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EMPLOYMENT STANDARDS ADMINISTRATION

SUBJECT: Audit Report – Office of Workers' Compensation Programs' Schedule Award Payments to Postal Service Employees in the Pacific Area – Report I (Report Number HM-AR-06-001)

This report presents the results of our self-initiated review of the Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP) Schedule Awards (Project Number 04WG010HM000). Our objectives were to determine, for chargeback year[1] (CBY) 2004, whether the Postal Service's Pacific Area was overcharged for schedule award payments and received credits or refunds for overpayments from the OWCP; and whether federal schedule awards are comparable to schedule awards made by states and selected private insurance companies. This report includes recommendations to OWCP management to improve their schedule awards program and supplements our report to the Postal Service, *OWCP Schedule Award Payments to Postal Service Employees in the Pacific Area – Report II* (Report Number HM-AR-05-011, dated September 29, 2005).

We used a statistical sample to project that in CBY 2004, the Postal Service was overcharged about $249,506 and undercharged about $240,222 for schedule awards in the Pacific Area. The overcharge is about 1.2 percent of the $20.6 million paid to Postal Service employees in CBY 2004 in the Pacific Area. The over- and undercharges were less than 1 percent of the amount paid to employees; however, they indicated that OWCP over- and underpaid 4 percent of the Pacific Area employees who received schedule award payments. Although the amounts are not significant compared to the total schedule award payments, they highlight the fact that some employees did not receive benefits they were entitled to, while others received more. The Postal Service thus far has received a $200 credit from OWCP for the overcharges identified.

We also concluded that Federal Employees' Compensation Act (FECA) schedule award maximums are not comparable to state schedule award maximums. Finally, we could not determine the extent to which private insurance companies' schedule award maximums were comparable to federal maximums because private companies computed their awards differently.

[1] OWCP's Chargeback System (CBS) is the mechanism by which the costs of compensation for work-related injuries and death are billed annually to employing agencies. The chargeback billing period is from July 1 in one year to June 30 the following year.

The report contains seven recommendations to help the DOL OWCP improve its management of schedule awards. Management agreed with recommendations 1, 3, and 5. Management disagreed with recommendations 2, 4, 6, and 7. Management's comments, in their entirety, are included in Appendix F of this report.

While managements' comments were generally responsive, we are concerned that relevant information was not provided during our field work, and instead was provided after we issued our formal draft report. Providing the information during the review would have facilitated an earlier resolution to the findings and issuance of this report.

Background

OWCP

OWCP adjudicates claims and pays compensation, medical, and death benefits for injured federal workers, including Postal Service employees. OWCP pays these from its Employees' Compensation Fund, which federal agencies later reimburse through the chargeback billing process. FECA pays workers' compensation benefits to civilian employees, including Postal Service employees, for specified periods of time for the permanent loss, or loss of use, of certain members, organs, and functions of the body. Payment is for a specified number of days or weeks, depending on the severity of the impairment. This compensation benefit is a schedule award.

Schedule Award

The schedule award compensation for proportionate periods of time is payable for partial loss, or loss of use, of each member, organ, or function of the body beginning on the date of maximum medical improvement.[2] In addition, a schedule award can be paid if the employee returns to work. However, employees may not receive wage-loss compensation and schedule award payments concurrently for the same injury.

OWCP district medical advisors determine the percentage of permanent impairment according to the American Medical Association's *Guide to the Evaluation of Permanent Impairment*. Title 5 of the United States Code (U.S.C.)[3] defines the number of weeks allotted for payment by body part or organ. The compensation is computed by multiplying:

- The indicated number of weeks
- × the percentage of impairment
- × 66 ⅔ percent (for employees without dependents), or 75 percent (for employees with dependents) of the employee's weekly base pay.

[2] Maximum medical improvement is defined as a medical judgment that the condition has permanently stabilized.
[3] Part III, Subpart G, Chapter 81, Subchapter I, Section 8107, Compensation Schedule.

For example, a schedule award payment for a married employee earning a base pay of $50,000 a year who loses an arm or the use of an arm (100 percent permanent impairment) is computed by determining the rate of pay per week as follows:

- $50,000 ÷ by 52 weeks = $961.54 per week.
- $961.54 per week × 75 percent = $721.16 per week.
- $721.16 per week × 312 weeks[4] × 100 percent = $225,000.
- $225,000 is the amount of the employee's schedule award.

If an employee sustains a period of total disability during the award period, the payments may be interrupted while the employee is on total disability, with the payments resuming after the employee is no longer on total disability. If an employee dies while receiving a schedule award from causes unrelated to the injury, his or her dependents are entitled to the balance of the award at the rate of 66 ⅔ percent.

Postal Service Schedule Award Payments

The Postal Service's schedule award payments to employees represented over 42 percent of all schedule award payments for the federal government from CBYs 2001 to 2004, as shown in Table 1. Further, for the same period, the Postal Service's schedule award payments increased significantly more than all other federal agencies combined. Specifically, the payment increased from $81 million to $108 million (33 percent), while all other federal agencies' combined payments increased from $111 million to $131 million (18 percent).

Table 1. Postal Service's Schedule Award Payments Compared to Other Government Agencies for CBYs 2001 to 2004

	Schedule Award Payments					
	Postal Service		All Other Government Agencies		Government-wide	Postal Service's
CBY	Payments (millions)	Percentage Increase from Previous CBY	Payments (millions)	Percentage Increase from Previous CBY	Payments (millions)	Percentage of Government-wide Awards
2004	$108	14	$131	7	$239	45.1
2003	94	9	123	6	217	43.4
2002	86	6	116	5	203	42.6
2001	81	---------	111	---------	192	42.2

Source: Deputy Director, Division of Federal Employees' Compensation (DFEC)

Postal Service officials did not know why the Postal Service's schedule award payments increased significantly more from CBYs 2003 to 2004 than other agencies' payments during the same period. Two officials said Postal Service employees may have more severe injuries than other federal employees because the agency has a larger number of blue-collar employees than other federal agencies. The OWCP national medical director told us the reasons may be that the Postal Service had more cases than other agencies, and some Postal Service employees had more than one schedule award.

[4] As defined by Title 5. If the employee had a 50 percent permanent impairment, the number of weeks would be 156.

Postal Service Workers' Compensation Costs

The Postal Service was the largest participant in OWCP in CBY 2005, representing about 46 percent of the total cases for the federal workforce that participated. It was also the largest payee to OWCP, with approximately $818.2 million in payments for the same year. This is about 35 percent of the $2.3 billion in total federal workers' compensation payments. In addition to the $818.2 million, the Postal Service also paid approximately $21.9 million in chargeback billing costs for the old Post Office Department,[5] and an administrative fee[6] of $44.3 million. This brings the total CBY 2005 costs to $884.4 million, as shown in Table 2.

