



SOCIAL SECURITY

MEMORANDUM

Date: OCT 25 2000

Office of the Inspector General

Refer To: 31203-23-246

Larry G. Massanari
Acting Commissioner
of Social Security

Inspector General

Subject: The Social Security Administration's Management of Its Federal Employees' Compensation Act Program (A-13-99-91003)

The attached final report presents the results of our audit. Our objective was to determine the extent to which the Social Security Administration (SSA) implemented specific recommendations from our 1995 audit report concerning its Federal Employees' Compensation Act (FECA) program. We modified our objective to include the assessment of SSA's management of its FECA program.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "James G. Huse". A horizontal line extends from the end of the signature.

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY
ADMINISTRATION'S
MANAGEMENT OF ITS FEDERAL
EMPLOYEES' COMPENSATION
ACT PROGRAM**

October 2001 A-13-99-91003

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- **Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- **Promote economy, effectiveness, and efficiency within the agency.**
- **Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- **Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- **Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- **Independence to determine what reviews to perform.**
- **Access to all information necessary for the reviews.**
- **Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

Executive Summary

OBJECTIVES

Our initial objective was to determine the extent to which the Social Security Administration (SSA) implemented specific recommendations from our 1995 audit report concerning its Federal Employees' Compensation Act (FECA) program.¹ We modified our objective to include the assessment of SSA's management of its FECA program.

BACKGROUND

FECA (5 U.S.C. § 8101, *et seq.*) provides compensation benefits to civilian Federal employees for disability due to personal injury sustained while performing official duties or for a job-related disease. It provides payment as compensation for lost wages, monetary awards for bodily impairment or disfigurement, medical care, vocational rehabilitation, and survivor's compensation. The Department of Labor's (DoL) Division of Federal Employees' Compensation approves and adjudicates FECA claims for all Federal agencies. With assistance from SSA management, DoL administers FECA benefits for all SSA employees.

SSA is responsible for continuing an employee's regular wages and not charging annual or sick leave for up to 45 days while the employee is recovering from a FECA- covered injury or disease. Once 45 days have elapsed from the date of injury or the onset of disease, DoL provides wage replacement benefits and pays for medical treatment from the Employees' Compensation Fund. These payments are in lieu of the employee's wages. Throughout the FECA process, SSA is responsible for monitoring the claimants' medical status and notifying them of their obligation to return to work as soon as possible.

Costs DoL incurs while providing FECA benefits are charged back to the claimant's employing agency. SSA reimburses the Employees' Compensation Fund through SSA's annual operating appropriations. SSA reimbursed DoL about \$17.2 million for chargeback year² (CBY) 1998 FECA program costs. From CBYs 1993 through 2000, SSA's FECA program costs totaled about \$136 million.

¹ *Review of the Social Security Administration's Management of Claims Filed Under the Federal Employees' Compensation Act* (A-13-92-00236), May 25, 1995.

² CBY covers FECA costs from July 1 through June 30.

RESULTS OF REVIEW

Although SSA now submits more timely FECA claims to DoL than when we conducted our initial 1995 audit, we found SSA was still not effectively managing its FECA program. Specifically, the Agency continued to lack adequate internal controls related to its chargeback reports, third-party liability processing, and case management. Further, SSA did not use information technology that could increase FECA program effectiveness and efficiency.

SSA Had Inadequate FECA Program Internal Controls

- SSA Had Insufficient Guidance for Distribution, Review and Use of DoL Chargeback Reports to Determine Appropriate FECA Charges
- Generally, Chargeback Reports Were Not Reviewed to Ensure Claimants Were SSA Employees
- Third-Party Processing Procedures Need to be Stressed
- Medical Status Was Not Adequately Monitored for Effective FECA Case Management

SSA Inefficiently Managed FECA Program Information

- Existing Technology Was Not Used for Program Information Management
- Automated Information Can Be Useful in Identifying Cases for Review

CONCLUSIONS AND RECOMMENDATIONS

Ineffective program management resulted in the Agency paying at least \$239,560 in program costs for non-SSA employees in CBY 1998. This money has not been recovered. If SSA does not address long-standing and recently identified program deficiencies, it may continue to pay these and other unnecessary FECA program costs.

The Agency lacks adequate internal controls related to its chargeback reports, third-party liability processing, and case management. Further, SSA does not use information technology that can increase FECA program effectiveness and efficiency. We believe these deficiencies place SSA at risk for paying excessive and/or inaccurate program costs. Based on prior costs, the Agency may expend approximately \$233.7 million³ over the next 10 years. Unless SSA improves the quality of its

³ This is an estimate based on CBY 2000 FECA program costs of \$19,946,639 projected for the next 10 years (through 2010) including the projected cost-of-living adjustment increases (Appendix B).

implementation of the FECA program and record maintenance, SSA will not be able to ensure that FECA program payments are proper and that transactions are accurately recorded. Without effective program management, SSA is unable to determine whether its FECA program is operating effectively and efficiently.

We recommend that SSA take the following corrective actions to improve the management of its FECA program.

1. Designate a program official to oversee the Agency-wide management of SSA's FECA program, including developing, implementing, and monitoring compliance with SSA-specific FECA program policy and operational procedures.
2. Develop and implement internal controls to address the timely distribution, review, and use of chargeback reports. Provide appropriate training to ensure workers' compensation specialists understand the chargeback report review process. As the Agency further develops its guidance, SSA needs to effectively implement the recommendations in our 1995 audit report, as previously agreed.
3. Verify that all claimants for whom it is paying FECA program costs are actually SSA employees.
4. Recover all FECA program costs paid by the Agency for non-SSA employees.
5. Monitor compliance with SSA's guidance on third-party liability processing.
6. Implement necessary policy and procedural changes to periodically verify Agency case files for recent (within the last 6 months) medical evidence to substantiate continuing disability, especially for cases over 1-year old.
7. Develop and implement an information system that uses information technology to manage and monitor FECA cases.
8. Use a verification process similar to the Nonagenarian Project as a way to continue ensuring FECA benefit payments are not made to deceased beneficiaries.

AGENCY COMMENTS

SSA generally agreed with the intent of our Recommendations. However, SSA did not specifically concur with all of our Recommendations. The Agency agreed with Recommendations 3, 4, 5, and 7. SSA also agreed with Recommendation 1, but reported it has been in compliance with the Recommendation since 1997. Regarding Recommendation 2, SSA reported it had already implemented certain corrective actions. Although SSA agreed with Recommendation 6, it commented that the responsibility for the Recommendation rests with another Federal agency. Lastly, SSA disagreed with the need for Recommendation 8. However, the Agency commented it will identify and contact workers' compensation recipients 100 years old or older. The full text of SSA's comments is included in Appendix C.

OIG RESPONSE

We acknowledge the many "program improvements/management controls" SSA reports it has implemented. Further, throughout this report, we discuss actions the Agency has taken. These actions were taken before we issued our draft report but after our January 18, 2001 briefing with Agency staff regarding FECA program management deficiencies. We agree that FECA-related program changes were made. However, at this time, we cannot assess the effectiveness of these changes since we did not independently audit the identified program improvements/management controls.

During our audit, we found no evidence that there was a program official specifically responsible for overseeing Agency-wide management of SSA's FECA program (Recommendation 1). We reviewed information concerning the Project Management Staff's functional responsibilities. Within this information, the duties identified for this Staff did not include Agency-wide management of SSA's FECA program. We found that the Project Management Staff within SSA's Office of Personnel was responsible for developing Agency policies, providing advice and assistance to employees, and acting as the liaison between SSA and DoL. However, we found that this Staff was not monitoring Agency-wide compliance with its policies and procedures or overseeing the regional FECA compensation specialists' activities. In addition, we were informed that the Project Management Staff was limited to overseeing activities of FECA compensation specialists' located at SSA Headquarters.

The Agency commented that the responsibility for Recommendation 6 rests with DoL. However, DoL policy states the employing agencies (like SSA) can obtain medical information from DoL or the injured employee as often as necessary, within regulations, to assess the possibility of return to regular or light duty. Because Agency funds are used to pay FECA benefits, SSA should monitor the employee's medical status to avoid improper payments. Accordingly, SSA reported it will issue a reminder to all workers' compensation specialists to ensure that an employee's medical status is closely

monitored and that recent medical documentation is contained in SSA case files. Such actions are aligned with our recommendation.

