

U.S. Department of Labor

Office of Inspector General—Office of Audit

**OFFICE OF WORKERS'
COMPENSATION PROGRAMS**



CONTROLS OVER TRANSPORTATION COST REIMBURSEMENTS TO FECA CLAIMANTS NEED STRENGTHENING

Date Issued: September 28, 2012
Report Number: 03-12-003-04-431

BRIEFLY...

Highlights of Report Number 03-12-003-04-431, issued to the Acting Director, Office of Workers' Compensation Programs.

WHY READ THE REPORT

The Federal Employees' Compensation Act (FECA) authorized a disability compensation program administered by the Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP). FECA provides several types of benefits, including compensation for wage loss, schedule awards, medical and related benefits, and vocational rehabilitation services to Federal civilian employees for conditions resulting from injuries sustained in the performance of duty.

FECA medical benefits include reimbursements to claimants for transportation costs they incur to obtain reasonable and necessary medical services. FECA regulations state that claimants must submit to OWCP for prior authorization, a written request with information describing the circumstances and necessity of the travel. In addition, OWCP requires that claimants submit receipts for non-mileage travel exceeding \$75 before the agency will pay the claim.

WHY OIG CONDUCTED THE AUDIT

We conducted an audit of FECA transportation costs to answer the following question:

Does OWCP have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants?

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/2012/03-12-003-04-431.pdf>.

September 2012

CONTROLS OVER TRANSPORTATION COST REIMBURSEMENTS TO FECA CLAIMANTS NEED STRENGTHENING

WHAT OIG FOUND

OWCP did not have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants. Our testing of 91 randomly selected claims found 6 percent requiring OWCP authorization were paid without any review; and 46 percent requiring receipts were paid without the claimant submitting them. Review of 9 claimants, who each received more than \$35,000 in transportation reimbursements disclosed patterns of abuse, including overstated mileage and multiple trips on the same day, as well as no OWCP authorization prior to making payments. Our review of 22 single transportation claims that were more than \$500 found problems in 9 of the claims, such as bill-processing errors and inflated mileage, which resulted in \$3,771 in overpayments.

These conditions occurred because OWCP did not comply with its policies and procedures for reviewing and authorizing transportation claims. Furthermore, these policies and procedures did not comply with FECA regulations, which required authorization for round trips of more than the 100 miles. In addition, OWCP did not require claims examiners to document how they determined the reasonableness and accuracy of mileage that claimants charged for medically-related trips, and the agency did not have controls in place to identify and investigate patterns of potential travel fraud and abuse by high-dollar claimants.

WHAT OIG RECOMMENDED

We recommended the OWCP Acting Director strengthen controls to reduce the risk of improper overpayments and abuse of FECA transportation costs, and recover \$3,771 in improper reimbursements.

Overall, OWCP agreed with the report findings and recommendations. OWCP stated that some of the report recommendations can be readily addressed while others will require additional review.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 28, 2012

Assistant Inspector General's Report

Mr. Gary A. Steinberg
Acting Director
Office of Workers' Compensation Programs
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

The Federal Employees' Compensation Act (FECA) authorized a disability compensation program administered by the Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP). FECA provides several types of benefits, including compensation for wage loss, schedule awards, medical and related benefits, and vocational rehabilitation services to federal civilian employees for conditions resulting from injuries sustained in the performance of duty. FECA also provides for the payment of compensation to survivors of an employee whose death resulted from a work-related injury.

FECA medical benefits include reimbursements to claimants for transportation costs they incurred to obtain reasonable and necessary medical services, appliances, or supplies. FECA regulations explain that to determine a reasonable distance to travel, OWCP will consider the availability of services, the claimant's condition, and the means of transportation. FECA regulations also provide that a round-trip distance of up to 100 miles is considered reasonable; however, the shortest travel route should be taken. Claimants can also be reimbursed for costs incurred using taxis or special conveyance. FECA regulations state that claimants must submit to OWCP for prior authorization a written request with information describing the circumstances and necessity of the travel. OWCP's current policies and procedures require claimants to request authorization for trips totaling more than 200 miles in one day, and to submit receipts for non-mileage travel exceeding \$75 before the agency will pay the claim.

