

Protocol for OIG Audits, Inspections, Evaluations, and Investigations of the Federal Employees' Compensation Act Program

I. Background

The Department of Labor's Office of Workers' Compensation Programs (OWCP) and more than 70 employing Federal agencies share responsibilities for ensuring the efficiency, effectiveness, and integrity of the Federal Employees' Compensation Act (FECA) program. Rising government costs for FECA (\$1.4 billion in 1990 to \$2.3 billion in 2004) have prompted Federal agencies and their Offices of Inspector General (OIGs) to look for ways to reduce costs, return more people to work, and increase identification and prevention of fraud in the program.

Limited Federal OIG and OWCP resources require new thinking on how this program is audited or evaluated. Federal OIGs' multiple and duplicative data requests to OWCP, along with requests to review the program, may be inefficient, and require that the OIG community should rethink how to approach FECA-related audit, evaluation, and investigative work. OIGs need to consider the impact of potential findings and who has the authority to implement recommendations in deciding which OIG should take the lead in conducting and reporting of FECA-related work. This protocol will serve as a guide to the OIG community in its approach to reviewing the FECA program.

Objective

The objective of this protocol is to provide a more coordinated approach to conducting FECA-related audit, inspection, evaluation, and investigative work and to promote collaboration across the OIG community. The proposed protocol will help to ensure that FECA audits, inspections, evaluations, and investigations contribute to improved internal controls, reduced costs, return of claimants to work, and identification and prevention of fraud, waste and abuse in the program.

Scope

This protocol applies to Federal OIGs performing FECA-related audit, inspection, evaluation, and investigative work.

II. Types of Audits, Inspections, and Evaluations

For purposes of this protocol, types of audits, inspections, and evaluations refer to the entity issuing the audit or evaluation report. Types of audits, inspections, and evaluations are determined by what type of recommendations may result from the work.

FECA-related audits, inspections, and evaluations may result in recommendations to:

- Employing agencies
- DOL and/or its Office of Workers' Compensation Programs (OWCP)
- Executive or legislative branch representatives (i.e., Office of Management and Budget or Congress)

The attached chart provides examples of possible scopes of work, recommendations, and reporting mechanisms. Approaches to doing FECA-related work may include:

Employing agency OIG audit, inspection, or evaluation – An OIG may decide to do work that would result in recommendations on how its own agency carries out its responsibilities as an employing agency (i.e., how it manages claims and other operations related to the FECA program). OIGs are encouraged to and should pursue such work on their own schedules. If the project requires a special data request to OWCP, the agency OIG should meet with the Deputy Director of the Division of Federal Employees' Compensation (DFEC) (see Section V, below). The OIG should also notify DOL OIG of the planned work. Notification to the DOL OIG should be to the Assistant Inspector General for Audit (DOL OIG AIGA).

Although not a planned objective, an agency audit or evaluation of FECA may nonetheless identify issues that should be addressed by DOL OWCP. In those instances, the agency OIG should forward these issues to the DOL OIG AIGA for follow-up with DOL OWCP, inclusion in the annual FECA risk assessment, and/or for further work by DOL OIG.

Joint audit, inspection, or evaluation with DOL OIG – An OIG may decide to do work that could result in recommendations to the DOL or OWCP. However, only DOL OIG can issue recommendations to a DOL agency. OIGs whose work may result in recommendations to DOL or OWCP should consider working with DOL OIG on the project. The work could result in two separate reports — one by the employing agency OIG, and a

second one by DOL OIG that would contain the recommendations to DOL or OWCP. DOL OIG would be responsible for resolution and follow-up of any DOL or OWCP recommendations.

PCIE/ECIE audit, inspection, or evaluation – An OIG may decide to do work that could result in recommendations to Congress or the Office of Management and Budget. The PCIE/ECIE may recommend that a particular OIG take the lead on such a project and involve other participating OIGs as needed.

If several OIGs pursue work on the same topic and issue separate reports, the PCIE/ECIE may decide to roll up the results and issue its own report summarizing the results and findings.

III. Investigations

If investigators identify suspected systemic problems or patterns indicative of breakdowns in internal control, such matters should be referred to the employing agency OIG's auditors, inspectors, and evaluators as soon as reasonable considering the investigation's operational environment. Additionally, when FECA audits, inspections, and evaluations identify potential cases of fraud and criminal activities, they should be referred to the employing agency OIG's investigators, or to DOL OIG's investigators (through the DOL OIG Assistant Inspector General for Labor Racketeering and Fraud Investigations). Investigations may include individual agency investigations, coordinated investigative efforts by multiple OIGs, and/or joint audit/investigative projects at either the agency or PCIE/ECIE level.