In its comments, SSA disagreed with the need for Recommendation 8. The Agency commented that our report did not indicate any findings that FECA benefits were paid to any deceased beneficiaries. However, SSA reported it will identify any workers' compensation recipient 100 years old or older and will contact the recipient to ensure continued payment is appropriate. Such actions are aligned with our Recommendation.

OTHER MATTERS

FECA Claimants Opt for Continued FECA Benefits Rather Than Collecting Retirement Benefits

We believe SSA's FECA program has become, in effect, a retirement system for some employees. SSA paid \$4 million for FECA benefits to 146 claimants aged 65 and older in CBY 1998. Because SSA and other Federal agencies incur significant annual FECA costs, SSA should work with DoL to develop proposals for congressional consideration in modifying the FECA program. A potential way to address this issue is to modify FECA legislation. Specifically, FECA could be amended to require that Federal employees apply for retirement benefits.

Table of Contents

	Page
INTRODUCTION	1
RESULTS OF REVIEW.....	7
▪ SSA Had Inadequate FECA Program Internal Controls.....	7
SSA Had Insufficient Guidance for Distribution, Review and Use of DoL Chargeback Reports to Determine Appropriate FECA Charges.....	7
Generally, Chargeback Reports Were Not Reviewed to Ensure Claimants Were SSA Employees	8
Third-Party Liability Processing Procedures Need to be Stressed.....	10
Medical Status Was Not Adequately Monitored for Effective FECA Case Management	10
▪ SSA Inefficiently Managed FECA Program Information	11
Existing Technology Was Not Used for Program Information Management	11
Automated Information Can Be Useful In Identifying Cases for Review.....	12
CONCLUSIONS AND RECOMMENDATIONS	15
OTHER MATTERS.....	18
APPENDICES	
APPENDIX A – Prior Office of the Inspector General Audit	
APPENDIX B – Federal Employees’ Compensation Act Payment Projections	
APPENDIX C – SSA’s Comments	
APPENDIX D – OIG Contacts and Staff Acknowledgments	

Acronyms

CBY	Chargeback Year
CDR	Continuing Disability Review
CFR	Code of Federal Regulations
CoP	Continuation of Pay
COLA	Cost-of-Living Adjustment
CSRS	Civil Service Retirement System
DoL	Department of Labor
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
GAO	General Accounting Office
HRMIS	Human Resources Management Information System
IRS	Internal Revenue Service
MBR	Master Beneficiary Record
SSA	Social Security Administration
SSR	Supplemental Security Record
VA	Department of Veterans Affairs

Introduction

OBJECTIVES

Our initial objective was to determine the extent to which the Social Security Administration (SSA) implemented specific recommendations from our 1995 audit report concerning its Federal Employees' Compensation Act (FECA) program.¹ We modified our objective to include the assessment of SSA's management of its FECA program.

BACKGROUND

FECA (5 U.S.C. § 8101, *et seq.*) provides compensation benefits to civilian Federal employees for disability due to personal injury sustained while performing official duties or for a job-related disease. It provides compensation for lost wages, monetary awards for bodily impairment or disfigurement, medical care, vocational rehabilitation, and death benefits. The Department of Labor's (DoL) Office of Workers' Compensation Programs administers the FECA program for all Federal employees.

DoL's FECA Responsibilities

DoL approves and adjudicates FECA claims for all Federal agencies. After 45 days have elapsed from the date of a Federal employee's injury or the onset of disease, DoL provides wage replacement benefits and pays for medical treatment from the Employees' Compensation Fund. DoL also provides case management services by assigning a registered nurse to work with injured employees who cannot return to work soon after an injury. When additional medical information is necessary or required, injured employees must obtain a second opinion examination from a medical specialist. If an employee cannot return to work at his/her employing agency or to his/her previous job/occupation category, DoL provides vocational rehabilitation services. Additionally, when the injury results in death, DoL pays related death benefits to surviving dependents.

DoL sends quarterly and annual "chargeback reports"² for the employing agencies' review to ensure correct DoL billing for costs charged to the Employees' Compensation Fund. SSA reimburses DoL for all of SSA's FECA program costs. SSA reimbursements occur about 2 years after DoL pays FECA costs from the Employees' Compensation Fund.

¹ *Review of the Social Security Administration's Management of Claims Filed Under the Federal Employees' Compensation Act* (A-13-92-00236), May 25, 1995.

² A chargeback report is a statement of benefit payments provided to the employing agency's FECA claimants.

SSA's FECA Program

To avoid disruption of an employee's income, SSA continues to pay the employee's regular wages for up to 45 days while he/she is recovering from an injury.³ This initial time frame is referred to as the Continuation of Pay (CoP) period.⁴ DoL begins paying FECA compensation benefits at the end of the CoP period when a claimant can no longer be paid his/her regular wages.⁵ In addition, DoL begins paying medical costs at the time of the injury or the onset of a job-related disease.

Once a FECA claim is filed, for the first 45 days following an injury, SSA is responsible for the following.

- Ensuring appropriate Agency personnel, such as supervisors, understand their FECA responsibilities.
- Notifying the injured employees of their rights and obligations under FECA.⁶
- Initiating the FECA claim and ensuring timely notification to DoL.⁷
- Controverting (questioning) claims during initial processing.⁸
- Providing and tracking CoP if employees are unable to work.

After the first 45 days following an injury, SSA is responsible for the following.

- Helping employees return to work as soon as possible by providing light or modified work duties.

³ 20 CFR sec. 10.200.

⁴ From initial filing of a FECA claim, an employee continues receiving his/her regular Federal wages just as if he/she were not injured. CoP provides the continuous payments of an employee's regular Federal wages for up to 45 calendar days. During CoP, an employee is charged neither sick nor annual leave. CoP is authorized for traumatic injury but not for occupational disease or illness.

⁵ After the first 45 days of injury has elapsed, DoL compensates employees who have no dependents at two-thirds their Federal wages; employees with at least one dependent are compensated at three-fourths their Federal wages (20 CFR sec. 10.401).

⁶ 20 CFR sec. 10.211

⁷ Ibid.

⁸ Reasons SSA may controvert a claim include, but are not limited to (1) the injury occurred off the employing agency's premises and the employee was not engaged in authorized "off premises duties," or (2) the injury was caused by the employee's willful misconduct (20 CFR sec. 10.220). However, once DoL approves a claim, SSA cannot question the decision (20 CFR sec. 10.221).

- ❑ Monitoring the employee's FECA case medical status until a physician states the employee can return to work.

If an employee can resume regular Federal work, he/she must do so. In addition, if an employee cannot return to the job held at the time of injury due to partial disability from the effects of the work-related injury but has recovered enough to perform some type of work, he/she must seek work.⁹

FECA program management is decentralized within SSA. At SSA Headquarters, there are four full-time FECA compensation specialists within the Office of Personnel who process claims and manage cases for employees located at Headquarters. In each region, an employee is designated as the regional FECA compensation specialist to handle employee claim processing and case management. Generally, regional compensation specialists' duties are part-time.

SSA's Office of Personnel is responsible for overseeing the FECA program. This includes developing Agency policies, providing advice and assistance to employees, and acting as the liaison between SSA and DoL.