OWCP uses a contractor, Affiliated Computer Services (ACS), to process and pay all medical bills for the FECA program. For fiscal years (FY) 2010 and 2011, medical payments made for FECA claimants totaled more than \$900 million annually, approximately \$13 million of which represented medical transportation costs.¹

¹ Source: OWCP Medical Bill Pay data from July 1, 2009, through June 30, 2011

Over the past several years, the Office of Inspector General (OIG) Office of Labor Racketeering and Fraud Investigations (OLRFI) has found FECA transportation claim fraud whereby claimants submitted travel vouchers for medical visits that never occurred, and overstated travel mileage for trips to pharmacies and medically-related appointments.

We conducted an audit of FECA transportation costs to answer the following question:

Does OWCP have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants?

From a universe of 2,349 transportation claims totaling \$332,041² for the period November 1, 2011, to March 31, 2012, we tested a random sample of 91 claims totaling \$12,053 to determine if OWCP authorized trips of more than 200 miles and obtained receipts for transportation costs of more than \$75. We selected our sample from the time period because OWCP revised its controls in late October 2011.

We also performed two additional tests. We separately reviewed a judgmental sample of reimbursements to 9 claimants who each received more than \$35,000 in transportation payments for the period July 1, 2009, through June 30, 2011. Additionally, for the same time period, we tested all single transportation claims paid that were more than \$500.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

OWCP did not have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants. Our testing of 91 claims found 3 of 52 claims requiring OWCP authorization were paid without any review; and 18 of the 39 claims requiring receipts were paid without the claimant submitting them. Our review of 9 claimants who each received more than \$35,000 in transportation reimbursements disclosed patterns of abuse including overstated mileage and multiple trips on the same day, as well as no OWCP authorization prior to making payments. We referred these 9 claimants for OLRFI investigation. Our review of 22 single transportation claims that were more than \$500 found problems in 9 of these

² This was from a universe of claims for reimbursements to FECA claimants for mileage over 200 miles and costs exceeding \$75.

claims, such as bill-processing errors and inflated mileage, resulting in \$3,771 in overpayments.

OWCP did not comply with its policies and procedures for reviewing and authorizing transportation claims. Furthermore, these policies and procedures did not comply with FECA regulations, which required authorization for round trips of more than the 100 miles. In addition, OWCP did not require claims examiners to document how they determined the reasonableness and accuracy of mileage that claimants charged for medically-related trips, and the agency did not have controls in place to identify and investigate patterns of potential travel fraud and abuse by high-dollar claimants.

Unless controls are improved, transportation cost reimbursements are at risk for improper payments.

We recommended that the OWCP Acting Director strengthen controls to reduce the risk of improper overpayments and abuse of FECA transportation costs and recover \$3,771 in improper reimbursements.

OWCP generally agreed with the report findings and recommendations. OWCP stated that some of the report recommendations can be readily addressed while others will require additional review. The Acting Administrator's entire response is contained in Appendix D.

RESULTS AND FINDINGS

Objective — Does OWCP have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants?

Controls over transportation cost reimbursements to FECA claimants need to be improved to prevent abuse and fraud.

Finding 1 — OWCP did not comply with its policies and procedures for reviewing and authorizing transportation claims and its controls were inadequate.

FECA regulations provided that claimants be reimbursed for mileage and non-mileage transportation costs to obtain medical treatment. OWCP policies and procedures required that, before payment, trips more than 200 miles be authorized by a claims examiner and non-mileage costs more than \$75 be supported by receipts from the claimant. We tested 91 randomly selected claims and found 3 of 52 claims requiring OWCP authorization prior to reimbursement were paid without any review; and 18 of 39 claims requiring receipts were paid without the claimant submitting them. OWCP's policies and procedures were inadequate because we found in instances in which the

claimant overstated their mileage and OWCP authorized payment, and the more than 200 mile threshold requiring authorization did not comply with FECA regulations.

These conditions occurred because OWCP did not monitor the medical bill payment process for transportation cost reimbursements to ensure established controls were designed and operating properly. Unless OWCP improves its controls, transportation cost reimbursements are at risk for abuse and fraud.

Title 20, Code of Federal Regulations (CFR), Part 10, dated June 28, 2011, provides the following requirements for paying transportation costs:

Part 10.315 – Will OWCP pay for transportation to obtain medical treatment?