Table 2. Postal Service Total Workers' Compensation and Medical Costs for CBY 2005

Type of Cost	CBY 2005 (millions)
Postal Service workers' compensation and medical costs	$818.2
Post Office Department workers' compensation and medical costs	21.9
Administrative fee	44.3
Total	$884.4

Source: DOL OWCP Chargeback Billing Summary

Objectives, Scope, and Methodology

We discuss our objectives, scope, and methodology in Appendix B in detail.

Prior Audit Coverage

We did not identify any prior audits related to the objectives of this audit.

[5] The Post Office Department represented compensation claims incurred before the Postal Service reorganization in 1971. Under the Postal Reorganization Act of 1971, the Postal Service remained responsible for payment of all Post Office Department workers' compensation claims incurred before July 1, 1971.
[6] Administrative fees represent the amount OWCP assesses for managing workers' compensation claims. The amount paid is approximately 5 percent of the Postal Service's medical and compensation costs. The Postal Service's administrative fees increased 35 percent, from $32.9 million in CBY 2000 to $44.3 million in CBY 2005.

Audit Results

Postal Service Over- and Undercharges

The Postal Service was overcharged about $249,506 and undercharged about $240,222 for schedule awards in the Pacific Area, in CBY 2004. OWCP and the Postal Service should ensure employees are paid the amounts authorized. This assurance would have prevented the payment of approximately $21,759 by the Postal Service ($9,284 of funds put to better use and $12,475 of unrecoverable costs), and $12,011 in potential costs to the Postal Service.

Specifically, at least $9,284 in payments was based on all of the projected overpayments, offset by the projected underpayments. This amount will be reported as funds put to better use in our *Semiannual Report to Congress* (SARC). The Postal Service has received a $200 credit from OWCP for the overcharges identified. In addition, the Postal Service was assessed $12,475 for administrative fees by DOL for the overcharges. Because OWCP is not required to reimburse agencies for administrative fees assessed on overpayments, these funds are unrecoverable and will also be reported as such in our SARC. Finally, if the identified underpayments and the respective administrative fees are paid, the Postal Service will incur a cost of $12,011.[7] These funds represent an additional expense to the Postal Service and will be reported as such in our SARC. (See Appendix C for the summary of monetary impact to the Postal Service.)

We used a statistical sample of 157 case files from a universe of 1,082 files to arrive at the projections. The overcharge is about 1.2 percent of the $20.6 million paid to Postal Service employees in CBY 2004 in the Pacific Area, and the undercharge is approximately 1.2 percent of the amount paid. Although these amounts are not significant compared to the total schedule award payments ($20.6 million), they highlight the fact that some employees did not receive the benefits they were entitled to, while others received more.

Of the 157 case files reviewed, 8 employees who received schedule award payments in the Pacific Area in CBY 2004 were paid more or less than the amounts authorized, as follows:

- 3 employees were overpaid.
- 5 employees were underpaid.

See Appendices B and D for the methodology and statistical sampling and projections, respectively.

[7] An administrative fee of about 5 percent (of $240,222) will be assessed if the Postal Service pays the underpayments.

Management's Comments

Management stated the audit presents an inflated error rate. They stated that in 40 cases, the differences noted were the result of cost-of-living adjustment (COLA)[8] payments that were properly paid in all cases reviewed. Management also stated that in the 35 cases cited as underpayments, the auditors miscalculated the COLAs, and these too were proper payments. Management said excluding the 75 cases (40 plus 35) the auditors mistakenly cited as errors would result in a 5.7 percent error rate, not 53 percent. They said the discrepancy in error rates was further exacerbated because the auditors used the percentage of errors to project funds put to better use. Management's written comments did not provide documentation to support their assertions.

Management also stated the total dollar amount authorized for the sampled payments represents less than 4 percent in over- and undercharges of the total amount paid.

Overall Evaluation of Management's Comments

We disagree with management that the audit presents an inflated error rate and that the discrepancy in error rates was further exacerbated because the auditors used the percentage of errors to project funds put to better use. Our initial review of 41[9] case files showed the amounts paid were higher than authorized. During our fieldwork management told us the overpayments may have been the result of properly paid COLAs. They said, however, there was insufficient time and number of staff to conduct detailed reviews to verify this. We concurred with management's decision not to conduct detailed reviews because the amounts in question were below DOL's $700 threshold for recovery.[10] In addition, we noted in the draft report the overpayments could be the result of COLAs.

We also disagree that in the 35 cases cited as underpayments, we miscalculated the COLAs and the payments were proper. We did not calculate the COLAs, but rather compared the amounts that should have been paid to employees (as recorded on the Schedule Award of Compensation Letter) to the amounts recorded as paid in the OWCP Agency Query System. In addition, during the audit, we provided OWCP with the list of 35 cases for their review and comments, and they did not provide us with documentation to support that payments were correct. It was not until we contacted management after receiving their written comments that we received documentation to support the over- and underpayments of less than $500 which were the result of COLAs. When we asked the OWCP assistant director, San Francisco District, why this documentation was not provided to us during the fieldwork, she said she was not asked

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[8] The COLA allows for the increase in living costs from year to year.

[9] We identified 41 cases where the overpayments were less than $500 and not 40 cases as stated by DOL management in their comments.

[10] Our scope period for the cases we reviewed was CBY 2004 (July 1, 2003, to June 30, 2004). The DOL threshold for recovery was $500 up until May 28, 2004, when DOL increased the amount to $700.

for it. The computations affected by the new documentation have been incorporated into the report.

We disagree with management that the discrepancy in error rates was further exacerbated because we used the percentage of errors to project funds put to better use. Appendix C shows the monetary impact identified as funds put to better use was based on the over- and underpayments greater than $500, not on those less than $500.

We agree the total dollar amount for the sampled payments represents a small percentage of the total amount paid, and we state that in the report. We also state, however, the over- and undercharges highlighted the fact that some employees did not receive benefits they were entitled to, while others received more.

Overpayments Identified

Three employees were overpaid, as shown in Table 3. These 3 overpayments totaled $33,346 and represented 100 percent of the amount on which we based our projections. Further, two of the three employees (Employees B and C) received $28,544 (86 percent) of the $33,346 in overpayments.

Table 3: Three Overpayments, by Employee, Compared to Total Overpayments (Numbers Rounded)

Employee	Amount Authorized	Amount Paid	Amount Overpaid	Percentage of Total Overpayments
Employee A[11]	$42,361	$47,163	$4,802	14
Employee B	$45,093	$54,777	$9,684	29
Employee C	$37,141	$56,001	$18,860	57
Total	$124,595	$157,941	$33,346	100

Sources: Postal Injury Compensation System (PICS),[12] Schedule Award of Compensation Letters, and OWCP Agency Query System Case Compensation Payment History

A review of OWCP employee case file and payment records showed that Employee A's overpayment of $4,802 was the result of two periodic payments made after he received a final lump sum payment. In the case of Employee B, OWCP paid him $9,684 in four periodic payments, also after a lump sum was paid. Finally, Employee C received ten periodic payments totaling $18,860 after receiving a lump sum payment.