SSA's FECA Program Costs

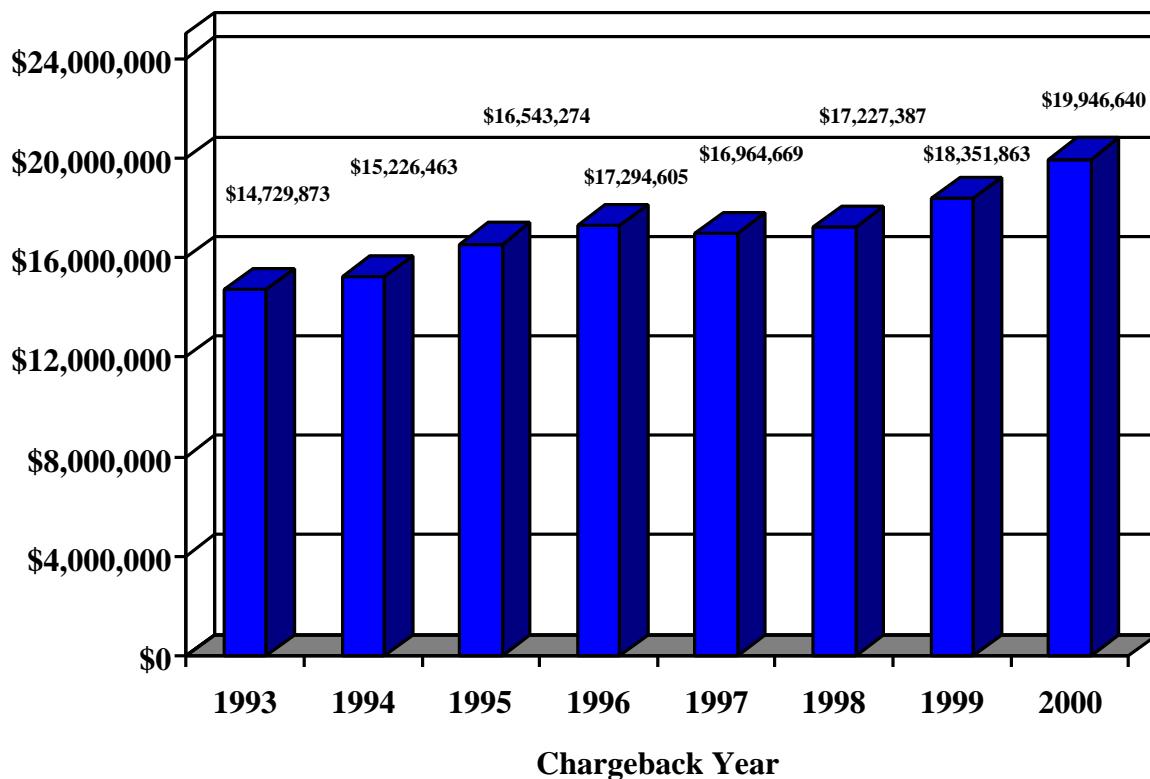
From Chargeback Years (CBY) 1993 through 2000, SSA's FECA program costs totaled about \$136 million. During this period, the number of SSA employees receiving FECA benefits increased from about 2,700 to over 3,100. For these years, FECA program costs rose from under \$15 million to more than \$19 million (see Figure 1). The Agency pays program costs from its annual Limitation of Administrative Expenses fund.

Approximately 64.4 percent of the Limitation of Administrative Expenses funding is from the Agency's trust fund, and the remaining 35.6 percent is from the Agency's general fund (annual appropriation).¹⁰

⁹ 20 CFR sec. 10.515

¹⁰ SSA's Division of Central Accounting and Reporting provided FECA program costs.

Figure 1. SSA's FECA Program Costs (1993-2000)



For our audit, we reviewed CBYs 1993 through 1998, which had program costs totaling \$98 million.

Prior Office of the Inspector General Audit

Our 1995 report discussed deficiencies in SSA's management of its FECA program. Specifically, we found SSA needed to improve its management of FECA claims; review DoL chargeback reports to ensure correct billings; and ensure FECA claimants with medical releases actually returned to work. Also, third-party liability investigations were not conducted and recovery was not pursued (Appendix A).¹¹ SSA concurred with all recommendations and stated it had already begun implementing corrective actions.

¹¹ Before January 1999, agencies were required to investigate the third-party aspect of an injury or death and submit a report of the findings with related documents to DoL (20 CFR sec. 10.506 (1998)).

Other Federal Agencies' FECA Programs

The Department of Veterans Affairs (VA) and the Internal Revenue Service (IRS) developed comprehensive policies and procedures to operate their FECA programs in 1999 and 1998, respectively. For CBY 1998, the VA incurred about \$140 million in FECA program costs for about 16,000 cases, and the IRS incurred about \$54 million in program costs for about 2,300 cases. VA and IRS program guidance includes instructions on case management techniques and return-to-work strategies. In addition, the VA provides detailed instructions on FECA-related fraud detection and referrals.

To help manage and monitor FECA cases, the VA and IRS also use automated information systems. By combining agency-specific personnel data with DoL Federal employees' compensation case file information, these systems provide such management information as (1) updated workers' compensation case file information, (2) claimants' availability for rehabilitative services, (3) costs of benefits provided to claimants, and (4) adjudication status of FECA claims.

This information helps senior management reconcile medical services provided with each claimant's reported injury or disease, generate statistical analysis of injury and illness trends, and verify the accuracy of FECA-related costs for reimbursement to DoL.

SCOPE AND METHODOLOGY

We reviewed FECA-related laws, policies, and procedures. To better understand the operation and cost of the FECA program, we interviewed personnel in SSA Headquarters' Offices of Finance, Assessment and Management and in the Office of Human Resources. We also interviewed FECA program officials at DoL. To better understand how other Federal agencies manage and monitor their FECA programs, we visited the VA in Washington, D.C. and the IRS in Richmond, Virginia.

Because SSA does not maintain comprehensive, centrally located FECA case file data, we used DoL's automated FECA data to assess SSA's program management and claims monitoring, as well as the validity of its FECA-related costs. To test the reliability of DoL's automated data, we compared selected data elements with actual case file documentation obtained from SSA. The test results indicated DoL's automated data accurately reflected information contained in SSA's FECA case files. However, our audit revealed deficiencies related to the payment of FECA program costs for non-SSA employees (see page 9). To further analyze program costs, we stratified the FECA case file data by geographical region and reviewed program expenditures incurred for CBYs 1993 through 1998. Also, we used SSA's Master Beneficiary Records (MBR) and Supplemental Security Records (SSR) to determine whether claimants were receiving other benefits and whether those benefits were appropriately offset against FECA benefits.

To determine whether claimants were SSA employees, we did a computerized match of claimants' Social Security numbers listed on the 1998 chargeback report with SSA's Human Resources Management Information System (HRMIS). We also analyzed DoL's data for SSA's 3,265 individual cases listed on the 1998 chargeback report. On June 4, 1999, we identified and formally requested SSA provide us with 43 Headquarters' FECA case files. Twenty-six case files were provided, and SSA could not locate 17 case files. SSA was unable to explain why the files were missing. We limited our case file review to Headquarters since it had the largest volume of FECA cases and had the most experience with handling FECA cases. To identify FECA program management variations, we used electronic surveys to gather data from regional compensation specialists. We did not determine whether SSA took action regarding our prior recommendation that the Agency maintain case files for 3 years after medical and compensation services cease.

Initially, our objective was to determine the extent to which SSA implemented specific recommendations from our 1995 report. However, we modified our audit objective to include the assessment of SSA's FECA program management. In March 2000, we notified SSA of this change. As a result, we performed additional field work, which was conducted from November 1998 through October 2000.

The entity reviewed was Headquarters, Office of Personnel within the Office of the Deputy Commissioner for Human Resources. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Although SSA was submitting more timely FECA claims to DoL than when we conducted our initial 1995 audit, we found SSA was still not effectively managing its FECA program. Specifically, the Agency continued to lack adequate internal controls related to its chargeback reports, third-party liability processing, and case management. Further, SSA did not use information technology that could increase FECA program effectiveness and efficiency.

SSA Had Inadequate FECA Program Internal Controls

Office of Management and Budget Circular A-123, *Management Accountability and Control Standards*, states agencies must take systematic and proactive measures to develop and implement appropriate cost-effective management controls. Management controls (internal controls) are policies and procedures used to reasonably ensure programs and resources are protected from waste, fraud, and mismanagement. The Agency's FECA program internal controls did not do this. Specifically, SSA's FECA program lacked sufficient controls related to the chargeback reports and third-party liability processing.

We reported in 1995 that SSA needed to improve its oversight of the management of FECA claims. This audit found that SSA was processing FECA claims in a more timely manner than previously reported. After reviewing DoL statistical reports and FECA claim forms, we determined the Agency was processing claims in accordance with regulatory processing time requirements.¹² However, we found the other deficiencies reported in 1995 still existed.