IV. Roles and Responsibilities

President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency (PCIE/ECIE)

PCIE Audit Committee – The PCIE Audit Committee will be responsible for issuing PCIE reports to the executive and legislative branches that contain legislative recommendations related to the FECA Program.

Federal Audit Executive Council (FAEC) Audit Committee

The FAEC Audit Committee serves as the clearinghouse to review potential OIG audits and evaluations on the FECA Program that may be crosscutting and/or could result in recommendations to officials outside the employing agency. The FAEC Audit Committee will work with the PCIE Inspection and Evaluation Committee on proposals it receives from

OIGs and will request its input on proposed inspection and evaluation work.

The Committee will recommend to the PCIE Audit Committee the scheduling of FECA work in order to ensure timely and quality reports and to minimize the impact on and disruption to OWCP. Considerations include the need to pilot audits before involving the PCIE and build in lead time for data requests to OWCP.

Department of Labor Office of Inspector General

Only DOL OIG can issue recommendations directly to DOL or OWCP that address policies and operations of the Office of Workers' Compensation Programs.

As part of its annual audit of DOL's financial statements, DOL OIG requests information from other OIGs on findings about FECA from their audits, inspections, evaluations, and investigations, and reports significant findings (e.g., errors in FECA medical bill processing) in DOL's *Report on Performance and Accountability*. The financial statement audit includes testing of FECA medical and compensation expenditures.

The financial statement audit may be useful in providing the OIG community with information about risks in the FECA program. Additionally, DOL OIG will seek input to its annual risk assessment on the FECA Program from other OIGs. Results from the risk assessment may be useful in identifying priorities for upcoming FECA-related audit, inspection, evaluation, and investigative work — either at the employing agency or PCIE/ECIE level.

Other Federal OIGs

Other OIGs initiate audits, inspections, and evaluations within their agencies that are not designed to result in recommendations to the Department of Labor or the OWCP.¹

For audits, inspections, and evaluations that could result in recommendations to the Department of Labor or the OWCP, OIGs submit audit, inspection, or evaluation ideas to the FAEC Audit Committee for review and consideration, and referral to the PCIE Audit Committee. Participating OIGs will contribute staff and expertise, as

¹ Although not a planned objective, an agency audit or evaluation of FECA may nonetheless identify issues that should be addressed by DOL OWCP. In those instances, the agency OIG should forward these issues to the DOL OIG for follow-up with DOL OWCP, inclusion in the annual FECA risk assessment, and/or for further work by DOL OIG.

needed. Individual OIGs may lead PCIE/ECIE audits, inspections, or evaluations.

DOL OIG will annually ask other OIGs to send information on their FECA-related audit, inspection, evaluation, and investigative findings for review as part of the audit of the DOL financial statements.

Investigations – including individual agency investigations, coordinated investigative efforts by multiple OIGs, and/or joint audit/inspection/evaluation/investigative projects at either the agency or PCIE/ECIE level – that identify patterns that are indicative of breakdowns in internal controls should be referred to the auditors/inspectors/evaluators for the employing agency and/or DOL OIG, as appropriate.

V. Access to FECA Data

The following applies to audits, inspections, evaluations, and investigations, whether: conducted by individual employing agencies; conducted jointly by DOL OIG and employing agency (ies); or led by the PCIE/ECIE.

FECA Data Currently Available to Agencies

Agency Query System

The OWCP currently makes some FECA data available to all agencies through its Agency Query System (AQS). The system allows an agency's injury compensation specialist to query information on compensation payments, medical condition and paid medical bills related to a specific FECA claimant. The agency can only access data in the AQS for its own FECA claimants. Any OIG auditor, inspector, or evaluator requiring access to FECA data through the AQS should contact OWCP staff and obtain log-on IDs and passwords.

Routine Data for Chargebacks

On a regular basis, OWCP provides agencies, which have a large number of FECA claimants, data used to support the FECA chargebacks. The databases contain benefit and medical payment and case management data.

iFECS

OWCP has updated its technology and now has an electronic case management system called the Integrated Federal Employees' Compensation System (iFECS). Through a kiosk, the agency's injury claims specialist can review individual case file documentation that has been scanned into iFECS. Case information prior to 2002 was not imaged, and will not be available electronically. Access to a kiosk has to be requested from the Deputy Director of DFEC. There are a limited number of kiosks at the OWCP District Offices. However, OWCP may transfer the scanned documents for individual case files onto a CD or in another format if the review identifies a need for specific cases. OWCP will not provide the scanned documents on a routine or aggregate basis. Any OIG auditor, inspector, or evaluator who needs iFECS data should contact the Deputy Director of DFEC.

