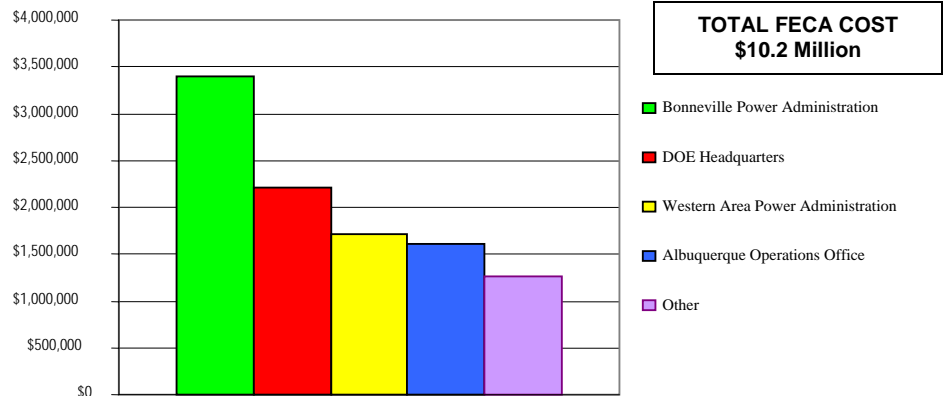
INTRODUCTION AND OBJECTIVE

The Federal Employees' Compensation Act (FECA) provides medical and salary benefits to Federal civilian employees who suffer work-related injuries or illnesses that prevent them from working. The FECA program pays for medical (and associated travel) expenses related to employees' injuries or diseases, provides wage compensation until they can return to work in either their original positions or a suitable alternative position, and covers vocational rehabilitation. The basic rate of compensation for injured employees with no dependents is 66.67 percent of gross wages, increasing to 75 percent if employees have one or more dependents. All workers' compensation benefits are tax free, and there is no mandatory retirement age for employees collecting benefits.

The Department of Labor's (Labor's) Office of Workers' Compensation Program administers the FECA program—allowing or denying claims, paying benefits, and charging benefit costs back to a claimant's agency for reimbursement. Thus, FECA costs are borne by the employing agency—not Labor. Besides bearing costs of the program, individual agencies are responsible for providing Labor with pertinent details to inform its decisions about the merits of a claim, for monitoring the status of their workers' compensation recipients, and for bringing employees back to work as soon as appropriate.

During the most recent chargeback year (July 1, 2005, through June 30, 2006), the Department of Energy (DOE) paid approximately \$10.2 million in workers' compensation benefits, of which \$2.2 million comprised workers' compensation benefits paid to 62 Headquarters employees on the FECA periodic rolls. Employees on the periodic rolls are the long term cases where medical evaluations indicate that disability will continue for at least 60 days. The following chart reflects the annual FECA cost for the DOE Headquarters and key field elements.

Department of Energy Workers' Compensation Benefits Paid
July 1, 2005 – June 30, 2006



The DOE Headquarters workers' compensation program is managed by the Office of Human Resource Services, Employee WorkLife Center (EWLC).

The objective of this inspection was to determine whether EWLC was effectively managing the DOE Headquarters workers' compensation program.

OBSERVATIONS AND CONCLUSIONS

We concluded that EWLC did not effectively manage the DOE Headquarters workers' compensation program and that several aspects of the program needed improvement. Specifically, we found that EWLC:

- Did not maintain adequate records for many of the cases that we reviewed. For example, there were no files for 4 of the 19 cases we reviewed;
- Did not adequately monitor its long term cases. For example, we identified two long term cases where, based on a retrospective view, it was our judgment that the employees should have been returned to full-time work status; one case where the employee's return to work status was unknown; and another case where an employee was overcompensated by \$2,250 for a dependent child;
- Did not have written policies or procedures for managing open cases under the DOE Headquarters workers' compensation program; and,
- Did not have performance measures to assess its management of the DOE Headquarters workers' compensation program.

Details of Findings

FILE MAINTENANCE

We found that EWLC did not maintain adequate records for many of the cases that we reviewed. We requested case files for 19 employees currently receiving FECA benefits; however, EWLC only had files for 15 of the employees. Five of the 15 case files contained only information predating 1993, while other files had gaps of several years in information. For example, one case file had no documentation to cover the 27-year period from 1976 to 2003. We observed that, in general, the case files that we reviewed were unorganized and incomplete. Without complete and up-to-date files, DOE cannot adequately monitor these cases.