SSA Had Insufficient Guidance for Distribution, Review and Use of DoL Chargeback Reports to Determine Appropriate FECA Charges

Quarterly and annually, DoL provides each employing agency with chargeback reports containing FECA cases and related charges. DoL sends the chargeback report to the SSA Office of Personnel, which distributes the report to the regional FECA compensation specialists. DoL instructs each agency to review the chargeback reports to identify and correct errors to avoid annual billing errors. The chargeback report is a useful tool to

help compensation specialists identify cases for review. It can also assist in verifying a claimant's employment status and identifying cases where the medical status should be examined because claimants may not be totally disabled.

¹² Federal agencies are required by regulations to submit an employee's *Notice of Injury* (Form CA-1 or CA-2) within 10 working days of receiving it from an employee if lost time from work or medical expenses are claimed or anticipated (20 CFR sec. 10.110 (a)). Regulations require that *Form CA-7* should be submitted no later than 5 working days after its receipt from the employee (20 CFR sec. 10.111 (c)).

In 1995, we reported program deficiencies related to the distribution and use of chargeback reports (Appendix A). SSA was not promptly distributing or analyzing the chargeback reports. We found this condition still remained.

When the chargeback reports are distributed, the FECA compensation specialists rely on DoL's guidance about reviewing and correcting errors. However, we believe DoL's guidance is limited since it offers general, not specific, instructions. SSA senior management stated the development of FECA-related guidance had not been completed because of limited staff resources. Regional FECA compensation specialists also confirmed that SSA's FECA-related guidance lacked detailed instructions about review of chargeback reports.

Although regional FECA compensation specialists reported receiving the chargeback reports, half (5 of 10) said they did not review the reports. The Headquarters' FECA compensation specialists stated the chargeback reports were reviewed only when management directed staff to do so. Compensation specialists stated they did not routinely review the reports because they had other duties, such as processing claims.

On January 18, 2001, we briefed SSA's Office of Personnel about the lack of SSA-specific guidance regarding the review and use of chargeback reports. Subsequent to this briefing, SSA's Office of Personnel issued supplemental guidance on February 15, 2001. Although our review of the supplemental guidance found it provides additional information, we believe it still needs to be more comprehensive.

Generally, Chargeback Reports Were Not Reviewed to Ensure Claimants Were SSA Employees

DoL policy states that the compensation specialists should review the quarterly chargeback reports to ensure the agency is being charged correctly for its FECA program costs. However, Headquarters FECA compensation specialists told us they generally do not do this.

In 1995, we reported SSA did not review the chargeback reports to ensure claimants were actually SSA employees (Appendix A). We found this same condition is still a deficiency. We determined SSA was paying FECA compensation benefits to non-SSA employees.

When we matched FECA claimants' Social Security numbers on the 1998 chargeback report with HRMIS data, we identified 153 employees with uncertain SSA employment status. We asked the Office of Personnel to determine the employment status for the 153 FECA claimants. The Office of Personnel reported that 14 were SSA employees and 47 were not. At the time of this audit, the Office of Personnel could not identify the employment status for the remaining 92 FECA claimants.

For the 47 non-SSA employees, we determined SSA paid them \$1.24 million in CBY 1998. Additionally, we requested the appropriate chargeback reports for CBYs 1995 through 1997 to determine FECA program expenditures for these periods. As a result of SSA's inadequate recordkeeping procedures, the Agency could not provide the reports or other needed information. However, based on CBY 1998 data, we estimate the Agency will pay approximately \$6.7 million in FECA program costs for these 47 claimants during CBYs 1999 through 2003.¹³

Furthermore, we determined that SSA paid \$968,845 in CBY 1998 for FECA program costs for the 92 FECA claimants with unknown employment status. SSA could not provide information needed to determine the costs of program benefits provided to these claimants during CBYs 1995 through 1997. If SSA does not take action to determine the employment status of these 92 FECA claimants, we estimate the Agency will pay approximately \$5.2 million in FECA benefits during CBYs 1999 through 2003.¹⁴

On January 18, 2001, we initially briefed SSA's Office of Personnel about the \$1.24 million paid in CBY 1998 to the 47 FECA claimants it originally identified as non-SSA employees, and \$968,845 to the 92 FECA claimants with unknown employment status. Following our final briefing with the Agency on June 7, 2001, the Office of Personnel provided us with updated employment status of the FECA claimants in question. Of the 47 originally identified as non-SSA employees, the Office of Personnel determined that 41 FECA claimants were SSA employees and 6 were non-SSA employees. Additionally, of the 92 FECA claimants with unknown employment status, the Office of Personnel determined 89 FECA claimants were SSA employees and 3 FECA claimants were non-SSA employees.

For the 9 claimants SSA determined were non-SSA employees, the Agency paid \$239,560 in CBY 1998. This money has not, as yet, been recovered. If SSA does not take a more proactive approach to remove claimants from the chargeback reports, we estimate the Agency will pay approximately \$1.28 million in FECA program costs for these claimants during CBYs 1999 through 2003.¹⁵

¹³ This is an estimate, which includes cost-of-living increases and assumes all other variables remain constant, such as changes in a claimant's status on the FECA rolls.

¹⁴ SSA reimbursements to DoL occur about 2 years after DoL pays FECA costs from the Employees' Compensation Fund. For example, SSA's CBY 1999 FECA costs most likely will be paid in CBY 2001.

¹⁵ See footnote 10.

Third-Party Liability Processing Procedures Need to be Stressed

DoL is responsible for investigating third-party liability. Although not required, DoL encourages Federal agencies to investigate the third-party aspect of any claim and submit this information to DoL.¹⁶ The potential third-party information is documented on claim forms CA-1, *Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation*, and

Form CA-2, Notice of Occupational Disease and Claim for Compensation and submitted to DoL.

We found that SSA had limited guidance on determining whether a third party is liable for an employee's injury. SSA relied on DoL's general instructions, which is provided on the claim forms. Also, SSA's workers' compensation handbook does not specifically discuss how SSA's supervisors and workers' compensation staff should process third party claims. During our audit period, the Office of Personnel informed us that development of supplemental third-party guidance had not been completed because of limited staff resources.

On January 18, 2001, we initially briefed SSA's Office of Personnel about the lack of specific guidance for processing third-party liability cases. Following our final briefing on June 7, 2001, the Office of Personnel developed supplemental guidance, which was issued it on June 13, 2001. However, we believe that, in addition to this issuance, SSA needs to monitor compliance with this guidance to ensure that the Agency is not placed at risk of paying FECA costs for which it is not liable.

Medical Status Was Not Adequately Monitored for Effective FECA Case Management

Regulations governing the administration of the FECA program permit claimants' medical status to be monitored. The Code of Federal Regulations, title 20, part 10, section 10.506, states the employing agency "may monitor the employee's medical progress and duty status by obtaining periodic medical reports." To "aid in returning an injured

employee to suitable employment," the injured employee's doctor may be contacted in writing to discuss "work limitations imposed by the effects of the injury and possible job assignments." Also, DoL states the employing agencies can obtain medical information from DoL or the injured employee as often as necessary, within regulations, to assess the possibility of return to regular or light duty.¹⁷ Part of this information can be obtained from results of a second opinion that DoL has directed an employee to undergo to substantiate continuing disability.

¹⁶ Before January 1999, agencies were required to investigate the third-party aspect of the injury or death and submit a report of the findings with related documents to DoL (20 CFR sec. 10.506(1998)).

¹⁷ U. S. Department of Labor, *Injury Compensation for Federal Employees: A Handbook for Employing Agency Personnel*, Publication CA-810, February 1994.

In 1995, we reported Agency deficiencies in monitoring employees' medical status for timely return to work. We found this same deficiency remained. For each of the 26 Headquarters' FECA cases available for review, there was no evidence of current medical information or that SSA had reviewed DoL's files to obtain claimants' current medical status. Also, we could not locate any SSA-specific FECA case management guidance for reviewing medical status after initial processing. SSA needs this updated medical information to assist claimants in returning to work and to decrease risk of fraudulent claims, which could adversely impact FECA program costs.

SSA Inefficiently Managed FECA Program Information

Information management is an issue of continuing importance to all Federal agencies. The Office of Management and Budget Circular A-130, *Management of Federal Information Resources*, states information technology "can improve the effectiveness and efficiency of program delivery." Further, it encourages Federal agencies to "seek opportunities to improve the effectiveness and efficiency of government programs through the judicious application of information technology." SSA's 1997-2002 *Strategic Plan, Keeping the Promise*, states that "accuracy of information and benefit payment, speed and facility of claims processing, convenient access to service, and reduced fraud are the primary benefits of information technology."