Special Data Requests to OWCP

An OIG auditor, inspector, or evaluator requiring data that his/her agency does not routinely receive from OWCP should schedule a meeting with the Deputy Director of DFEC to discuss its request. The discussion will cover the project's objectives, clarify the types of data the OIG needs, and identify the format for receiving them. This initial meeting is intended to reduce additional data requests to OWCP, which has limited computer staff available to handle them. The DOL OIG should also be notified in advance of any meeting or data request.

All OWCP records relating to claims for benefits, including copies of such records maintained by an employer, are considered confidential and may not be released, inspected, copied or otherwise disclosed except as provided in the Freedom of Information Act and the Privacy Act of 1974. OWCP information is available to be used by employing agencies only for purposes consistent with the routine uses in OWCP's system of records for FECA information, DOL/GOVT-1. Requests from an agency for materials in a case file should include the specific reason for requesting the information.

Requests for information or explanations about the FECA program or its operation should be addressed to the Deputy Director of DFEC.

The above data request protocol applies only to work whose scope is limited to the OIG's agency. For projects that involve crosscutting issues and DOL OIG participation, the DOL OIG will facilitate the data requests.

It is expected, however, that the coordinated planning and prioritization process envisioned in this protocol will keep data requests to OWCP manageable.

VI. Issuing Reports for Resolution

Only DOL OIG can issue recommendations directly to DOL or OWCP. See section II (above) for joint work involving both the employing agency OIG and DOL OIG in order to facilitate this type of reporting.

Reports that focus on recommendations to the employing agencies should be issued by the OIG of the employing agency. If any DOL OIG, PCIE, or other joint-effort audits identify issues that should be addressed by a specific employing agency, the issues will be provided to that employing agency's OIG for inclusion in its audit plan or for further work.

Reports with legislative recommendations should only be issued by DOL OIG and/or the PCIE/ECIE.

OIGs are encouraged to notify the PCIE Audit Committee and the PCIE Inspection and Evaluation Committee of recently released reports to their own agency so the information can be shared with the Federal OIG community.

DOL-OIG will share the results of their audits with PCIE Audit Committee and the PCIE Inspection and Evaluation Committee so this information may be shared with the Federal OIG community

VII. Effective Date

This protocol applies to OIGs' FECA-related audit, inspection, evaluation, or investigative work **beginning on or after July 1, 2006.**

Attachment

Federal OIG Audit, Inspection, and Evaluation Work on FECA Reporting Mechanisms

Scope	Example of Recommendation	Audit, Inspection, or Evaluation Lead	Action official	Reporting Entity
Operations of employing agency	Require all agency departments to establish light duty/return-to-work programs.	Employing agency OIG	Employing agency	Employing agency OIG
Operations of employing agency	Review efficiency and effectiveness of hiring nurses to reduce duplication with OWCP nurse intervention program.	Employing agency OIG	Employing agency	Employing agency OIG
Operations of employing agency	File CA-1 forms for initial claims with OWCP more timely.	Employing agency OIG	Employing agency	Employing agency OIG
Operations of employing agency	Establish a full-time agency workers' compensation coordinator to be a liaison with OWCP.	Employing agency OIG	Employing agency	Employing agency IG
Operations of employing agency	Assist agency offices to identify potentially fraudulent claims that should be referred to OIG for investigation.	Employing agency OIG	Employing agency	Employing agency IG
Crosscutting	Resolve customer complaints in a more timely manner.	Joint project—employing agency OIG and DOL-OIG	OWCP	DOL
Crosscutting	Manage contracts for services such as paying medical bills with more oversight in order to reduce errors and overpayments.	DOL	OWCP	DOL
Crosscutting	Reduce claims examiners' caseloads in order to ensure more accurate adjudication of claims.	Joint project—employing agency OIG and DOL-OIG	OWCP	DOL

Scope	Example of Recommendation	Audit, Inspection, or Evaluation Lead	Action official	Reporting Entity
Crosscutting	Reexamine formula used to allocate OWCP staff across District Offices.	PCIE recommends OIG to lead	OWCP	DOL
Crosscutting	Move claimants into a form of retirement after a certain age if they are still injured.	PCIE recommends OIG to lead	Congress	PCIE/ECIE
Crosscutting	Return a 3-day waiting period to the start of the 45-day continuation-of-pay process.	PCIE recommends OIG to lead	Congress	PCIE/ECIE
Crosscutting	Grant authority to DOL to routinely access SSA wage records to identify claimants defrauding the program.	PCIE recommends OIG to lead	Congress	PCIE/ECIE