[11] The employee repaid $200 in September 2004. According to the Pacific Area Injury Compensation manager, the $200 was credited to the Postal Service on June 11, 2005.
[12] PICS is an OIG system that contains weekly medical costs and workers' compensation data from OWCP for each injured Postal Service employee.

DOL policy states an employee can receive a schedule award in a lump-sum payment[13] or periodic payments spread out over time. In addition, at the time the three employees received their lump-sum schedule award payments, procedures required OWCP personnel to manually complete DOL Form Compensation Act (CA)-25[14] and submit it to the Automated Compensation Payment System (ACPS) to stop the periodic payments.

However, the OWCP assistant director, San Francisco District, said OWCP personnel did not submit the required Forms CA-25. As a result, Postal Service employees were overpaid, and the Postal Service was overcharged. Further, the Postal Service was assessed an administrative fee, which is unrecoverable. The assistant district director did not know why OWCP personnel did not submit the forms.

The DFEC deputy director stated the Integrated Federal Employees' Compensation System (iFECS) replaced ACPS in February 2005. He told us iFECS eliminated the use of the CA-25; and instead, the information is now entered directly into the system. However, the deputy director told us iFECS does not have an automatic control to stop periodic payments when the lump sum option is selected. He said a control will be added to the list of iFECS enhancements to be made in the future, probably in fiscal year 2006.

<u>Corrective Action</u>

Before our review, the OWCP notified Employees A and B they were overpaid, and asked them to return their overpayments of $4,802 and $9,684, respectively (a total of $14,486), to OWCP. OWCP also issued a letter dated January 24, 2005, to Employee C informing him of the preliminary finding that he was overpaid $18,860. The letter advised him of his right to submit evidence or arguments that he believes will affect this preliminary finding.

Recommendation

We recommend the assistant secretary, Employment Standards Administration, direct appropriate officials to:

1. Program the Integrated Federal Employees' Compensation System as soon as possible to automatically reject periodic payments when the lump-sum payment option has been selected.

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[13] Federal Register, 20 Code of Federal Regulations (CFR), Part 10, Section 10.422(b), states that a lump-sum payment may be made to an employee entitled to a schedule award under 5 U.S.C. Section 8107, when OWCP determines that the payment is in the employee's best interest. Lump-sum payments of schedule awards are generally considered in the employee's best interest only if the employee does not rely on compensation payments as a substitute for lost wages (that is, the employee is working or is receiving annuity payments). An employee has no absolute right to a lump-sum payment of benefits under 5 U.S.C. 8107.

[14] DOL Form Compensation Act CA-25, ACPS Periodic Roll Payment 510-01.

Management's Comments

Management agreed with the finding and recommendation. Management stated they are working to modify iFECS to automatically stop periodic payments when a lump sum schedule award is processed. Management stated the modification will be implemented during 2006. Management stated, however, the FECA reform bill[15] would change the law on this point: claimants would be allowed to receive both the lump sum schedule award and the wage loss compensation during the same period.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation. Management's planned action should correct the issues identified in the finding.

Recommendation

We recommend the assistant secretary, Employment Standards Administration, direct appropriate officials to:

2. Reexamine schedule award case files from chargeback year 2003 to date to ensure that periodic payments have been deleted for claimants (Postal Service employees) who selected the lump-sum payment option. The assistant secretary may also wish to consider applying this recommendation to all claimants, regardless of the federal agency that employed them.

Management's Comments

Management agreed with the finding but disagreed with the recommendation. Management stated all cases on the periodic rolls are reviewed annually as part of the periodic rolls management project, including Postal Service cases where the claimant has elected the lump-sum payment option. Management stated this review should discover cases for which a lump sum has been paid, but periodic payments continue for the same period. Management also stated that of the four actual overpayments in the sample, two had already been discovered before the U.S. Postal Service Office of Inspector General (OIG) review. Management stated that given the relatively small error rate, they believe the expenditure of resources to further analyze all schedule awards since 2003 would not be cost-effective.

[15] According to a March 14, 2005, draft DOL *FECA Amendments of 2005*, for any injury occurring on or after the date of enactment, and for any new claim for a period of disability commencing on or after the date of enactment, a lump sum of schedule compensation may be received in addition to and simultaneous with workers' compensation benefits for total or partial disability." This legislation has not been finalized and sent to Congress for action.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and their annual review focusing on accurate payments should correct the issues identified in the finding.

Underpayments Identified

Five employees were underpaid, as shown in Table 4. These five underpayments totaled $47,965 and represented 100 percent of the amount on which we based our projections. Further, two of the five employees (Employees D and E) received $37,592 (79 percent) of the $47,965 in underpayments.

Table 4: Five Underpayments by Employee Compared to Total Underpayments

Employee	Amount Authorized	Amount Paid	Amount Underpaid	Percentage of Total Amount Underpaid
Employee D	$28,216	$2,521	($25,695)	54
Employee E	$55,032	$43,135	($11,897)	25
Employee F	$42,769	$33,637	($9,132)	19
Employee G	$40,891	$40,268	($623)	1
Employee H	$35,291	$34,673	($618)	1
Total	$202,199	$154,234	($47,965)	100

Sources: PICS, Schedule Award of Compensation Letters, and OWCP Agency Query System Case Compensation Payment History

Employee D's schedule award was interrupted[16] from August 18, 2003, to April 25, 2004, to pay temporary total disability[17] payments. When the disability payments ceased in April 2004, schedule award payments should have resumed; however, the claims examiner forgot to resume the payments. The assistant district director said the new system, iFECS, will allow claims examiners to manually input reminders. We noted this will also require the claims examiners to remember to input the reminder.

In addition to a claims examiner not resuming award payments for Employee D, an examiner computed Employee E's schedule award incorrectly. This occurred because the claims examiner used the incorrect number when multiplying the *number of days (633.36)* by 75 percent for a compensation rate of $475.02 per week, instead of multiplying the *base pay rate ($806.71)* by 75 percent for a compensation rate of $605.03. In addition, the amount was not properly certified or verified by other claims examiners. This resulted in an underpayment of $11,897.40.

[16] If an employee sustains a period of total disability during the award period, the payments may be interrupted while the employee is on total disability, with the payments resuming after the employee is no longer on total disability.
[17] Federal Register, 20 CFR, Part 10, Section 10.400(b), states, "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."