(a) The employee is entitled to reimbursement of reasonable and necessary expenses, including transportation needed to obtain authorized medical services, appliances or supplies. To determine a reasonable distance to travel, OWCP will consider the availability of services, the employee's condition, and the means of transportation. Generally, a round trip distance of up to 100 miles is considered a reasonable distance to travel. Travel should be undertaken by the shortest route, and if practical, by public conveyance. If the medical evidence shows that the employee is unable to use these means of transportation, OWCP may authorize travel by taxi or special conveyance.

(b) For non-emergency medical treatment, if round trip travel of more than 100 miles is contemplated, or air transportation or overnight accommodations will be needed, the employee must submit a written request to OWCP for prior authorization with information describing the circumstances and necessity for such travel expenses. OWCP will approve the request if it determines that the travel expenses are reasonable and necessary, and are incident to obtaining authorized medical services, appliances or supplies. Requests for travel expenses that are often approved include those resulting from referrals to a specialist outside the residential area for further medical treatment, and that involving air transportation of an employee who lives in a remote geographical area with limited local medical services.

OWCP required claimants to use OWCP-957 (travel voucher) to request reimbursement for all medical travel cost, and to list each trip separately on the travel voucher along with the name and address of the location visited. FECA claimants can submit up to three trips on a travel voucher.

OWCP officials explained that reimbursement requests for travel exceeding 200 miles per day required ACS to obtain claims examiner authorization before paying the claims. This requirement is reflected in the Business Requirements section of the current ACS contract.

OWCP policies and procedures required authorization for travel expected to exceed 200 miles per day. For non-mileage expense such as tolls, parking, and taxi, OWCP required authorizations and receipts for each charge exceeding \$75. We noted that OWCP's policies and procedure did not meet the CFR reasonableness threshold of 100 miles per trip. According to 20 CFR Part 10.315(b), if round trip travel of more than 100 miles is contemplated, the employee must submit a written request to OWCP.

Trips over 200 miles per day were paid without proper authorization and there were instances of overstated mileage.

We tested a random sample of 52 claims in which FECA claimants requested reimbursement for trips that were more than 200 miles and found ACS paid 3 (6 percent) without the required authorization from the OWCP claims examiners. However, this authorization process did not ensure mileage was reasonable. We reviewed 18 of the 52 tested claims and found 11 (61 percent) in which the claimant overstated the mileage. Based on our statistical sample results, we are 95 percent confident ACS paid between \$18,886 and \$35,722 for mileage transportation costs in our universe of \$306,655 without the required authorization.

Transportation claims for non-mileage expenses exceeding \$75 were paid without required receipts.

We tested a random sample of 39 claims in which FECA claimants requested reimbursement for non-mileage costs exceeding \$75 and found ACS paid 18 (46 percent) without the required receipts. Based on our statistical sample results, we are 95 percent confident ACS paid between \$6,461 and \$12,483 for non-mileage transportation costs in our universe of \$25,386 without the required receipts.

These conditions occurred because ACS did not perform the required edit checks to identify claims for mileage exceeding 200 miles/day, notify the claims examiners to determine if travel was authorized, and require receipts for expenses exceeding \$75 before reimbursing claimants. Regardless, even when the claims examiners had authorized payment, OWCP policies and procedures did not require them to document the basis for their determination that the trips were necessary and the mileage was reasonable for the destination.

Finding 2— FECA claimants with large amounts of transportation payments committed abuse and potential fraud, and large single reimbursements were improperly paid.

Our review of FECA claimants who received the largest transportation reimbursements over a 2-year period and review of single reimbursements over the same period found abuse and potential fraud and overpayments. We tested a judgmental sample of travel vouchers submitted by 9 claimants who each were reimbursed more than \$35,000 in transportation costs over a 2-year period and found the claimants overstated their mileage and claimed travel to locations that were not a reasonable distance from their

residence. We also found no documentation to support that OWCP had authorized the payments.

We also reviewed all 22 single transportation cost reimbursements exceeding \$500 that totaled \$20,421 and found ACS committed processing errors and claimants overstated their mileage that resulted in overpayments totaling \$3,771.

