



Office of Inspector General
Washington, DC 20546-0001

June 19, 2007

TO: Assistant Inspector General for Management and Planning

FROM: Assistant Inspector General for Auditing

SUBJECT: Final Memorandum on Audit of NASA's Workers' Compensation Program for the Office of Inspector General (Report No. IG-07-017; Assignment No. S-06-010-00)

The Office of Inspector General (OIG), Office of Audits, has completed an audit of NASA's Workers' Compensation Program for the OIG. Our objective was to determine the adequacy of internal controls over that Program. We reviewed the adequacy of those controls to contain costs and prevent fraud, waste, and abuse in compliance with Federal laws and applicable regulations for NASA OIG cases. (See Enclosure 1 for details on the audit scope and methodology.)

Executive Summary

In our review of specific cases, we found that one OIG employee receiving long-term compensation payments for her injuries may have a change in status concerning temporary total disability.¹ Our April 26, 2007, draft of this memorandum recommended that her physician be contacted for a current assessment of her ability to return to work.

Management's comments on the draft of this memorandum are responsive (see Enclosure 2). The recommendation is resolved and will be closed upon the completion and verification of management's corrective action.

Background

The Federal Employees' Compensation Act (FECA) provides compensation benefits to civilian employees of the United States for disability due to a personal injury or disease sustained while in the performance of their duties. The three categories of workers' compensation are (1) compensation payments (fatal), which are benefits to survivors of a Federal employee whose death is work-related; (2) compensation payments (non-fatal), which can be a percentage of the employee's salary contingent on whether the employee

¹ According to section 10.400, title 20, Code of Federal Regulations, temporary total disability is defined as the inability to return to the position held at the time of injury or earn equivalent wages, or to perform other gainful employment, due to the work-related injury.

has dependents and/or a schedule award;² and (3) medical payments, which are for medical bills deemed related to the accepted claim.

The Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), Division of Federal Employees' Compensation (DFEC), administers the FECA program. OWCP adjudicates new claims for benefits and manages ongoing cases; pays medical expenses and compensation benefits to injured workers and survivors; and helps injured employees return to work when they are medically able to do so. Federal agencies are responsible for reimbursing OWCP for its workers' compensation expenses. This reimbursement process is referred to as a "chargeback." The Federal agencies receive quarterly chargeback reports and are billed annually; however, payment is not due for 2 years subsequent to the billing date. For example, chargeback year (CBY) 2005 covers the period from July 2004 through June 2005. NASA was billed a total of \$6.2 million for this time period, of which \$224,000 was associated with OIG cases. This bill is not due until fiscal year (FY) 2007. There were a total of 10 OIG cases for CBY 2005. Two long-term compensation cases accounted for 98 percent of the OIG's total workers' compensation costs. Agency costs for CBY 2006 totaled \$6.7 million, with OIG costs totaling \$188,000.

Compensation payments for lost wages, schedule awards, and death benefits are processed through the Integrated Federal Employees' Compensation System (iFECS). That system is an automated case management system designed to support DFEC core business functions administering FECA. DFEC uses a subservicer, Affiliated Computer Services (ACS) State Healthcare, to process medical bills. ACS receives medical bills, inputs the medical bills into the Central Bill Processing (CBP) system, performs edits on the medical bills, and processes them in accordance with business rules established by DFEC. ACS transmits approved bills to OWCP for payment. The iFECS compensation and CBP history files are combined on a quarterly and annual basis into iFECS to create the chargeback bills sent to each Federal agency.

The NASA Chief Health and Medical Officer (CHMO) maintains overall responsibility for the Agency's Workers' Compensation Program. The CHMO ensures that overall Agency workers' compensation policy is established and implemented by the coordinated efforts of the Center Medical Directors, Center Compensation Claims Officers, and Center Human Resources Offices. The Occupational Health Manager in the Human Resources Management Division at NASA Headquarters contracts with a Workers' Compensation Specialist to perform the role of the Compensation Claims Officer at Headquarters.

² A schedule award is basic compensation for a permanent disability involving the loss, or loss of use, of a member or function of the body or involving disfigurement, as provided by the schedule in subsection (c) of section 8107, title 5, United States Code, at the rate of 66⅔ percent of the worker's monthly pay.

The Specialist is responsible for all Headquarters employees, as well as OIG employees at each NASA location. All employees of the OIG are considered Headquarters employees regardless of their physical location. The Specialist

- counsels employees and supervisors;
- completes and submits forms to OWCP;
- monitors claims;
- works with management and OWCP to controvert claims without basis, keeping supervisors apprised of the status of their cases; and
- obtains medical information from OWCP or the injured employee as often as is necessary and within OWCP guidelines in order to assess the possibility of return to regular or light duty assignments.

The Headquarters Specialist also communicates regularly with the NASA OIG Human Resources Officer.