OWCP policy[18] requires claims examiners[19] to compute and certify schedule award payments using DOL Form CA-203.[20] The policy also states that after the initial claims examiner computes the schedule award and a second examiner certifies it, a third examiner must verify the amount keyed in to ACPS. According to the DFEC deputy director, before a DOL letter is sent to claimants advising them of the amount(s) they will receive, a senior claims examiner or a journey-level claims examiner must verify the letter for correctness. Additionally, OWCP policy[21] states that if a recurrent pay rate[22] is established, the claimant is entitled to that rate for the balance of the schedule award.

Information in ACPS and Employee E's Schedule Award Compensation Letter showed that neither the claims examiner who verified the information input into ACPS, nor the senior claims examiner who reviewed the letter, identified the inaccurate information in ACPS, or the letter. Specifically, the claims examiner completed the DOL Form CA-203 on March 13, 2003; the verifier reviewed the information in ACPS on March 14, 2003; and the senior claims examiner reviewed the letter before it was sent to the claimant on March 17, 2003.

The assistant district director told us that because the certification process for schedule award payments involves human beings, human error is always possible. She said the district tries to minimize human error by having senior claims examiners, and in some cases journey-level claims examiners, certify initial payment computations. She said she knows of no automated process that can eliminate the claims examiner.

According to the deputy director, schedule award payments are no longer carried over from a DOL Form CA-203 and entered into a system. Rather, the information is entered directly into the schedule award computation screen (the equivalent of a DOL Form CA-203) and then forwarded for certification. However, the deputy director said OWCP must rely on the claims examiner's review of the payment information and the certifier's verification that the information entered is correct. So, while there is less chance of erroneously entering a figure from a correct calculation, the calculation must still be accurate to ensure appropriate compensation payment.

<u>Corrective Actions</u>

Based on our work, OWCP officials issued payments to Employees D through H for $36,908 of the $47,965 for the underpayments we identified. Employee D was paid

[18] FECA Procedure Manual 2-0901-3, *Responsibilities*, (Part b) Certification.
[19] The amount of the schedule award payment dictates which level must certify the payment. For example, a journey-level claims examiner can certify up to $14,000; a senior claims examiner can certify payments up to $50,000; and a supervisory-level claims examiner can certify payments greater than $50,000.
[20] DOL Form CA-203, ACPS Schedule Award Payment – 510-09.
[21] FECA Procedure Manual 2-0808-7, *Payment of Schedule Awards*, (Part a), Computing Awards, Section 3.
[22] The recurrent pay rate is the rate a claimant is entitled to when or if his or her disability recurs. Claimants are entitled to a pay rate for compensation either at the time of the initial injury or when the disability recurs. A recurrence of disability means an inability to work after an employee has returned to work, caused by a spontaneous change in a medical condition that resulted from a previous injury or illness without an intervening injury, or new exposure to the work environment that caused the illness.

$14,453, which is $11,242 less than the $25,695 we identified, because of a revised percentage of impairment.

Employees E, F, and G were also paid the amounts we identified ($11,897, $9,132, and $623, respectively). Employee H received $803, which was $185 more than the $618 we identified because the employee was also underpaid for total disability compensation.[23]

In a separate report,[24] we discuss the corrective actions taken by the Postal Service Pacific Area based on our work. Specifically, the Pacific Area implemented a Schedule Award Verification Standard Operating Procedure (SOP) – effective August 26, 2005. The SOP was signed by the Pacific Area Injury Compensation manager and directed all Pacific Area District Injury Compensation managers to review schedule award payment data for accuracy. The SOP requires district injury compensation managers, at least once each quarter, to:

- Build/create a Schedule Award Report in the Injury Compensation Performance Analysis System.
- Review the Schedule Award Report to ensure employees are paid the amounts authorized (compare the total amounts paid with the amounts authorized or the total amount of the schedule award).

Further, the SOP stated that Postal Service headquarters is considering a modification to the Schedule Award Report, to include a column displaying the total amount of the award paid to date. Officials said this would facilitate the identification of over- and underpayments.

Credits and Refunds Need to be Recovered

As of June 11, 2005, of the $33,346 in overcharges, the Postal Service received a $200 credit from OWCP. Postal Service officials said they were unaware of the overpayments and are identifying the overcharges.

An OWCP official stated that credits for overpayments are posted to the appropriate agency's account when the money is received from the employee, not when the overpayment is identified. Specifically, even though a potential overpayment is identified, the claimant is entitled to due process. Once the process is complete, any monies received from the claimant are credited to the agency upon receipt by OWCP. This is also true for underpayments. An official stated that where underpayments are

[23] A review of the employee's case file indicated the pay rate initially used was incorrect. As a result, the employee was underpaid for her schedule award payment, as well as her total disability (or regular workers' compensation) payment.
[24] *OWCP' Schedule Award Payments to Postal Service Employees in the Pacific Area – Report II* (Report Number HM-AR-05-011, dated September 29, 2005).

identified, the Postal Service will be charged for payments made to employees after OWCP makes the payment, not as of the date the underpayment was identified.

Recommendation

We recommend the assistant secretary, Employment Standards Administration, direct the director, Office of Workers' Compensation Programs:

3. To program the Integrated Federal Employees' Compensation System to allow the claims verifier and senior claims examiner to confirm the accuracy of the information input on the automated DOL Form CA-203, Automated Compensation Payment System Schedule Award Payment – 510-09, by the claims examiner.

Management's Comments

Management agreed with the finding and recommendation and stated the ability to confirm the accuracy of information exists and is being used.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation. Management's action should correct the issues identified in the finding.

Recommendation

We recommend the assistant secretary, Employment Standards Administration, direct the director, Office of Workers' Compensation Programs:

4. To program the Integrated Federal Employees' Compensation System to automatically remind claims examiners to pay the remaining balance of a schedule award at the recurrent pay rate when an award is interrupted to pay temporary total disability.

Management's Comments

Management agreed with the finding but disagreed with the recommendation. Management stated a claims examiner must determine payment of a recurrent pay rate, and a different journey level claims examiner must verify it. Management stated that a schedule award interrupted by an intervening period of total temporary disability does not guarantee that a recurrent pay rate is applicable. Management also stated that such a determination must be made on a case-by-case basis. They said no coding structure exists to differentiate disability benefits being paid during an interrupted schedule award from those paid in general or following completion of a schedule award. They also said these cases are rare, and implementing this recommendation would involve a complex system enhancement that might not be cost-effective. Management reiterated that the FECA reform bill will change the law in this area so that claimants will be allowed to receive both the lump-sum schedule award and the continuing wage loss during the same period.