Existing Technology Was Not Used for Program Information Management

We found SSA did not fully use existing information technology in its management of FECA program information. For example, SSA does not have a centralized information system. Each SSA region (including Headquarters) has a separate information system to record, monitor, and track FECA claims. These systems do not communicate or interact with each

other. The information system Headquarters FECA compensation specialists use is a "read-only" system that does not allow comprehensive analysis of FECA program data. This system does not enable the Agency to generate various management reports or analyze FECA claims. As a result, Headquarters FECA compensation specialists do not have a crucial management tool that could improve FECA program effectiveness and efficiency.

SSA's Office of Personnel senior management stated the Office of Information Management provided assistance in July 1999 to create a more efficient computer program for capturing and analyzing FECA information on the chargeback reports. However, at the time of this review, SSA had not requested a computer program that allowed comprehensive analysis of FECA program data.

On January 18, 2001, we initially briefed the SSA's Office of Personnel about the lack of information technology for FECA program management. Following our final briefing on June 7, 2001, the Office of Personnel told us that staff had since visited several Federal agencies to identify a case management and tracking system capable of meeting the

needs of SSA. From those visits, the Office of Personnel identified such a system at the Department of Defense. If funds become available, plans are to implement a system in FY 2002 that is similar to the one used by the Department of Defense.

**Automated
Information Can Be
Useful In Identifying
Cases for Review**

To demonstrate the usefulness of automated information for managing SSA's program, we analyzed data pertinent to the Agency's FECA claimants. Using DoL's information, we constructed a data base of FECA case file data. We tested the reliability of DoL's automated data against SSA's FECA case files. We concluded that DoL's automated data

accurately reflected information contained in SSA's FECA case files. In addition, we analyzed data from SSA's MBR and SSR systems.

Our analyses identified cases that may warrant review to determine whether FECA compensation should be continued. We used automated information to identify cases whereby claimants had received FECA benefits for more than 1 year. In addition, we identified FECA cases that had no medical-associated costs. We identified these cases for analysis because it is reasonable to expect that an injured and/or disabled person would require medical treatment and, therefore, FECA benefits would include medical-associated costs.

Targeting Cases over 1-Year-Old for Review. In general, the older a person is and the longer a person remains out of the workforce, the less likely they are to return to work. Table 1 shows the length of time the 3,265 SSA FECA claimants have been receiving benefits. Eighty percent of the cases are more than 1-year-old. Identifying these types of cases could help SSA target which ones need updated medical review, which claimants are ready to return to work, and which cases should be terminated.

Table 1. FECA Cases for CBY 1998

Age of Case Based on Date of Injury	Number of Total Cases	Percentage of Total Cases	Number of Cases With Claimants Ages < 65	Number of Cases With Claimants Ages ³65 to 79	Number of Cases With Claimants Ages >79
<=1 Year	640	20	618	22	0
>1 to 4 Years	1,945	60	1,887	56	2
>4 to 7 Years	245	7	229	16	0
>7 to 10 Years	151	4	135	15	1
>10 Years	284	9	161	98	25
Totals	3,265	100	3,030	207	28

Identifying Older FECA Claimants. Of the 3,265 FECA cases in CBY 1998, 28 claimants were 80 years old and older. One of the 28 claimants is a 102-year-old woman who continues to receive FECA benefits.

In Fiscal Year 1999, SSA conducted the Nonagenarian Project, which focused on preventing the payment of benefits to deceased beneficiaries. The Nonagenarian Project involves SSA field offices contacting and verifying the status of all beneficiaries who attain ages 98 through 100. Although we found no indication that any FECA benefits were paid to deceased beneficiaries, we believe a similar type of verification, as the Nonagenarian Project could be beneficial for SSA. This could be a way for SSA to continue ensuring FECA benefits are not paid to deceased beneficiaries.

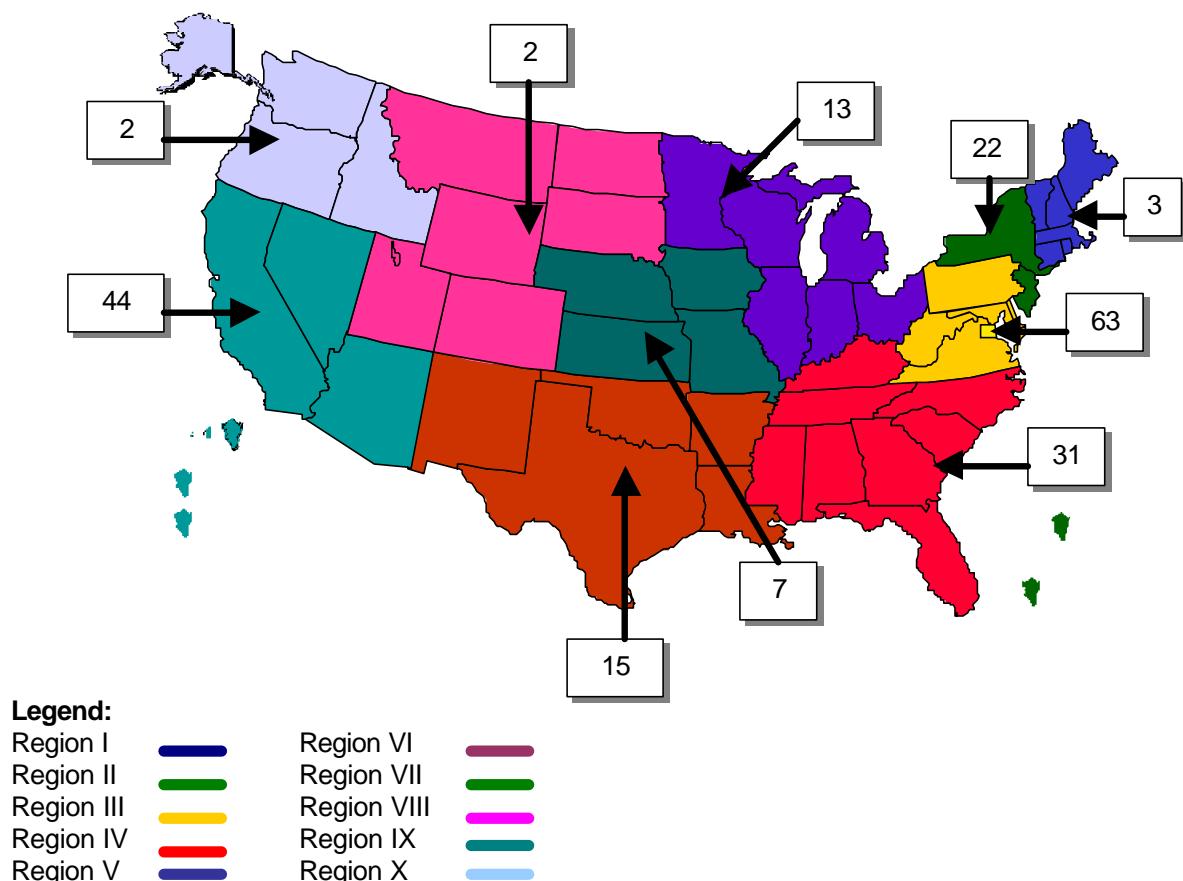
Identifying Cases Having No Medical Payments. According to DoL policy, each FECA claimant receiving compensation payments without medical-associated costs should be re-evaluated to determine whether there is a continuing disability. If medical payments are not made for continued/periodic treatment or physician examinations, we believe it is reasonable to question whether the claimant's continuing disability is valid. We found 202 FECA claimants receiving compensation with no medical-associated costs (see Figure 2). The following are examples of such cases (see Appendix B).

