

**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number **03-12-001-04-431**, to the Acting Director for the Office of Workers' Compensation Programs (OWCP).

### **WHY READ THE REPORT**

The Federal Employees' Compensation Act (FECA) is a workers' compensation law covering more than 3 million federal and postal employees. The U.S. Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), is charged with administering the FECA program. In fiscal year (FY) 2010, federal employees filed approximately 127,500 new injury claims and more than 19,000 claims for wage loss compensation. FECA benefit expenditures totaled nearly \$2.8 billion for wage-loss compensation and medical treatment to more than 251,000 beneficiaries.

In July 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA) which amended the Improper Payments Information Act (IPIA) of 2002 and requires federal agencies to review their programs annually, identify programs that may be susceptible to significant improper payments, perform testing of programs considered high risk, and develop and implement corrective action plans for high-risk programs. In FY 2009, DOL requested a waiver — in accordance with the provisions of the IPIA — from reporting FECA improper payments, by demonstrating to OMB that its estimates were below the reportable thresholds for FYs 2005 through 2008. OMB approved the waiver request. Based on the waiver provisions, DOL will be required to report on FECA again beginning in FY 2012.

### **WHY OIG CONDUCTED THE AUDIT**

We conducted an audit to determine to what extent OWCP has addressed known weaknesses in detecting and preventing improper payments for the FECA program.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to:  
<http://www.oig.dol.gov/public/reports/oa/2012/03-12-001-04-431.pdf>.

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## **OWCP'S EFFORTS TO DETECT AND PREVENT FECA IMPROPER PAYMENTS HAVE NOT ADDRESSED KNOWN WEAKNESSES**

### **WHAT OIG FOUND**

OWCP needs to plan how it will estimate improper payments considering the enactment of IPERA. OWCP did not estimate improper payments since it received the OMB waiver; and the improper estimation method OWCP used before it received the waiver may not be sufficient to meet IPERA requirements.

Some progress has been made in addressing improper payments and OWCP's strategy has continued to evolve. OWCP completed the rollout of its FECA benefit payment system, the Integrated Federal Employee Compensation System and has sought legislative authority to allow it access to SSA wage records. However, OWCP's efforts have not resulted in addressing all reported weaknesses.

OWCP did not have performance measures for payment accuracy, which are common for other federal disability programs. We also found that OWCP did not always take timely action to terminate benefits when notified of FECA claimants' death and had not designed effective procedures to ensure that benefit payments were reduced for FECA claimants who were collecting SSA retirement benefits. Also, OWCP had not yet implemented additional training for claims examiners on preventing improper payments by ensuring payment accuracy. Unless these weaknesses are sufficiently addressed, overpayments will go undetected such as the \$690,000 in payments we identified that were made to deceased FECA claimants in CY 2010.

### **WHAT OIG RECOMMENDED**

The OIG recommended that OWCP develop a process for estimating FECA improper payments based on a comprehensive risk assessment, and incorporate the process into the internal control structure used to manage the FECA program. We also recommended that OWCP develop a program performance measure on payment accuracy and address the weaknesses we identified in the audit.

In response to the draft report, OWCP stated it will implement the recently enacted IPERA requirements. OWCP did not agree with the recommendation to develop a program performance measure on payment accuracy.