

U.S. Department of Labor

Assistant Secretary for
Employment Standards
Washington, D.C. 20210



MAR 26 2002

MEMORANDUM FOR ELLIOT P. LEWIS

Acting Deputy Inspector General
for Audit

Handwritten signature of Dixon M. Wilson in black ink.

FROM:

DIXON M. WILSON
Acting Assistant Secretary

SUBJECT:

Audit of the Federal Employees' Compensation
Act (FECA) Performance Measures Systems
Draft Audit Report No. 22-02-006-04-431

This is in response to your February 26, 2002 audit report on the Federal Employees' Compensation Act Performance Measures System. The Office of Inspector General (OIG) reviewed the six strategic-level performance goals of the Division of Federal Employees' Compensation (DFEC) for FYs 1999 and 2000. The audit objectives were to assess whether: (1) DFEC's stated mission relates to its authorizing legislation and reported performance measures reflect achievement of legislative intent; (2) all FYs 2000 and 1999 performance goals were measurable and management controls existed over data reporting, appropriateness, description, and definition; and (3) the full cost of accomplishing these performance goals was developed.

The OIG found that the DFEC mission relates to its legislative authority and that its performance goals provided accountability because the goals were measurable and outcome oriented. It acknowledged that DFEC has been very active in coordinating program activities with other Federal agencies to achieve strategic objectives. The OIG found that management controls could be improved and that DFEC does not have a system to capture the cost of accomplishing performance goals.

For reference, the six performance categories included in the audit were:

1. Produce Periodic Roll Management Savings
2. Increase Medical Cost Savings
3. Reduce Lost Production Days
4. Improve Customer Satisfaction with DFEC services
5. Increase Employing Agency timeliness in filing Notices of Injury
6. Improve the quality of claims actions

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ESA's response to the audit recommendations is attached. If you have any questions regarding this response, please contact Rose Broadwater at 693-0285 or Mark Bedont at 693-0815.

Attachment

Employment Standards Administration
Office of Workers' Compensation Programs
Response to the Audit of the Federal Employees' Compensation Act
Performance Measures System
Draft Audit Report No. 22-02-006-04-431

Recommendations

The Assistant Secretary for Employment Standards should require DFEC to develop written procedures to:

1. Establish a new performance goal for customer satisfaction that covers the employing agencies, or include employing agencies in the current customer satisfaction goal (performance goal 4);

Response: In FY 2001, FECA launched multiple broad-based strategies to improve customer services, gauge customer needs, and measure customer satisfaction. These strategies included a multi-faceted Communications Redesign initiative involving upgrade of telecommunications hardware and the establishment of a central call center; a call-back survey of claimant callers to our district offices; and focus groups held with Federal agency representatives. Two focus groups with Federal employers were conducted in FY 2001.

Recommendations originating out of customer service surveys and focus groups continue to shape development of program operational goals. However, when the structure of the Department of Labor's Performance Plan changed for FY 2002, the OWCP customer satisfaction strategic goal was reoriented in the strategic plan to the position of a major sustained strategy supporting achievement of the DFEC objectives.

2. Expand the description for performance goal 3 (Lost Production Days) to define "lost production days;"

Response: The LPD goal reviewed for this audit was a measure limited to average lost days for DFEC's Quality Case Management cases. QCM cases are those in which injured workers have filed for FECA wage loss benefits following completion of an initial 45-day Continuation-of-Pay (COP) period, while the federal employer continues to pay salary to the injured worker. The goal has since been revised in connection with the Federal Employees Safety and Health Initiative (formerly Federal Worker 2000) to add measurement of time loss in the COP period to measurement of time loss in all FECA cases.

"LPD" is a measure of the average number of calendar days of paid compensation due to workplace injury and expressed as a rate per every 100 employees for each employing agency and for the Government as a whole. A "lost production day" is equivalent to either 8 hours of salary compensation paid to the injured employee during their 45-day continuation-of-pay period following the injury, or to one workday for which FECA wage loss compensation is received by the injured worker.

The calculation of LPD for each reporting period combines an aggregation of compensation time adjusted to calendar days of: (1) total continuation-of-pay hours for every worker receiving COP salary and 2) periods of time for which every beneficiary received compensation payments during their first year of eligibility to receive FECA wage loss benefits.

This definition of "lost production days" will be incorporated into the Comments section of the Annual Performance Plan.

3. Define in writing how to calculate the quality index score for performance goal number 6 as part of the Accountability Review process;

Response: The Quality Index measure has been revised to include an expanded set of elements. The Accountability Review Procedure Manual and Team Leader Handbook have also been revised, accordingly, and include a description of the calculation of the index score. These changes are effective beginning in FY 2002.

Also, as a result of the restructuring of the Department of Labor Performance Plan, OWCP removed the Quality Index goal from the DOL strategic level. The Quality Index measure remains a major goal in the DFEC annual operational plan.

4. Develop written procedures to explain how (and what sources are used) to extract the data and make the calculations to report on performance measures 1,3, and 5; and

Response: Performance measures 1 and 3 have been revised subsequent to the audit. Narrative descriptions of the procedures for all three measures are under development.

5. Establish a time line for developing and placing in operation a system that links performance measures, associated costs and the budget.

Response: DFEC is in compliance with the Department of Labor's current level of reporting costs and performance activity. The Department is continuing to examine the issue of budget and performance integration as instructed by the Office of Management and Budget. It is OWCP's intent to work in concert with the Employment Standards Administration and the Department to develop performance cost accounting systems.