- *Contusion-related claim, no medical-associated costs:* In CBY 1998, a 47-year-old employee who filed in 1985 received \$25,782 in annual FECA compensation payments. We estimate SSA paid this claimant approximately \$290,816 in FECA compensation payments from CBY 1985 through 1998. In addition, we project the Agency will pay approximately \$297,938 over the next 10 CBYs if the claimant continues to receive FECA compensation payments.
- *Respiratory-related claim, no medical-associated costs:* In CBY 1998, a 52-year-old employee who filed in 1988 received \$33,670 in annual FECA compensation payments. We estimate SSA paid this claimant approximately \$313,682 in FECA compensation payments from CBY 1988 through 1998. In addition, we project the Agency will pay approximately \$389,093 over the next 10 CBYs if the claimant continues to receive FECA compensation payments.
- *Contusion-related claim, no medical-associated costs:* In CBY 1998, a 58-year-old who filed in 1989 received \$26,120 in annual FECA compensation payments. We estimate SSA paid this claimant approximately \$217,580 in FECA compensation payments from CBY 1989 through 1998. In addition, we project the Agency will pay approximately \$301,844 over the next 10 CBYs if the claimant continues to receive FECA compensation payments.

Mental Disorder-related claim, no medical-associated costs: In CBY 1998, a 53-year-old employee who filed in 1993 received \$51,614 in annual FECA compensation payments. We estimate SSA paid this claimant approximately \$284,501 in FECA compensation payments from CBY 1993 through 1998. In addition, we project the Agency will pay approximately \$596,455 over the next 10 CBYs if the claimant continues to receive FECA compensation payments.

As shown in Figure 2, these cases can also be analyzed by geographic distribution to identify potential regional differences. Providing data by geographic location allows focusing of program and operational actions to enhance service delivery, such as returning FECA claimants to work.

Figure 2. Cases Receiving Compensation with no Medical Payments by SSA Region (N = 202)



Conclusions and Recommendations

Although SSA now submits more timely FECA claims to DoL than it did in 1995, we found SSA was still not effectively managing its FECA program. SSA's failure to institute adequate internal controls to govern and guide its multimillion dollar FECA program and its inaction to correct previously reported program deficiencies cast doubt on the Agency's ability to properly develop and manage its FECA program. Ineffective program management resulted in the Agency paying at least \$239,560 in program costs for non-SSA employees in CBY 1998. This money has not, as yet, been recovered. If SSA does not address long-standing and recently identified program deficiencies, it may continue to pay these and other unnecessary FECA program costs.

The Agency lacked adequate internal controls related to its chargeback reports, third-party liability processing, and case management. Further, SSA did not use information technology that could increase FECA program effectiveness and efficiency. We believe these deficiencies place SSA at risk for paying excessive and/or inaccurate program costs. Based on prior costs, the Agency may expend approximately \$233.7 million over the next 10 CBYs for FECA program costs.¹⁸ Unless SSA improves the quality of its implementation of the FECA program and record maintenance, SSA will not be able to ensure that FECA program payments are proper and that transactions are accurately recorded. Without effective program management, SSA cannot determine whether its FECA program is operating effectively and efficiently.

We recommend that SSA take the following corrective actions to improve the management of its FECA program.

1. Designate a program official to oversee the Agency-wide management of SSA's FECA program, including developing and implementing, and monitoring compliance with SSA-specific FECA program policy and operational procedures.
2. Develop and implement internal controls to address the timely distribution, review, and use of chargeback reports. Provide appropriate training to ensure workers' compensation specialists understand the chargeback review process. As the Agency develops its controls, SSA needs to effectively implement the recommendations in our 1995 audit report, as previously agreed.
3. Verify that all claimants for whom it is paying FECA program costs are actually SSA employees.

¹⁸ This is an estimate based on CBY 2000 FECA program costs of \$19,946,639 projected through CBY 2010 including the projected cost-of-living increases (see Appendix C).

4. Recover all FECA program costs the Agency paid for non-SSA employees.
5. Monitor compliance with SSA's guidance on third-party liability processing.
6. Implement necessary policy and procedural changes to periodically verify Agency case files for recent (within the last 6 months) medical evidence to substantiate continuing disability, especially for cases over 1-year old.
7. Develop and implement an information system that uses information technology for the management and monitoring of FECA cases.
8. Use a verification process similar to the Nonagenarian Project as a way to continue ensuring FECA benefit payments are not made to deceased beneficiaries.

AGENCY COMMENTS

SSA generally agreed with the intent of our Recommendations. However, SSA did not specifically concur with all of our Recommendations. The Agency agreed with Recommendations 3, 4, 5, and 7. SSA also agreed with Recommendation 1, but reported it has been in compliance with the Recommendation since 1997. Regarding Recommendation 2, SSA reported it had already implemented certain corrective actions. Although SSA agreed with Recommendation 6, it commented that the responsibility for the Recommendation rests with another Federal agency. Lastly, SSA disagreed with the need for Recommendation 8. However, the Agency commented it will identify and contact workers' compensation recipients 100 years old or older. The full text of SSA's comments is included in Appendix C.

OIG RESPONSE

We acknowledge the many "program improvements/management controls" SSA reports it has implemented. Further, throughout this report, we discuss actions the Agency has taken. These actions were taken before we issued our draft report but after our January 18, 2001 briefing with Agency staff regarding FECA program management deficiencies. We agree that FECA-related program changes were made. However, at this time, we cannot assess the effectiveness of these changes since we did not independently audit the identified program improvements/management controls.

During our audit, we found no evidence that there was a program official specifically responsible for overseeing Agency-wide management of SSA's FECA program (Recommendation 1). We reviewed information concerning the Project Management Staff's functional responsibilities. Within this information, the duties identified for this Staff did not include Agency-wide management of SSA's FECA program. We found that the Project Management Staff within SSA's Office of Personnel was responsible for developing Agency policies, providing advice and assistance to employees, and acting as

the liaison between SSA and DoL. However, we found that this Staff was not monitoring Agency-wide compliance with its policies and procedures or overseeing the regional FECA compensation specialists' activities. In addition, we were informed that the Project Management Staff was limited to overseeing activities of FECA compensation specialists' located at SSA Headquarters.

The Agency commented that the responsibility for Recommendation 6 rests with DoL. However, DoL policy states the employing agencies (like SSA) can obtain medical information from DoL or the injured employee as often as necessary, within regulations, to assess the possibility of return to regular or light duty. Because Agency funds are used to pay FECA benefits, SSA should monitor the employee's medical status in order to avoid improper payments. Accordingly, SSA reported it will issue a reminder to all workers' compensation specialists to ensure that an employee's medical status is closely monitored and that recent medical documentation is contained in SSA case files. Such actions are aligned with our recommendation.

In its comments, SSA disagreed with the need for Recommendation 8. The Agency commented that our report did not indicate any findings that FECA benefits were paid to any deceased beneficiaries. However, SSA reported it will identify any workers' compensation recipient 100 years old or older and will contact the recipient to ensure continued payment is appropriate. Such actions are aligned with our Recommendation.

Other Matters

FECA Claimants Opt for Continued FECA Benefits Rather than Collecting Retirement Benefits

If claimants are concurrently eligible for FECA and retirement benefits, employees must choose between the two, but the choice is not irrevocable.¹⁹ Claimants have the right to elect the most advantageous monetary benefit. However, at retirement age, a claimant must apply for retirement benefits even if s/he chooses to collect FECA in lieu of retirement benefits.²⁰

In 1996, the General Accounting Office (GAO) reported²¹ that older FECA beneficiaries comprise a high percentage of cases on the long-term rolls²² and account for a substantial portion of the FECA benefits paid for long-term compensation. In fact, 26,400 (60 percent) of the approximately 44,000 long-term beneficiaries receiving compensation benefits in June 1995 were 55 years of age or older.

GAO reported that critics of Federal employees' benefits argue that FECA benefits should not, in effect, be a substitute for retirement benefits because replacing take-home pay creates an incentive for some beneficiaries to "retire" on the FECA rolls. Because FECA benefits are often more generous and are exempt from Federal taxes, the lifetime benefits create a long-term costly liability for the Government.

SSA Paid \$4 Million for FECA Benefits to 146 Claimants Aged 65 and Older in CBY 1998

We believe SSA's FECA program has become a retirement system for some employees. We identified 235 SSA employees aged 65 and older. Over half (146 of 235) received FECA benefits rather than retirement benefits. Of the \$17.2 million paid to DoL in CBY

¹⁹ This does not apply to the scheduled award benefits for the loss of, or loss of use of, a body part or function.

²⁰ The *Office of Personnel Management Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) Handbook* state that employees who have applied for FECA benefits must also apply for retirement benefits to preserve their rights under CSRS or FERS. This is necessary to preserve survivors' rights to survivor benefits in the event the employee dies and FECA benefits are not payable to the survivor.