These conditions occurred because OWCP did not have controls in place to monitor claimants who were reimbursed a large amount in transportation costs to identify patterns of potential abuse, fraud, and improper payments. As result, abuse and potential fraud by FECA claimants who received a large amount of transportation cost reimbursement of \$5,000 and more and large improper payments could go undetected.

General Accountability Office (GAO) standards for internal controls provide that one of the objectives of controls is to serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. OWCP's Procedure Manual, Part 5, Benefit Payments, Chapter 5-0101, Security of the Fiscal Operations, describes the process in which Federal Employee Compensation System Surveillance Reports are produced and provided to the District offices on a quarterly basis to assist in monitoring case payments and detecting unusual provider activity.

FECA claimants who received more than \$35,000 in travel costs reimbursements over a 2-year period committed abuse and potential fraud.

For the 2-year period, July 1, 2009, through June 30, 2011, we selected for review the 13 FECA claimants who received the highest amount of annual reimbursements, but subsequently excluded 4 claimants who were under current investigation. For each of the 9 claimants, we analyzed travel for 9 months using OWCP's Agency Query System (AQS) which provides information on the claims submitted and reimbursements paid for the service dates. We then judgmentally selected 123 travel vouchers consisting of 362 trips with reimbursements totaling \$40,025. Our analysis showed the claimants committed abuse and potential fraud such as overstating their mileage, not selecting locations a reasonable distance from their residence and submitting multiple vouchers for trips on the same day. The following provides details:

Claimants overstated their mileage.

We determined claimants inflated the mileage submitted on their travel vouchers for 316 of the 362 trips we reviewed (87 percent), resulting in \$10,761 in excessive reimbursements.³ We identified an additional \$2,433 in excess reimbursement for tolls and parking associated with these trips.

³ We used internet searches to calculate the miles between the claimant's residence and the location address shown on the voucher and compared it to the number of miles claimed.

Claimants claimed travel to locations that were not a reasonable distance from their residence.

We found claimants submitted claims for travel to locations that were not a reasonable distance from their residence for 200 of the 362 trips we reviewed (55 percent), resulting in \$18,194 in excessive reimbursements. For example, one claimant received reimbursement for 30 trips that were at least 420 round-trip miles per visit to various physical therapists, which is excessive even when allowing for one's personal preference regarding physical therapists. Another claimant submitted travel vouchers for 24 trips of at least 195 round-trip miles to various chain pharmacies. Our research showed a pharmacy was located only 13 miles round-trip from the claimant's residence.

Claimants submitted separate vouchers for multiple trips on the same day.

We found claimants sought reimbursement for multiple trips for the same day on different vouchers. For example, our analysis of travel vouchers for one claimant during December 2011 showed that for 21 days, they made 2 to 3 trips a day which totaled from 210 to 410 miles. For 4 consecutive days in November 2011 the claimant made 4 trips a day for over 325 miles per day. We did not quantify the number of incidents related to this condition because the trips were included in the previously mentioned examples.

We found examples of abuse and potential fraud such as travel claimed for every day of one month, including weekends and holidays such as Thanksgiving and Christmas.

We referred all 9 cases to OIG's OLRFI for investigation.

ACS overpaid single-trip travel claims.

We found ACS overpaid claimants for 9 of the 22 single-trip travel claims over \$500 that we reviewed for program years (PY) 2010 and 2011, resulting in \$3,771 in overpayments. The following are examples of the overpayments ACS made:

- A claimant received \$500; however, based on the mileage shown on the travel voucher, the amount should have been \$50.31.
- A claimant received \$953; however; based on the mileage shown on the travel voucher, the amount should have been \$9.65.
- A claimant received \$1,063; however, based on the mileage shown on the travel voucher, the amount should have been \$2.50.

The above conditions occurred because OWCP did not perform analytical review of claimants with a high volume of travel claims and reimbursements to identify the potential abuse and fraud discussed above, nor did OWCP perform any review of high dollar single claims for potential over payments. OWCP's process to monitor unusual claims activity did not include travel cost reimbursement to claimants.