Evaluation of Management's Comments

Management's comments are not responsive to the recommendation because they have not provided assurance that schedule award balances, when warranted, will be paid correctly. Programming iFECS to automatically remind claims examiners to pay the remaining balance of a schedule award will ensure they adhere to OWCP policy. If this involves a system enhancement that is not cost-effective, an alternative would be for management to include in their annual review of periodic roll cases a review of schedule awards that were interrupted to determine whether balances are due. We have not identified this recommendation as significant and therefore will not pursue it through the resolution process.

Recommendation

We recommend the assistant secretary, Employment Standards Administration, require the director, Office of Workers' Compensation Programs:

5. To direct the verifier and senior claims examiner to use a computerized spreadsheet (such as Microsoft Excel)[25] to confirm the accuracy of the information on the DOL Form CA-203, until such time as the Integrated Federal Employees' Compensation System can be programmed for verification of accurate information on the DOL Form CA-203, Automated Compensation Payment System Schedule Award Payment – 510-09.

Management's Comments

Management agreed with the finding and recommendation and stated the ability to confirm the accuracy of information exists and is being used.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation. Management's action should correct the issues identified in the finding.

Recommendation

We also recommend the director, Office of Workers' Compensation Programs, instruct the Office of Workers' Compensation Programs director, San Francisco District, to:

[25] Microsoft Excel is a spreadsheet program from the Microsoft Office suite of productivity tools for Windows and Macintosh.

6. Reexamine schedule award case files from chargeback year 2003 to date to verify that award calculations are accurate, and ensure that claimants (Postal Service employees whose case files are managed in the San Francisco District) are paid at the correct weekly pay rate.

Management's Comments

Management agreed with the finding but disagreed with the recommendation. Management stated that action to resolve this recommendation would be premature, and that the amount of work required resolving this recommendation does not seem warranted, considering the percentage of under- and overcharges identified during the audit.

Management also stated that during 2006, DFEC will conduct a pilot internal review to further assess the extent of problems with the accuracy of schedule award payments. Management stated that if warranted, the results of the review will be used to create a specific schedule award element to add to the accountability review cycle for 2006 to help correct problems in the future.

Evaluation of Management's Comments

Management's planned action to conduct an internal review to assess the extent of problems with accuracy of schedule award payments is responsive to the recommendation.

Recommendation

We recommend the director, Office of Workers' Compensation Programs, instruct the Office of Workers' Compensation Programs director, San Francisco District, to:

7. Reexamine schedule award case files from chargeback year 2003 to date to verify, for those claimants (Postal Service employees whose case files are managed in the San Francisco District) whose awards were interrupted, that the remaining balance of the schedule award is paid at the correct pay rate.

Management's Comments

Management agreed with the finding but disagreed with the recommendation. Management stated that because no coding structure exists that differentiates disability benefits being paid during an interrupted schedule award from those paid in general or following completion of a schedule, there is no efficient way to identify the small number of cases in question.

Evaluation of Management's Comments

Management's comments are not responsive to the recommendation because they have not provided any assurance through planned actions that balances, when warranted, will be paid. Policy states that management must ensure all claimants are paid correctly. We have not identified this recommendation as significant and therefore will not pursue it through the resolution process.

Additional Management Comments

Management stated the audit team reviewed the percentage of employees who received schedule award payments during the CBY; however, the report does not specify how these employees were identified. Management also stated the team examined all aspects of the payments back to their inception, which in many cases was outside of the CBY. Management also stated the team looked at the work for more than 1 year and compared those findings to the payments of only 1 CBY. Management stated that such a skewed universe would give an artificially high error rate.

Evaluation of Additional Management Comments

We disagree the report does not specify how the employees were identified. Appendix B of the report explains we obtained a universe of cases where at least one schedule award payment was made in CBY 2004 in the Pacific Area, and the period of award had ended. We selected a statistical sample of cases from the universe. To determine whether OWCP over- or undercharged the Postal Service, we compared the authorized schedule award amount found in the Schedule Award of Compensation Letter sent to the employee, to the amount actually paid to the employee as recorded in OWCP's Agency Query System Case Compensation Payment History. We did not examine all aspects of payments back to their inception—only those payments made within the periods indicated in the Schedule Award of Compensation Letter. Therefore, we did not consider payments made before the dates and periods indicated in the letter.

Federal Schedule Award Comparisons With States

States also make schedule award payments to employees for partial loss, or loss of use, of a member, organ, or function of the body. We compared states' schedule award maximums to the federal government's schedule award maximums to determine whether states' maximums were about the same, higher, or lower than the federal maximums. We concluded that because states' schedule award maximums are substantially lower than the federal government's schedule award maximums, federal maximums are not comparable to state maximums.

Federal Schedule Award Maximums Are Higher Than States' Award Maximums

For several reasons, federal schedule award maximums are higher than states' schedule award maximums:

- Unlike federal schedule awards, states take a percentage of an employee's average salary to determine the amount of a schedule award (compensation rate), instead of using the employee's actual salary.

- State workers' compensation acts do not include a COLA in the amount of the schedule award payment, as federal schedule awards do.

- All states apply a single percentage, regardless of the employee's dependent status, while federal employees with dependents receive 75 percent of their salary and those without dependents receive 66 ⅔ percent.

In addition, some states' maximums are established for fewer weeks than federal maximums. In cases where a state's number of weeks is the same as the federal schedule awards, the states have a lower maximum benefit. We believe this is because the federal schedule award maximum benefit allowed is equivalent to the General Schedule (GS)-15 salary level. The GS-15 maximum level is established so that if federal employees at that salary level become injured, they can be compensated at a rate similar to their pay. However, few injured Postal Service employees' salaries are at the GS-15 level.

Using information from a study conducted by the U.S. Chamber of Commerce,[26] we selected six states with the highest schedule award maximums for three selected body parts (arm at shoulder, leg at hip, and foot) and compared them to the federal schedule award maximums for the same body parts. As shown in Table 5, the federal maximums are significantly higher. For example, the federal maximum for the leg at hip is $141,000 more than the highest state maximum (Illinois). The federal maximum is $280,000 more than New Hampshire's for the same body part. See Appendix E for a complete comparison of all the states' maximums, as well as for additional scheduled injuries.

Table 5: Federal Schedule Award Maximums Compared to the Six States With the Highest Schedule Award Maximums by Selected Body Parts

Jurisdiction	Schedule Award Arm at Shoulder	Jurisdiction	Schedule Award Leg at Hip	Jurisdiction	Schedule Award Foot
Federal	$466,302	Federal	$430,433	Federal	$306,384
Illinois	$315,597	Illinois	$289,297	District of Columbia	$170,376
Iowa	$269,750	Iowa	$237,380	Illinois	$163,058
District of Columbia	$258,884	District of Columbia	$238,969	Iowa	$161,880
New Hampshire	$224,595	Hawaii	$179,136	Hawaii	$127,510
Hawaii	$194,064	New Jersey	$154,035	New Hampshire	$104,811
North Carolina	$168,960	New Hampshire	$149,730	North Carolina	$101,376

Source: *Analysis of Workers' Compensation Laws 2005*, U.S. Chamber of Commerce Statistics and Research Center

[26] *Analysis of Workers' Compensation Laws 2005*, U.S. Chamber of Commerce Statistics and Research Center.