Guidance issued by Labor includes Publication CA-810, *Injury Compensation for Federal Employees*, a handbook for employing agencies to use as a guide for managing their workers' compensation programs. Publication CA-810 encourages agency personnel responsible for managing their workers' compensation program to establish a recordkeeping system that will enable the agency to maintain copies of claim forms, medical reports, correspondence with Labor, and other materials related to each compensation claim in an orderly fashion. Publication CA-810 also states that agencies should obtain medical information from Labor or the employees to allow agency personnel to assess potential return to regular, light, or limited duty.

CASE MONITORING

We found that EWLC did not adequately monitor its long term cases. For example, we identified two long term cases where, based on medical documentation in Labor's files it appeared that the employees should have been returned to full-time work status; one case where the employee's return to work status was unknown and another case where an employee was being overcompensated for a dependent child. Without active engagement with Labor personnel, claimants and their supervisors, long-term cases may continue to remain on the Department's compensation rolls with little hope of rehabilitation and/or return to work.

Publication CA-810 states that agency personnel responsible for managing workers' compensation cases can obtain updated information from Labor or the injured employee to assess the potential for return to work. Although CA-810 allows EWLC specialists to review employee workers' compensation case files at the appropriate Labor District Office, including medical and dependent status documentation, EWLC officials advised us that they had only reviewed one of their open cases at Labor and that they do not monitor Labor's activities regarding DOE Headquarters cases.

We determined during our field work in July 2006 that one of the long term case employees continued to work only part-time, even though the employee's doctor stated in June 2006 that the employee was capable of performing full-time work. EWLC officials were not aware of this development until we brought it to their attention. In another case, an employee had not been returned to work, even though the employee's doctor stated in May 2004 that the employee was capable of performing work on a full-time basis. If this employee's case had been better monitored and managed, it appeared likely that the individual would have been returned to work about two years prior to the conduct of this inspection, saving DOE at least \$31,000.

We determined that EWLC specialists were not appropriately monitoring a case where the employee's return to work status was unknown. For example, in one case we reviewed, a physician did not provide sufficient information on the employee's Work Capacity Evaluation form (submitted in February 2006) for EWLC specialists to make a determination regarding the employee's return to work status. If this case was being properly monitored, EWLC specialists should have requested that the employee's physician complete a Fitness for Duty form to assess the employee's return to work capacity.

We further determined that a DOE employee was overcompensated \$2,250 for the last two years because the employee was claiming a child who no longer met the FECA dependent status requirements. Although it is Labor's primary responsibility to monitor and review dependent status changes, DOE has an interest in ensuring that only appropriate benefits are paid. Accordingly, EWLC should monitor all aspects of the workers' compensation cases. In the absence of our review of this file, it is unclear when or if this error would have been discovered. We notified Labor of this overpayment and were subsequently told that Labor took action to ensure that the employee's pay was appropriately adjusted.

We noted that EWLC was developing a new electronic tracking system for its cases. We believe that developing and integrating this new electronic data tracking system into EWLC recordkeeping is a positive step that has the potential to improve case management.

WRITTEN POLICIES

We found that EWLC did not have written policies or procedures for managing open cases under the DOE Headquarters workers' compensation program. Although agencies are not required by

FECA to have written policies to implement their workers' compensation programs, we conducted a survey of nine other Federal agencies and determined that all nine had written policies or guidelines implementing their workers' compensation program.

We believe that EWLC's lack of written policies and procedures was at least partially the cause of the problems disclosed during this inspection.

PERFORMANCE MEASURES

We found that EWLC did not have performance measures to assess its management of the DOE Headquarters workers' compensation program. The Government Performance and Results Act of 1993 requires that each agency "establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity." Additionally, DOE has implemented a new performance management system that emphasizes individual employee accountability for the accomplishment of mission objectives reflected in performance plans. We determined that EWLC specialists' performance standards did not address their duties related to workers' compensation. Thus, there was little or no personal accountability for duties associated with this program. We believe that meaningful performance measures for the EWLC and related performance standards for its employees would help to ensure that the workers' compensation program is effectively managed.

RECOMMENDATIONS

We recommend that the Chief, Office of Human Capital Management, ensure that the Employee WorkLife Center:

1. Develop and implement written policies that establish responsibilities and procedures for managing and administering the DOE Headquarters workers' compensation program, including case management and file maintenance; and,
2. Develop performance measures and employee standards that encourage effective management of the DOE Headquarters workers' compensation program.

**MANAGEMENT
COMMENTS**

Management concurred with our findings and recommendations and identified corrective actions. The comments are included in their entirety in Appendix B.

**INSPECTOR
COMMENTS**

We found management's comments to be responsive to our report recommendations.