RECOMMENDATIONS

We recommend that the Acting Director of the Office of Workers' Compensation Programs:

1. Implement a monitoring procedure over the contractor to ensure it is obtaining claims examiner authorizations and receipts for non-mileage travel costs, as appropriate, prior to making payments.
2. Implement procedures requiring claims examiners to determine whether mileage requiring authorization is reasonable and to document the basis for their determination.
3. Revise the threshold requiring authorization for mileage to obtain medical services from 200 miles to 100 miles in accordance with FECA regulations.
4. Recover the \$3,771 identified as overpayments as a result of ACS processing errors.
5. Develop and implement a surveillance report process to identify claimants who receive large annual transportation cost reimbursements to determine if there is potential abuse and/or fraud and single travel cost reimbursement payment over \$500 to determine if any were improperly paid.

We appreciate the cooperation and courtesies that OWCP personnel extended to the OIG during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



Elliot P. Lewis
Assistant Inspector General
for Audit

Appendices

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Appendix A**Background**

Within DOL, OWCP is responsible for administering FECA. Within OWCP, the Division of Federal Employees' Compensation (DFEC) adjudicates new claims for benefits and manages ongoing cases. FECA provides several types of benefits, including compensation for wage loss, schedule awards, medical and related benefits, and vocational rehabilitation services to Federal civilian employees for conditions resulting from injuries sustained in the performance of duty. The FECA also provides for the payment of compensation to survivors of an employee whose death resulted from a work-related injury. Benefits are paid from the Employees' Compensation Fund which is principally funded through chargeback's to the Federal agencies that employ the injured worker. Therefore, the FECA program affects the budgets of all Federal agencies. This reimbursement occurs once each year through the chargeback process.

FECA medical benefits include reimbursements to claimants for transportation costs they incurred to obtain reasonable and necessary medical services, appliances, or supplies. FECA claimants are required to use OWCP Form 957, *Medical Travel Refund Request* to receive reimbursement for these costs.

OWCP uses a contractor, ACS, to process and pay all claimants medical and transportation bills for the FECA program. For FYs 2010 and 2011, medical payments made for FECA claimants totaled more than \$900 million annually. For the same time period, OWCP transportation reimbursements totaled \$10.5 and \$14.9 million respectively (approximately \$13 million averaged for PYs 2010 and 2011).

We initiated this audit because of recent OLRFI investigations that found FECA transportation claim fraud whereby claimants submitted travel vouchers for medical visits that never occurred and overstated travel mileage for trips to pharmacies and medically-related appointments.

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Appendix B**Objective, Scope, Methodology, and Criteria**

Objective

The objective of this audit was to answer the following question:

Does OWCP have adequate internal controls to prevent unreasonable and unallowable transportation cost reimbursements to FECA claimants?

Scope

We selected a random sample of 91 transportation payments totaling \$12,053 from a universe of 2,349 payments for reimbursements to FECA claimants for mileage more than 200 and transportation costs more than \$75. The 2,349 payments were for trips that occurred from November 1, 2011, to March 31, 2012. These trips were paid during the period January 1, 2012, to March 31, 2012, and totaled \$332,041.⁴ We selected payments for trips that occurred after October 28, 2011, because this was the date that OWCP implemented revised controls.

In a separate test, we reviewed a judgmental sample of 9 claimants who each received more than \$35,000 in transportation payments for the 2-year period July 1, 2009, through June 30, 2011. We selected the 9 claimants from a population of 295 who received FECA reimbursements of \$5,000 and greater in during the 2-year period July 1, 2009, through June 30, 2011. We considered these claimants to be high risk based on our understanding of recent OLRFI investigations of FECA transportation claims by OIG's Office of Labor Racketeering and Fraud Investigations. For these 9 claimants, we analyzed a judgmental sample of travel vouchers covering the period July 1, 2009 through March 31, 2012. Specifically, we analyzed nine months of transportation activity for October 2008, April 2009, August 2009, May 2010, December 2010, June 2011, November 2011, December 2011 and January 2012. Together, the 9 claimants received \$174,464 for the months reviewed.

Finally, we tested all single transportation claims for mileage – totaling \$20,241 – that exceeded \$500 for the same 2-year period July 1, 2009, through June 30, 2011.