Few Postal Service Employees Received the Maximum Schedule Award

Although federal schedule award maximums are significantly higher than the states', only a small percentage of Postal Service employees receive the maximum schedule award amount. As shown in Table 6, the number of Postal Service employees who received the maximum schedule award payments (or had 100 percent of disability)[27] was less than 1 percent of the total number of employees who received schedule awards and less than 1 percent of the total amount of schedule award payments.

Table 6: Analysis of Postal Service Employees With 100 Percent Disability and Receiving Federal Schedule Award Maximums

CBY	Total Number of Cases	Cases With Less Than 100 Percent Disability	Cases With 100 Percent Disability	Percentage of Cases With 100 Percent Disability	Total Payments	Total Payments for Cases With 100 Percent Disability	Percentage of Payments for Cases With 100 Percent Disability
2004	8,314	8,283	31	.37	$104,305,633	$612,985	.59
2003	7,827	7,800	27	.34	$96,393,565	$495,104	.51
2002	8,286	8,253	33	.40	$88,034,616	$529,882	.60
2001	6,761	6,732	29	.43	$93,542,945	$633,072	.68
Total	**31,188**	**31,068**	**120**	**.38**	**$382,276,759**	**$2,271,043**	**.59**

Source: PICS

Legislative Matters Under Consideration

Changes to the FECA Act may slow the Postal Service's rising OWCP costs. According to a March 14, 2005, draft DOL *FECA Amendments of 2005*, for any injury occurring on or after the date of enactment, and for any new claim for a period of disability commencing on or after the date of enactment, the basic compensation rate will be 70 percent of the basic monthly pay of a GS-11, Step 3, rather than in proportion to the employee's salary.

Further, employees will not have increased entitlement to augmented compensation on the basis of dependents. All claimants, whether or not they have dependents, will receive 70 percent of their monthly pay. We are encouraged by the potential changes to FECA and believe the changes will decrease FECA schedule award payments.

[27] A 100 percent disability refers to a 100 percent loss, or loss of use, as a result of the employee's injury.

We appreciate the cooperation and courtesies provided by your staff. If you have questions or need additional information, please contact Chris Nicoloff, director, Human Capital, or me at (703) 248-2300.

Mary W. Demory
Deputy Assistant Inspector General
for Headquarters Operations

Attachments

cc: Anthony J. Vegliante
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APPENDIX A. ABBREVIATIONS

ACPS	Automated Compensation Payment System
ACS	Affiliated Computer Services, Inc.
CA	Compensation Act
CBS	Chargeback System
CBY	Chargeback Year
CFR	Code of Federal Regulations
CMF	Case Management File
CBP	Central Bill Processing System
COLA	Cost-of-Living Adjustment
DFEC	Division of Federal Employees' Compensation
DMS	Debt Management System
DOL	Department of Labor
FECA	Federal Employees' Compensation Act
FECS	Federal Employees' Compensation System
GS	General Schedule
iFECS	Integrated Federal Employees' Compensation System
OIG	U.S. Postal Service Office of Inspector General
OWCP	Office of Workers' Compensation Programs
PICS	Postal Injury Compensation System
SARC	*Semiannual Report to Congress*
SOP	Standard Operating Procedure
U.S.C.	United States Code

APPENDIX B. OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether the Postal Service's Pacific Area was overcharged for schedule award payments in CBY 2004 and received credits or refunds for overpayments from DOL's OWCP, and whether federal schedule awards are comparable to states' and selected private insurance companies' schedule awards.

To accomplish our objectives, we reviewed and analyzed schedule award payments extracted from PICS for CBYs 2001 to 2004. We also reviewed Postal Service and OWCP policies and procedures and interviewed both Postal Service and OWCP officials.

To determine whether the Postal Service was overcharged for schedule award payments, we obtained a universe of cases where at least one schedule award payment was made in CBY 2004 in the Pacific Area. This resulted in a universe of 1,082 cases at the OWCP District Office in San Francisco, California. We selected a statistical sample of 185 cases from the 1,082. Initially, we were to review 125 sample cases, with an additional 60 sample cases if more than one error was noted. However, because of the time constraints imposed by OWCP (other agencies were visiting at the same time as our team) and the projected OWCP resources needed to obtain the cases for our review, and in the interest of efficiency, we asked OWCP for all 185 case files, regardless of the projected errors.

Of the 185 case files requested, we reviewed a total of 157 case files. Each of the case files represented an employee. Specifically, 28 files were not reviewed for the following reasons:

- Six (6) case files could not be provided by the San Francisco OWCP District Office because they were at the OWCP National Office in the appeals process, and thus were not available to us.

- Twenty-two (22) case files showed that the period of award had not yet ended at the time of our review and thus the employees were currently underpaid. As a result, these employees may still receive payments.

To determine whether OWCP overcharged the Postal Service through the chargeback process for schedule award payments, we compared the authorized schedule award amount to the amount actually paid to the employee. We based the authorized amount on information in the Schedule Award of Compensation Letter sent to the employee, and we obtained the amount paid from OWCP's Agency Query System Case Compensation Payment History screen.[28]

[28] OWCP provided copies of the Agency Query System Case Compensation Payment History page for the 185 cases.

We discussed over/underpayments with officials in the OWCP San Francisco Office to ensure that the payments actually occurred. If an incorrect payment actually occurred, we determined, through discussions with OWCP officials, whether OWCP was aware of the payments, and if so, what corrective actions had been taken.

To determine whether the Postal Service received credits or refunds for overcharges from OWCP, we met with Postal Service officials in the Pacific Area and Injury Compensation managers in the Arizona, Bay-Valley, Las Vegas, Los Angeles, Sacramento, San Diego, Santa Ana, and Van Nuys Districts to determine whether they were aware of the overpayments; if they were, whether they had taken steps to obtain a refund or credit; and whether credits or refunds have been received. We also determined, through interviews and reviews of policies, which agency (the Postal Service or OWCP) was responsible for identifying the overpayments.

To determine whether federal schedule award maximums were comparable to state maximums and selected private insurance companies' schedule awards, we reviewed independent studies and interviewed state officials and an insurance broker. We also contacted the U.S. Chamber of Commerce and obtained permission to reproduce a chart comparing federal schedule awards to states' schedule awards. In addition, we obtained PICS data showing the number of Postal Service employees receiving maximum schedule awards (100 percent impairment).