The OIG Human Resources Officer, who reports to the Assistant Inspector General for Management and Planning (AIGMP), is responsible for informing employees about the Workers' Compensation Program; working with supervisors in processing claims; identifying light duty assignments; and counseling long-term disability employees on civil service retirement and compensation programs.

OIG Long-Term Compensation Cases

Based on our review, we believe one of the two cases that we examined should be reevaluated. OWCP adjudicated two cases (referred to as Case A and Case B) for OIG employees as long-term compensation (non-fatal) cases where the employees receive 75 percent and 66 $\frac{2}{3}$ percent, respectively, of their salary at the time of injury. We examined those two cases by reviewing the case files with the Specialist. We inspected medical correspondence from the doctors, OWCP correspondence, and phone transcripts. We also observed the Specialist retrieve medical bills online from the Agency Query System (AQS) and inspected printouts from that system. The AQS is a secure Internet site that provides access to information on FECA injury claims. The information available includes current claims status, compensation payment history, and medical bill payment history.

For Case A, we noted that there was no medical documentation in the case file dated after February 2005. We requested that the Specialist ask OWCP to provide documentation it may have received, which NASA had not, to update the case file. That documentation was received a month later. The latest doctor's physical examination report, dated September 8, 2006, stated that Case A is managing well and is responding to the physical therapy. Contrary to previous doctors' reports, there was no recommendation to keep Case A on an "off-work status"—but there was also no recommendation for Case A to

return to work. In addition, our inspection of the AQS record of paid medical bills showed that Case A's medical costs had substantially decreased: from approximately \$7,600 (date of service in March 2006) to \$820 (date of service in August 2006).

For Case B, we noted that OWCP had reduced the employee's compensation benefits in September 2005. In August 2006, Case B elected to receive disability retirement benefits from the Office of Personnel Management in lieu of his OWCP compensation benefits. This action removed Case B from the OWCP compensation benefit rolls. Since Case B no longer received benefits from OWCP, we did not examine his case further.

Workers' compensation costs can be mitigated if a claimant returns to work. Compensation payments for total disability may continue as long as the medical evidence supports total disability. Although the Specialist monitors the medical bill payment activity through AQS, the OIG can request that the Specialist contact OWCP to obtain a new medical evaluation to assess the claimant's ability to return to work. OWCP can also require the claimant to be examined by another physician for a second opinion. OWCP will pay for the second opinion and will reimburse the employee all necessary and reasonable expenses incident to such an examination. Those costs are charged back to the Agency through the normal chargeback process. If a physician determines that an employee can return to work, including light duty work, the Specialist coordinates with the OIG Human Resources Officer to assign the type of work that will accommodate the physician's instructions. If the employee is reemployed at a lower paying job, or if OWCP determines that he or she can perform the duties of a lower paying job that is deemed suitable, medically and otherwise, compensation will be paid on the basis of the loss of wage-earning capacity.

Recommendation, Management's Response, and Evaluation of Management's Response

We recommended that the AIGMP request that OWCP require Case A to be examined by her physician to assess Case A's ability to return to work at the present time. The AIGMP should formally make that request through the Occupational Health Manager at NASA Headquarters.

Management's Response. Management concurred and the OIG Human Resources Officer, on the behalf of the AIGMP, formally requested through the NASA Headquarters Occupational Health Manager that OWCP require Case A to be examined by her physician to assess Case A's ability to return to work.

Evaluation of Management's Response. Management's action is responsive to the recommendation. The recommendation is resolved and will be closed upon the completion of the assessment by Case A's physician of her ability to return to work.

We appreciate the courtesies extended the audit staff during the review. If you have any questions, or need additional information, please contact Mr. Mark Jenson, Financial Statement Audits Director, at 202-358-0629 or me at 202-358-2572.

A handwritten signature in black ink, appearing to read "Evelyn R. Klemstine". The signature is fluid and cursive, with a large initial "E" and a long, sweeping underline.

Evelyn R. Klemstine

2 Enclosures

cc:

Inspector General

Chief Health and Medical Officer

Assistant Administrator for Human Capital Management

Assistant Administrator for Internal Controls and Management Systems

Scope and Methodology

We performed this audit from April 2006 through March 2007 in accordance with generally accepted government auditing standards. In October 2006, we suspended the audit to allocate available resources to the FY 2006 NASA financial statement audit. The audit team reactivated this assignment in December 2006.

We gained an understanding of the responsibilities and procedures surrounding NASA employees who are receiving medical benefits and compensation for illness or injury from DOL's OWCP. We reviewed NASA Policy Directive 1840.1B, "NASA's Workers' Compensation Program (Revalidated 3/29/04)," which assigns responsibilities to those involved with executing the Workers' Compensation Program—from the CHMO to the employee. We also reviewed NASA Procedural Requirements 1800.1, "NASA Occupational Health Program Procedures," August 2, 2006, which describes the general procedures for managing workers' compensation injuries and illnesses and reporting them to DOL.