We conducted the fieldwork between December 2011 and July 2012 at OWCP's National Office in Washington, D.C. and at the FECA District Office, in Philadelphia, PA.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence

⁴ All FECA transportation costs for the period January 1 to March 31, 2012, totaled \$3,857,829.

obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Methodology

To assess OWCP's internal controls over transportation cost reimbursements to FECA claimants, we interviewed key OWCP staff, and reviewed applicable FECA requirements, including regulations, DFEC's Procedure Manual, and the Business Requirements section of OWCP's contract with ACS. We performed a walkthrough of the process for paying transportation cost reimbursements to FECA claimants.

A performance audit includes an understanding of internal controls considered significant to the audit objective and testing compliance with significant laws, regulations, and other requirements. In planning and performing our audit, we considered whether internal controls significant to the audit were properly designed and placed in operation. This included reviewing OWCP's policies and procedures related to transportation cost reimbursements to FECA claimants. We confirmed our understanding of these controls and procedures through interviews and documentation review and analysis. We evaluated internal controls used by OWCP for reasonable assurance that reimbursing FECA claimants for medically related transportation costs was done according to federal and OWCP requirements. Our consideration of OWCP's internal controls for reimbursing FECA claimants for medically related transportation costs would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

To determine if OWCP's internal controls over transportation cost reimbursements to FECA claimants were operating and effective, we tested 91 trips consisting of a random sample of 52 payments for trips that were 200 miles and greater and a random sample of 39 payments made for non-mileage costs that were \$75 and greater. For the payments made for trips that were 200 miles and greater, we searched OWCP's case management system —integrated Federal Employee Compensation System (iFECS) — to determine if there were authorizations by the claims examiners approving the travel. We also determined whether or not the payment was made after the authorization by comparing the approval date for the trip to date of service when the trip was made. For the payments made related to non-mileage costs that were \$75 or greater, we requested OWCP provide a copy of the travel voucher and receipts to support the amount claimed. To determine the effectiveness of the internal controls over mileage, we reviewed travel vouchers for 23 of the 52 sampled payments, of which 13 were authorized by a claims examiner. We compared the mileage claimed to the mileage between the locations shown on the travel voucher according to various internet search sites. If the claims examiner authorized the trip and the claimant overstated the mileage, this indicated the control was not effective.

Based on our statistical sample results, we used 95 percent confidence level. We used the test results to project the monetary range in unauthorized POV mileage reimbursements and travel expenses without required receipts.

To evaluate internal controls over high-risk claimants, we used a threshold of \$5,000 in annual transportation cost reimbursements to individual FECA claimants. Using OWCP's FECA Medical Bill Pay data base for the period July 1, 2009 through June 30, 2011, we identified 295 FECA claimants who were reimbursed \$5,000 or more annually, for a total of \$4,098,012. This amount represents 16 percent of the total amount reimbursed to all FECA claimants during the same period. We initially selected for review the 13 FECA claimants who received the highest amount of reimbursements for the period, but subsequently excluded 4 due to current OLRFI investigations. For the remaining 9 claimants, we determined that together they received \$583,323 for 10,259 trips within the period reviewed.

Travel Reimbursements Provided to the 9 Claimants Over a 2 Year Period	
Claimant	Amount Received
A	\$ 104,010
B	\$ 83,235
C	\$ 69,340
D	\$ 67,513
E	\$ 57,023
F	\$ 63,385
G	\$ 57,930
H	\$ 44,634
I	\$ 36,253
Total	\$ 583,323

To identify travel patterns of potential abuse, we analyzed nine months of transportation activity and documented daily travel and the reimbursement of claimed expenses. The reimbursements were primarily for mileage transportation expenses.

To test the accuracy of the mileage reimbursements, we selected a judgmental sample of 123 travel vouchers that contained 362 individual trips. For each of the 362 trips we verified that OWCP paid the claimant by reviewing payment history in AQS. We then tested the mileage claimed, the reasonableness of travel (closest vendor), adherence to regulation mileage guidelines, and other non-mileage travel cost reimbursements. Using internet search sites, we obtained the highest miles possible between the locations shown on the claimant's travel voucher and allowed a 10 mile difference before considering it an exception. We also used internet search sites to locate the common medical provider closest to the claimants' residence. However, we excluded doctor visits in our analysis because it would be difficult to determine if it was reasonable for the claimant to select a preferred doctor as compared to a pharmacy or medical provider of physical therapy. We reviewed documentation in iFECs to determine the extent of the claims examiner's involvement as related to travel expense reimbursements. We did not take exceptions to payments if there was sufficient documentation to justify it.