We could not determine the extent to which private insurance companies' schedule award maximums were comparable to federal maximums because private companies computed their maximums differently.

We conducted this audit from August 2004 through January 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. We discussed our observations and conclusions with appropriate OWCP and Postal Service management officials and included their comments where appropriate.

Data Reliability Testing

For the case files we requested, we tested the data to determine whether the records were reliable. We compared data for specific fields extracted from PICS (DOL case number and the payee's name, date of birth, Social Security number, date of injury, percent of disability, and weeks of compensation) to the information on the Schedule Award of Compensation Letters. Of the 179 case files we reviewed, in 7 cases (3.9 percent), PICS data did not match the Schedule Award of Compensation Letter (see the following table). The purpose of our review was to determine whether overpayments occurred, and the data that did not match in the 7 cases was not significant to meet our objectives.

Sample Number	Description of Data on Schedule Award of Compensation Letters that Did Not Match PICS
72	Percentage of disability did not match PICS data
79	Percentage of disability did not match PICS data
87	Weeks of compensation showed days, rather than weeks
94	Percentage of disability did not match PICS data
102	Percentage of disability did not match PICS data
105	Percentage of disability did not match PICS data
108	Weeks of compensation showed days, rather than weeks

Independent Service Auditor's Report

We also reviewed the results of an independent service auditor's report of DOL's OWCP. Specifically, DOL's OIG contracted with M.D. Oppenheim & Company, PC, to review the Special Benefits Fund (the Fund). The report was titled *Special Reports Relating to the FECA Special Benefit Fund March 31, 2004, and September 30, 2004*.

The purpose of the audit was to examine the controls of the DFEC and Affiliated Computer Services, Inc. (ACS) State Healthcare, an independent service organization that provides medical bill processing services to DFEC for users of the FECA Special Benefit Fund.

The Federal Employees Compensation System (FECS) is the electronic data processing system for FECA benefits. The FECS supports DOL's general ledger. The FECS computer system consists of the following subsystems:

- Case Management File (CMF) – CMF records the receipt of claims for FECA benefits and the steps taken to adjudicate those claims.

- ACPS – ACPS processes the payment of weekly, monthly, and supplementary (lump sum) benefits to claimants. ACPS interfaces with CMF to ensure that a valid case number supports an approved claim.

- Central Bill Processing System (CBP) – CBP provides files to DFEC that are used to update CMF and the CBS. CBP is part of FECS.[29]

- CBS – or the Intra-Governmental Accounts Receivable System, produces an accurate, complete, and detailed chargeback billing list, used to bill the appropriate federal agencies annually for benefit payments made on their behalf.

- Debt Management System (DMS) – DMS records and tracks accounts receivable as a result of overpayments to claimants, reimbursements from third parties, and cash received from the public.

[29] CPB is maintained by ACS.

Independent Service Audit Report Results

The audit issued an unqualified opinion on the Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Total Benefit Expense of the Fund. Agreed-upon procedures were performed on the Schedules of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Total Benefit Expense of the Fund.

However, the audit issued a qualified opinion on the effectiveness of OWCP controls over FECS because controls failed to ensure periodic reviews of medical evidence to support continuing eligibility, to ensure that medical bill payments were paid accurately, and to restrict user access.

Independent Service Auditor's Tests of General and Application Controls

The independent service auditor's report disclosed the following control deficiencies, which resulted in a qualified opinion:

- DFEC asserted it had controls in place that require a review of medical evidence annually or every two or three years, depending on the type of compensation paid. However, the service auditor found that a significant number of case files contained no current medical evidence, as required by the DFEC policy.

- DFEC asserted it had controls in place to correctly and completely enter bills into the CBP system, to pay medical bills in the correct amount, and to review the accuracy of medical bill payments. However, the service auditor found a significant number of duplicate and incorrect payments.

- DFEC asserted it had controls in place to restrict access to authorized users of ACPS and to logically segregate incompatible functions. However, the service auditor noted that access request and review procedures were not consistently followed, and users could perform incompatible functions.

The service auditor's report stated that transaction processing controls for compensation and medical benefit payments were tested in the areas of case creation, initial eligibility, file maintenance, continuing eligibility-medical evidence, continuing eligibility-earnings information, accuracy of compensation payments, new schedule awards, medical bill payment processing, and third party settlements.

We limited our highlights to new schedule awards.

New Schedule Awards	Tests of Described Controls	Results of Tests
Controls provided reasonable assurance that claimants had reached maximum medical improvement before receiving a schedule award, medical evidence was obtained, and medical evidence stated the percentage of impairment.	For 50 judgmentally selected cases, case files were reviewed to ensure that medical evidence supported the impairment or disability.	No exceptions were noted.

Based on our data reliability testing and the independent service auditor's results, we concluded the data was sufficiently reliable to meet the objectives.

APPENDIX C

SUMMARY OF MONETARY IMPACT TO THE POSTAL SERVICE

	Funds Put to Better Use[30]	Unrecoverable Costs[31]	Potential Additional Expense to the Postal Service[32]
Overpayments			
Overpayments – 100 percent of projected amount - $249,506 (already paid)	$249,506.00	---------	---------
Underpayments			
Underpayments – 100 percent of projected amount - $240,222 (OWCP has repaid employees identified in sample)	($240,222.00)	---------	---------
Administrative Fees			
Administrative fees assessed for overpayments – 5 percent of total projected amount (already paid)	---------	$12,475.00	---------
Administrative fees to be assessed if underpayments are paid – 5 percent of total projected amount	---------	---------	($12,011.10)
Total	**$9,284.00**	**$12,475.00**	**($12,011.10)**

Notes:

Overpayments

- In the sample, 3 employees received overpayments. The 3 employees' overpayments totaled $33,346 and represented 100 percent of the amount on which we based our projections.
- Above, we show $249,506 which is 100 percent of the $249,506 [projected amount].

Underpayments

- In the sample, 5 employees received underpayments. The 5 employees' underpayments totaled $47,965 and represented 100 percent of the $47,965 on which we based our projections.
- Above we show $240,222 which is 100 percent of the $240,222 [projected amount].

Administrative Fees

- Administrative fees are 5 percent of the payment. The administrative fee assessed for the overcharge is $12,475 (or 5 percent of $249,506). When paid, the administrative fee will be $12,011 (or 5 percent of the $240,222) for the underpayments.

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[30] *Funds Put to Better Use* – Funds that could have been used more efficiently if employees were paid the authorized amounts.
[31] *Unrecoverable Costs* – Costs that should not have been incurred and are not recoverable.
[32] *Potential Additional Expense to the Postal Service* – Costs not yet paid by the Postal Service, but could be in the future.