We interviewed various NASA Headquarters personnel, including the Occupational Health Manager, the Workers' Compensation Specialist, the OIG's Human Resources Officer, and the OIG's Office of Resource Operations Director. In addition, we interviewed NASA's Workers' Compensation Manager, who is located at the Kennedy Space Center, via conference call.

We obtained and reviewed the OWCP-issued chargeback reports for NASA Headquarters for CBYs 2005 and 2006. We categorized the reports' 10 OIG cases as either medical benefit or compensation benefit. Since the eight medical benefit cases accounted for only 2 percent of the OIG's workers' compensation costs, we selected the two compensation benefit cases for review and obtained the case files from the Specialist. The documents that we reviewed from those case files included medical correspondence from the doctors, OWCP correspondence, phone transcripts, and other documentation collected by the Specialist, dated from 1999 through 2006. We also observed the Specialist retrieve medical bills online from the AQS and inspected printouts from that system related to those two cases. The printouts included information on medical bills from February 2001 through August 2006.

Computer-Processed Data

We relied on data reported by OWCP in the chargeback reports for CBYs 2005 and 2006. The data in those reports were based on the total cost of benefits and other payments made, as recorded in iFECS for the related CBY. We also relied on data from AQS. That data included claim status, compensation payment history, and medical bill payment history. Source data contained in iFECS and AQS resides at DOL's OWCP; therefore, we could not verify the accuracy and reliability of this data. However, we did rely on the

following Service Auditors' Reports to provide reasonable assurance that adequate controls were in place:

- iFECS and CBP, for the period October 1, 2004–April 30, 2005;
- iFECS, for the period October 1, 2005–March 31, 2006; and
- Medical Bill Processing System, for the period October 1, 2005–March 31, 2006.

For each report, the Service Auditors issued qualified opinions. The Service Auditors' tests of operating effectiveness for the October 1, 2005–March 31, 2006, reports found that the following two control objectives were not achieved: (1) controls provide reasonable assurance that claimants submitted earnings information to support continuing eligibility for compensation and medical benefits, and (2) controls provide reasonable assurance that development and enhancements of iFECS are properly authorized, tested, and implemented and access to program libraries is restricted based on job responsibility. These exceptions did not have an effect on our use of the computer-processed data.

The Service Auditors' tests of operating effectiveness for the October 1, 2004–April 30, 2005, report found that the following three control objectives were not achieved: (1) controls provide reasonable assurance that claimants submitted medical evidence as required by the DFEC policy; (2) controls provide reasonable assurance that medical bill payments were properly authorized, approved, input, and reviewed; and (3) controls provide reasonable assurance that computer resources (data files, application programs, etc.) are protected against unauthorized modification, disclosure, loss, or impairment. We only used data processed during the period of October 1, 2004–April 30, 2005, to select our sample. The medical bills we used to analyze whether one of the OIG cases (Case A) could be reevaluated were processed between March 2006 and August 2006. These exceptions did not have an effect on our use of the computer-processed data.

As a result, we are confident that the reliability and validity of the data we used to perform this audit are adequate to support our findings.

Review of Internal Controls

We reviewed and evaluated the internal controls associated with the administration of the OIG Workers' Compensation Program. Although most of the internal controls over claimant eligibility, medical determination, and compensation and bill payment reside outside of NASA, we reviewed the Agency's monitoring controls and documentation of policies and procedures. We identified weaknesses in the monitoring controls as described in this memorandum.

Prior Coverage

During the last 5 years, the Department of Commerce (DOC) and the Department of the Interior (DOI) have issued two reports of particular relevance to the subject of this memorandum. Unrestricted reports can be accessed over the Internet at http://www.oig.doc.gov/oig/reports/audit_inspection_and_evaluation_reports/ (DOC) and <http://www.doioig.gov/index.php?menuid=2&viewid=-1&viewtype=REPORT> (DOI).

Department of Commerce

“Management of Commerce’s Federal Workers’ Compensation Program Needs Significant Improvements” (OS-IPE-17536-03-06, March 31, 2006)

Department of the Interior

“Department of the Interior Workers’ Compensation Program” (E-IN-MOA-0008-2004, May 9, 2005)

Management's Comments

National Aeronautics and Space Administration
Office of Inspector General
Washington, DC 20546-0001



June 4, 2007

TO: Assistant Inspector General for Auditing

FROM: Assistant Inspector General for Management and Planning

SUBJECT: Response to Draft Memorandum on Audit of NASA's Workers' Compensation Program for the Office of Inspector General (Assignment No. S-06-010-00)

I concur with the recommendation. Attached is an email from the OIG Human Resources Officer (OMP), on my behalf, to formally request through the NASA HQ Occupational Health Manager that OWCP require Case A to be examined by her physician to assess Case A's ability to return to work.

If you have any questions or need additional information, please call me on extension 2061.

A handwritten signature in black ink, appearing to read "Alan V. Lamoreaux".

Alan V. Lamoreaux

Enclosure
Email request

Enclosure
omitted be-
cause of
privacy con-
siderations