We relied on the computer-processed data contained in OWCP's FECA Medical Bill Pay database. We assessed the reliability of the data by: performing various tests of required data elements, and interviewing OWCP officials knowledgeable of the data. Based on these tests and assessments, we concluded the data was sufficiently reliable to use in meeting the audit objective.

Criteria

20 CFR, Part 10, dated June 28, 2011

DFEC Procedure Manual Parts 3 and Part 5, effective March 31, 2012

GAO Standards for Internal Controls in the Federal Government, November 1999

Appendix C

Acronyms and Abbreviations

ACS	Affiliated Computer Services, Inc.
AQS	Agency Query System
CFR	Code of Federal Regulations
DFEC	Division of Federal Employees' Compensation
DOL	Department of Labor
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
GAO	General Accountability Office
iFECS	Integrated Federal Employee Compensation System
OIG	Office of Inspector General
OLRFI	Office of Labor Racketeering and Fraud Investigations
OWCP	Office of Workers' Compensation Programs
PY	Program Year
Travel Voucher	OWCP Form 957

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OWCP Response to Draft Report

U.S. Department of Labor

Employment Standards Administration
Office of Workers' Compensation Programs
Washington, D.C. 20210



File Number:

SEP 28 2012

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

A handwritten signature in blue ink, appearing to read "Gary A. Steinberg", written over a horizontal line.

FROM: GARY A. STEINBERG
Acting Director
Office of Workers' Compensation Programs

SUBJECT: Audit of Controls Over Transportation Cost Reimbursements
to FECA Claimants (Report No. 03-12-003-04-431)

Thank you for the opportunity to address the final report for the Office of Inspector General's Audit of Controls Over Transportation Cost Reimbursements to Federal Employees' Compensation Act (FECA) Claimants. This audit has surfaced some opportunities for improvement in our controls over transportation costs. Some of the report recommends can be readily addressed while others will require additional review by the Office of Workers' Compensation Programs (OWCP).

OWCP agrees with the recommendation to implement a monitoring procedure over the Central Bill Processing (CBP) contractor to ensure it is obtaining claims examiner authorizations and receipts for non-mileage travel costs, as appropriate, prior to making payments. We will work with our CBP contractor and implement a monitoring procedure for claimant travel by January 31, 2013.

The recommendation to implement procedures requiring claims examiners to determine whether mileage requiring authorization is reasonable and to document the basis for their determination will require additional consideration to address. OWCP is committed to reviewing the current processes and developing a plan to address mileage authorization issues by March 31, 2013.

OWCP agrees with and has implemented the recommendation to revise the threshold requiring authorization for mileage to obtain medical services from 200 mile to 100 miles in accordance with the FECA regulations.

Working for America's Workforce

As for the recommendation to recover the \$3,771 identified as overpayments as a result of CBP contractor processing errors, we agree that overpayments should be recovered to the extent there is authority to recover the funds. However, our review indicates that, of the amount identified as overpayments due to the CBP contractor error, only \$450 was attributable to contractor error. The balance was due to "excess mileage charges." OWCP will review its authority to recover these payments and initiate appropriate collection procedures.

The report also includes a recommendation to develop and implement a surveillance report process to identify claimants who receive large annual in transportation cost reimbursements to determine if there is potential abuse and/or fraud and single travel cost reimbursement payment over \$500 to determine if any were improperly paid. OWCP agrees in part with the recommendation. OWCP will work with our CBP contractor to implement a surveillance report that identifies claimants receiving large annual transportation reimbursements by March 1, 2013. Further review is needed to determine appropriate actions for monitoring single travel cost reimbursements over \$500 and processes for determining potential abuse and/or fraud.

Thank you and your staff for your thoughtful recommendations. Please contact Cecily Rayburn at 202-693-0990 if you have any questions.

cc: Michael Hill, Audit Director

Appendix E

Acknowledgements

Key contributors to this report were Michael Hill (Audit Director), Daniel Pompili (Audit Manager), Eric Rann, Lisa Larosa, Gloria Collazo-Scotland, Dave Halstead, and Ajit Buttar.

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

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