²¹ *Federal Employees' Compensation Act – Issues Associated With Changing Benefits for Older Beneficiaries*, August 14, 1996.

²² Injured workers on FECA's long-term (or periodic) rolls are those with permanent disabilities or with injuries that have lasted or are expected to last for prolonged periods (over 1 year).

1998, approximately \$4 million was related to these 146 claimants. Furthermore, 16 of the 146 claimants started receiving FECA benefits at age 65 or older.

Because SSA and other Federal agencies incur annual FECA costs, SSA should work with DoL to develop proposals for congressional consideration in modifying the FECA program. A potential way to address this issue is to modify FECA legislation. Specifically, FECA could be amended to require Federal employees apply for retirement benefits. If an employee is eligible for retirement benefits, the employee should be compelled to accept such benefits and FECA benefits should be terminated. This would shift costs from FECA programs to the appropriate Federal employee retirement programs.

On January 18, 2001, we initially briefed SSA's Office of Personnel about developing such a legislative proposal to modify the FECA program. Following our final briefing on June 7, 2001, the Office of Personnel provided documentation dated December 5, 2000 showing it submitted a similar recommendation to the Federal Managers Association concerning FECA program changes.

Appendices

Appendix A – Prior Office of the Inspector General Audit

Appendix B – Federal Employee’s Compensation Act Payment Projections

Appendix C – SSA’s Comments

Appendix D – OIG Contacts and Staff Acknowledgments

Prior Office of the Inspector General Audit

In 1995, the Office of the Inspector General (OIG) issued the audit *Social Security Administration's Management of Claims Filed Under the Federal Employees' Compensation Act* (FECA) (A-13-92-00236). The objectives of this review were to:

- ❑ Review the Social Security Administration's (SSA) procedures for verifying the accuracy of FECA billings.
- ❑ Determine whether employees were returned to work as soon as possible.
- ❑ Evaluate the timeliness of claims processing.
- ❑ Review the coordination of FECA data with SSA's safety program activities.
- ❑ Determine whether third-party liabilities were being investigated.

The audit indicated that SSA needed to improve its oversight of the management of FECA claims. Specifically, SSA did not:

- ❑ Analyze the Department of Labor (DoL) chargeback reports; therefore, it was not verifying the charges for SSA employees were correct. In addition, SSA did not review the chargeback report to ensure claimants were actually SSA employees.
- ❑ Disseminate the chargeback reports to the Department of Health and Human Services (HHS) regions for their review and analysis.
- ❑ Monitor the employees' medical status to return them to work, as required by the HHS guidelines. Additionally, medical evidence, signed by the employee's physician in 26 cases, indicated the employees made sufficient recovery to return to work. However, there was no indication the employees returned to work.
- ❑ Establish procedures requiring a periodic review of cases to determine whether an employee could return to work.
- ❑ Adopt procedures to ensure FECA claims were handled on a timely basis.
- ❑ Implement procedures requiring that accident or injury reports be investigated when there are indications a third person was responsible.

We recommended that SSA (1) review each chargeback report to ensure all claimants were SSA employees at the time of the injury and the charges are correct, (2) maintain case files for 3 years after medical and compensation services cease, (3) review cases to return employees to gainful employment as soon as possible, and (4) review all cases for potential third-party liability and track recoveries of overpayments by DoL.¹

SSA concurred with all recommendations and stated it had already begun implementing the corrective actions.

¹ Before January 1999, agencies were required to investigate the third party aspect of the injury or death and submit a report of the findings with related documents to DoL (20 CFR sec. 10.506).

Federal Employees' Compensation Act Payment Projections

The Federal Employees' Compensation Act (FECA) (5 U.S.C. § 8146a) states that compensation payable due to disability or death occurring more than 1 year before March 1 of each year shall be annually increased. Using cost-of-living adjustment (COLA) information provided by the Department of Labor, we conducted deflator/inflator analysis.

Projected FECA Payments to Claimants with No Medical-Associated Costs

Based on this analysis, we developed two estimates for the four claimants with no medical-associated costs (see page 13 of this report). For these claimants, we calculated estimates for the value of payments received from the date the FECA claim was filed through Chargeback Year (CBY) 1998 and the value of payments for CBYs 1999 through 2008.

To determine the value of payments received through CBY 1998, we deflated the CBY 1998 figure by the COLA adjustment to estimate the prior year's base payment. We repeated this calculation until we reached the date the claim was filed, and then we totaled the amounts. For the first year that benefits were paid, all four claimants did not collect benefits during the entire year. Therefore, we divided their estimated first year benefit amount by 12 to estimate the monthly amount of benefits paid. We multiplied this monthly estimate by the actual number of months the claimant received FECA benefits for their first year.

To estimate the total value of payments from CBYs 1999 through 2008, we used the actual COLAs from CBYs 1999 and 2000. We determined the average of the COLAs increases from CBY 1991 through CBY 2000 (2.86 percent) and applied the average to the CBY 2000 figure to determine the estimated CBY 2001 base figure. We repeated this calculation through CBY 2008 and totaled the amounts.

Table 1 shows payment projections for the four FECA claimants from the date the claims were filed through CBY 2008.

Table 1. FECA Payment Projections

Nature of Injury	Year Claim Filed	Payment Received in CBY 1998	Prior FECA Payments¹	Projected FECA Payments²
Contusion-Related Claim	1985	\$25,782	\$290,816	\$297,938
Respiratory-Related Claim	1988	\$33,670	313,682	389,093
Contusion-Related Claim	1989	\$26,120	217,580	301,844
Mental-Related Claim	1993	\$51,614	284,501	596,455
Totals			\$1,106,579	\$1,585,330

Projected FECA Program Cost To estimate the total value of payments for future FECA program costs from CBY 2001 through 2010, we used the average of COLAs for CBY 1991 through 2000 (2.86 percent). We applied this average to CBY 2000 to determine the estimated base figure for CBY 2001. We repeated this calculation through CBY 2010 and totaled the amounts.

¹ FECA payments from the date the claim were filed through CBY 1998.

² Projected FECA payments from CBYs 1999 through 2008.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

September 24, 2001

Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

Larry G. Massanari
Acting Commissioner of Social Security

Subject: Office of the Inspector General Draft Report, "SSA's Management of its Federal Employees' Compensation Act Program" (A-13-99-91003)—INFORMATION

Thank you for the opportunity to review and comment on the subject report. We appreciate OIG's efforts in conducting this review. Our comments are attached.

Staff questions may be directed to Janet Carbonara on extension 53568

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG)
DRAFT REPORT, "SSA's MANAGEMENT OF ITS FEDERAL
EMPLOYEES' COMPENSATION ACT (FECA) PROGRAM "**
(A-13-99-91003)

We appreciate OIG's efforts in conducting this review and the opportunity to comment on the draft report. However, we do not believe the report represents a complete and accurate assessment of the Agency's involvement in the FECA program as it exists today. Specifically, the report fails to consider many of the program improvements/management controls that were implemented prior to the issuance of this draft report. Following are our comments on the recommendations.

Recommendation 1

Designate a program official to oversee the Agency-wide management of SSA's FECA program, including developing, implementing, and monitoring compliance with SSA-specific FECA program policy and operational procedures.

Comment

We agree and have complied with this recommendation since 1997. The director of the Project Management Staff, Office of Personnel, DCHR will continue to be the program official overseeing Agency-wide management of the FECA program. SSA has already developed guidance in all areas of workers' compensation and will ensure that the responsible program officials continue to place greater emphasis on monitoring compliance of the SSA-specific FECA program policy/operational procedures.

Specific improvements and internal controls that have been implemented in workers' compensation include, but are not limited to, the following. SSA:

- Issued national workers' compensation policy in January 2000 to all SSA managers and supervisors. The policy was also distributed in Braille format.
- Began sending periodic issuances in November 1999 to the field offices to provide them with technical instructions, information and reminders. The issuances included subjects such as how to review chargeback listings, third-party liability, and MTAS codes to be used for workers' compensation claimants.
- Reduced both workers' compensation case processing time and lost production days.
- Resolved chargeback listing issues with the DOL to ensure SSA receives chargeback listings timely and electronically (a proper format on a CD-ROM), in addition to a hard copy, for identification purposes. We developed a centralized internal control to electronically match DOL data with the Human Resource Management Information System (HRMIS) data to distinguish SSA from non-SSA employees who appear on the chargeback listing. (Refer to our comments regarding Recommendations 3, 4, and 5.)