Appendix A

SCOPE AND METHODOLOGY

We conducted fieldwork at the Department of Labor, Office of Workers' Compensation Program, District 25 Office, located in Washington, D.C., and the DOE EWLC, located at Headquarters. We interviewed Federal officials at DOE and the Department of Labor and reviewed relevant documents and records at those locations.

During the 1990's, the Office of Inspector General conducted several reviews of workers' compensation at DOE. These reviews included the Bonneville Power Administration and selected management and operating contractor workers' compensation programs.

As part of our review, we evaluated EWLC's implementation of the "Government Performance and Results Act of 1993" regarding the workers' compensation program at Headquarters. This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency (PCIE). Additionally, the results of this inspection may be included in the PCIE's joint project on workers' compensation reviews.


Appendix B



Department of Energy
Washington, DC 20585

JUN 21 2007

MEMORANDUM FOR CHRISTOPHER R. SHARPLEY
DEPUTY INSPECTOR GENERAL
FOR INVESTIGATIONS AND INSPECTIONS

FROM: JEFF T. H. PON 
CHIEF HUMAN CAPITAL OFFICER

SUBJECT: Draft Report on "Management of the Workers' Compensation Program
at Department of Energy Headquarters" (S061S021)

On May 24, 2007 the Office of the Inspector General (OIG) issued a draft report on *Management of the Workers' Compensation Program at Department of Energy Headquarters* (S061S021). The Headquarters Employee WorkLife Center (EWLC), as the responsible Office within the Office of Human Capital Management, HR-1 is providing the attached information as its response.

The EWLC concurs with the findings, and has outlined corrective actions and due dates for the two IG recommendations.

Attachment

cc: Deputy Chief Human Capital Officer/Director, Office of Human Capital
Management
Deputy Director, Office of Human Capital Management
Director, Headquarters and Executive Human Resources Services
Director, Headquarters Employee WorkLife Center
Lead Employee WorkLife Specialist



Management Decision
Inspector General Report
Draft report "Management of the Workers' Compensation Program
At Department of Energy Headquarters" (SO61S021)

RECOMMENDATIONS We recommend that the Chief, Office of Human Capital Management, ensure that the Employee WorkLife Center:

Recommendation 1

Develop and implement written policies that establish responsibilities and procedures for managing and administering the DOE Headquarters workers' compensation program, including case management and file maintenance; and,

Concur.

The Headquarters Employee WorkLife Center (EWLC) will develop and implement a Headquarters policy and procedure document for the Workers' Compensation Program (WCP) to supplement the internal standard operating procedures currently in place. The document will be based on the benchmarks and best practices collected from other Federal agencies provided by the Department's IG, yet will be specific to DOE Headquarters. The procedures will direct how WCP cases will be processed from the time the claim is received in the office, to the closure of the case.

Concerning the issue of file maintenance noted as a deficiency in the report, the EWLC concurs. The files that were discussed in the findings were for long-term cases whose folders had been archived prematurely by a former specialist handling the WCP program prior to her retirement in 2001. It is current procedure to maintain long-term case files in with other active files. The EWLC will commit to improving its file management by ensuring case files are kept orderly and by making certain that all information related to the case is as current as possible.

Estimated date for written policy and procedures: December 31, 2007

Recommendation 2

Develop performance measures and employee standards that encourage effective management of the DOE Headquarters workers' compensation program.

Concur.

The current performance standards for the WorkLife Specialists responsible for the Headquarters Workers' Compensation Program (WCP) are general in nature and currently have neither specific statements nor performance measures noted. Although these components are not in writing, specialists are evaluated on their work with the WCP, customer responsiveness, processing accuracy and work with the Department of Labor. A Microsoft Access database was developed in 2005 to track the progress of each case, and is used by management for rating purposes. In addition, management uses customer comments on the specialist's responsiveness and service during each rating cycle. Management agrees with the IG findings that there needs to be specific performance measures in place.

By the first quarter of fiscal year 2008 (FY08) new performance standards, to include performance measures, will be implemented for the Employee WorkLife Center Specialists responsible for the Headquarters Workers Compensation Program. The EWLC will establish program performance measures in order to assess and evaluate the WCP effectiveness and efficiency efforts, and will align the measures to the WCP guidance provided in *CA-810, Injury Compensation For Federal Employees*. The EWLC further agrees to establish a quarterly review of the long-term cases with the Department of Labor, and to do periodic reviews of current cases with the program office responsible for oversight of the employee's absence and/or status.

Estimated date for established performance standards and measures: December 31, 2007

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