- Developed an internal control process to notify DOL and SSA's Office of Finance of any non-SSA employees. This is to ensure that DOL removes non-SSA personnel from future chargeback listings and notifies the Office of Finance to not remit payment for those non-SSA personnel. (Refer to our comments regarding Recommendations 3, 4, and 5.)
- Provided each Servicing Personnel Office (SPO) with its specific chargeback listing on CD-ROM using the data received from DOL for review, appropriate actions, and to assist the SPO in returning to duty employees on long-term workers' compensation.
- Worked with DOL to ensure that the most current workers' compensation forms were accessible on its website, while removing many obsolete forms. We have included all the latest workers' compensation forms on the SSA, Office of Personnel, Intranet web site <http://co.ba.ssa.gov/ope/>.
- Developed a customer satisfaction comment card for employees who receive assistance from our workers' compensation staff. Feedback thus far has been highly favorable.
- Developed the workers' compensation web page that currently provides access on workers' compensation policy, forms and frequently asked questions. In the near future, the SSA workers' compensation handbook will be available via the web page.

Recommendation 2

Develop and implement internal controls to address the timely distribution, review, and use of the chargeback reports. Provide appropriate training to ensure workers' compensation specialists understand the chargeback report review process. As the Agency further develops its guidance, SSA needs to effectively implement the recommendations in our 1995 audit report, as previously agreed.

Comment

SSA has already implemented an effective timeliness and accurate chargeback listing process with DOL. The new process requires DOL to provide the chargeback information to SSA on a CD-ROM. SSA matches the items from the DOL CD-ROM to the Human Resource Management Information System (HRMIS) to ensure that all claimants are SSA employees. (If a

non-SSA employee is identified, SSA reports this information to DOL and instructs SSA's Office of Finance to not pay DOL for this individual). A CD-ROM is created for each region with detailed instructions on how to review the information. SSA will continue to routinely distribute chargeback listings on CD-ROM to regional workers' compensation staffs and require that each region report back to headquarters within a specific timeframe on the outcome of the review.

The guidance issued with each chargeback report is sufficient to ensure that workers' compensation specialists are aware of their role and responsibilities in reviewing the chargeback listings. The guidance specifically points to publication CA-810, subchapter 9-4, issued February 1994, for detailed instructions on reviewing the chargeback listings and procedures to report and correct billing errors. Also, SSA has developed specific instructions for reviewing chargeback listings and will ensure that these instructions accompany all chargeback listings when distributed to the regions.

Many of the audit report recommendations are the same as in the 1995 OIG audit report. As indicated in our comments, the recommendations have either already been implemented or are in the process of being implemented.

Recommendation 3

Verify that all claimants for whom it is paying FECA program costs are actually SSA employees.

Comment

We agree with this recommendation and, as stated in our response to recommendation 3, we have a system in place that will ensure that FECA program costs are only paid to SSA employees and/or their heirs/dependents, as appropriate.

Recommendation 4

Recover all FECA program costs paid by the Agency for non-SSA employees.

Comment

We agree. As previously mentioned in our response to recommendations 2 and 3, SSA notified DOL and SSA's Office of Finance to recover any monies paid to the nine non-SSA employees identified on the chargeback listing for 1998. In addition, SSA has notified DOL to remove those nine non-SSA employees from future chargeback listings. The DOL has notified the Agency that the chargeback listing for chargeback year 2001 reflects credits based on our identification of non-SSA employees. However, it is important to note that while SSA has notified DOL to remove those non-SSA claimants from the chargeback listings, both at the regional and central level, DOL continues to include them on chargeback listings.

Recommendation 5

Monitor compliance with SSA's guidance on third-party liability processing.

Comment

We agree and will continue to closely monitor compliance with SSA guidance on third-party liability processing. Although we have made further improvements to our existing section on third-party claims in our workers' compensation handbook/processing manual, we issued supplemental guidance on this issue on June 13, 2001. The workers' compensation handbook will be on our workers' compensation web page once labor relation obligations are met. A reminder will be issued to all regional workers' compensation staff on the importance of identifying third-party claims and the procedures for doing so.

Recommendation 6

Implement necessary policy and procedural changes to periodically verify Agency case files for recent (within the last 6 months) medical evidence to substantiate continuing disability, especially for cases over 1-year old.

Comment

We agree. However, the responsibility for this recommendation rests with DOL, whose regulations assume responsibility to monitor the employees' medical evidence and require updated medical evidence to continue to award benefits for workers' compensation. In January 2000, SSA requested that DOL amend their regulations to require that all workers' compensation claims be submitted to DOL through the appropriate Federal Agency (e.g., SSA). The DOL denied our request and reiterated its policy from Title 20, Code of Federal Regulations, Section 10.10, Custody of Records Relating to Federal Compensation Act Matters, "All records, medical and other reports, statements of witnesses and other papers relating to the injury...are the official records of the Office and are not records of the agency..." Thus, if an employee submits his/her medical documentation directly to DOL, SSA will not have a record of the most current medical documentation. In an effort to address this concern at the Agency level, we will issue a reminder to all workers' compensation specialists to ensure that an employee's medical status is closely monitored and that recent medical documentation is contained in SSA case files. However, this documentation must be requested from the employee or DOL.

Recommendation 7

Develop and implement an information system that uses information technology to manage and monitor FECA cases.

Comment

We agree and since 1997 have taken significant steps to evaluate and obtain a comprehensive workers' compensation case management and tracking system. In 1997 we starting meeting with other Federal agencies (e.g., United States Postal Service, Internal Revenue Service, Department of Agriculture, Veterans Administration and the Department of Defense) to discuss their case management and tracking systems and to determine if their systems would meet the needs of SSA. After a thorough evaluation of those systems, we determined in August 2000 that the Department of Defense (DOD) system, which is real-time, would allow for efficient case management and tracking as well as management information reports.

The DOD system is populated with weekly and/or biweekly downloads from DOL and can be tied into SSA's payroll system and HRMIS. The system will ultimately have the capacity to allow the electronic processing of workers' compensation cases and provide a centralized workers' compensation case management and tracking system that would be populated with real time data on all SSA cases nationwide. This would obviate the need for SSA's regions and headquarters to maintain their own tracking systems. However, at the time this system was previewed in August 2000, it did not meet SSA's need for real-time data. The system was a disk-based system that required the mailing of disks/CDs from DOL to DOD and then SSA, and subsequently, to the SSA regions. In January 2001, the Internet-based system became available, and this version met our operational needs. However, before the Agency can pursue funding of this system, it must be modified for compliance with section 508 of the Rehabilitation Act. We are currently working with DOD on the necessary modifications.

Recommendation 8

Use a verification process similar to the Nonagenarian Project as a way to continue ensuring that FECA benefit payments are not made to deceased beneficiaries.

Comment

We disagree with the need for this recommendation. The subject audit report did not indicate any findings that FECA benefits were paid to any deceased beneficiaries. However, as part of the review of the chargeback listings, we will identify any workers' compensation recipient 100 years old or older, and will contact the recipient to ensure that continued payment is appropriate.

Technical Comments

Under the Other Matters section, OIG presents a belief that FECA claimants opt for continued FECA benefits rather than collect retirement benefits. OIG posits that SSA's FECA program has become a retirement program for some employees and cites that SSA paid \$4 million to 146 claimants aged 65 and older in chargeback year 1998. OIG also suggested that, to resolve this situation, SSA should work with DOL to develop legislative proposals for congressional consideration in modifying the FECA program.

While we are in agreement with OIG concerns, it is important to note that the 146 employees identified by OIG were legally entitled to the workers' compensation benefits they received. Until the statute is changed to require employees to retire and accept retirement benefits instead of workers' compensation benefits, many injured employees of retirement age will continue to collect workers' compensation benefits, since they are more generous than retirement benefits. However, because we share this concern, in December 2000, we submitted a similar recommendation to the Federal Managers Association, at its request, as a way in which the FECA program could be modified.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.