APPENDIX D

STATISTICAL SAMPLING AND PROJECTIONS FOR REVIEW OF SCHEDULE AWARDS IN THE POSTAL SERVICE PACIFIC AREA

Purpose of the Sampling

One of the objectives of this audit was to assess whether schedule award payments were correct. In support of this objective, the audit team evaluated payments for cases selected in a stratified random sample. The sample design allows for projections of both the number and dollar value of cases with overpayments or underpayments, as well as the projection of the resulting amount that should have been paid (net amount).

Definition of the Audit Universe

The audit universe consisted of 1,082 cases that had at least one schedule award payment in CBY 2004. We used PICS to generate the audit universe listing. The payments for these 1,082 cases, from the start of each individual case through December 6, 2004, constituted the total dollar universe for the audit. The total paid of all schedule awards paid in CBY 2004 for the 1,082 cases was $20.6 million.

Sample Design

Our sample design included three strata based on the payment types observed for each case in the CBY 2004 data: periodic payments only, supplemental payments only, or a combination of both. We calculated the sample size for a 2-sided confidence interval, at the 95 percent confidence level and ± 10 percent precision for the attribute (controls) testing portion of the review. We had no prior knowledge of variability in error dollar amounts on which to base a sample size calculation for the projection of the dollar amount associated with the overpaid or underpaid cases.

Stratum	Number of Cases in Stratum Universe	Number of Cases in Stratum Sample
Periodic only	636	85
Supplemental only	20	20
Both	426	80
Total	1,082	185

We applied the Microsoft Excel function "randbetween" to each case, by stratum, to assign random numbers to the items on the universe listing and used those random numbers to determine the cases included in the sample.

Statistical Projections of the Sample Data

Methodology

For all projections, we applied methods described in *Elementary Survey Sampling*, Scheaffer, Mendenhall, and Ott, c. 1990. To project the number of cases with overpayments or underpayments in the audit universe, we analyzed the sample data using the formulas to estimate population proportions for a stratified random sample. To project the total dollars associated with cases that were overpaid or underpaid in the audit universe, we used the formulas for direct projection of population means and totals for a stratified random sample. We applied the text methods for difference estimation in the calculation of the projected net value.

Of the 185 case files in our sample, six case files could not be provided because they were at the OWCP National Office. An additional 22 case files that were underpaid at the time of our review showed that the period of award had not yet ended. For this total of 28 cases, we treated the overpaid or underpaid amount as zero.

When counting the number of cases with overpayments or underpayments, we counted the overpaid or underpaid amount as zero if it was less than $500.00 (in absolute value).

All projections reported below are to the audit universe of 1,082 cases.

Results

Total overpaid amount
Based on projection of the sample results, we are 90 percent confident that the audit universe includes $175,122 to $323,891 in overpayments (relative precision: ± 29.8 percent). The point estimate of the total overpaid amount is $249,506. In the sample, the maximum overpayment was $18,859.59.

Total underpaid amount
Based on projection of the sample results, we are 90 percent confident that the audit universe includes $166,515 to $313,929 in underpayments (relative precision: ±30.7 percent). The point estimate of the underpaid amount is $240,222. In the sample, the maximum underpayment was $25,694.68.

Net amount paid
Based on the sample results, we are 90 percent confident that the total amount due to the injured employees was between $20.49 million and $20.71 million. The unbiased point estimate is that $20.61 million should have been paid.

<u>Number of cases resulting in either overpayments or underpayments greater than $500</u>

Based on projection of the sample results, we are 95 percent confident that 13 to 76 cases were overpaid or underpaid (1.2 to 7.0 percent); the unbiased point estimate is that 45 cases (4.1 percent) were either overpaid or underpaid by an amount greater than or equal to $500. Our achieved precision for this measure was ± 3 percent.

APPENDIX E

COMPARISONS OF FECA SCHEDULE AWARDS TO STATES, LONGSHORE ACT, BRITISH COLOMBIA, GUAM, MANITOBA, PUERTO RICO, SASKATCHEWAN, AND VIRGIN ISLANDS

Chart VII — Income Benefits ($) for Scheduled Injuries

Jurisdiction	Arm at shoulder	Hand	Thumb	First finger	Second finger	Third finger	Fourth finger	Leg at hip	Foot	Great toe	Other toes	One eye	Hearing: One Ear	Hearing: Both Ears
In this group of jurisdictions, compensation for temporary disability is allowed in addition to allowance for scheduled injury.														
Alabama[2]	48,840	37,400	13,640	9,460	6,820	4,840	3,520	44,000	30,580	7,040	2,420	27,280	11,660	35,860
Alaska	No Schedule. Benefits are $177,000 multiplied by the percent of whole person rating according to AMA Guide to the Evaluation of Permanent Impairment.[3]													
Arizona[4]	79,200	66,000	19,800	11,880	9,240	6,600	5,280	66,000	52,800	9,240	3,300	39,600	26,400	79,200
Arkansas[5]	85,400	64,050	25,550	15,050	12,950	8,400	6,650	64,400	45,850	11,200	3,850	36,750	14,700	55,300
California[6]	142,898[7]	75,515[8]	21,010	8,415	8,415	3,960	3,960	61,435[9,10]	28,820	3,960	660[11]	17,714[11,12]	5,280	58,080
Colorado[13]	44,162.56	22,081.28	7,431.20	3,821.76	2,760.16	1,486.24	1,910.88	44,162.56	22,081.28	3,821.76	849.28	29,572.48	7,431.20	29,512.48
Connecticut[14]	156,208	126,168	47,313	27,036	21,779	15,771	12,767	116,405	93,875	21,028	6,759	117,907	26,285	78,104
Delaware	130,957.50	115,242.60	39,287.25	26,191.50	20,953.20	15,714.90	10,476.60	130,957.50	83,812.80	20,953.20	7,857.45	104,766.00	39,287.25	91,670.25
District of Columbia[15]	258,884	202,460	63,061	38,722	25,446	21,020	13,276	238,969	170,376	32,084	13,276	132,761	43,147	165,951
Florida	No schedule. Benefits paid according to degree of impairment.[16]													
Georgia	96,625	68,000	25,500	17,000	14,895	12,750	10,625	96,625	57,375	12,750	8,500	63,750	31,875	63,750
Hawaii[17]	194,064	151,768	46,650	28,612	18,660	15,550	9,330	179,136	127,510	23,636	9,952	87,080[18]	32,344	124,400
Idaho[19]	89,595.00	80,635.50	32,851.50	20,905.50	16,425.75	16,425.75	7466.25	59,730.00	41,811.00	12,543.30	2,090.55	52,263.75	0.00	52,263.75
Illinois[20,21]	315,597	199,878	73,639	42,080	36,820	26,300	21,040	289,297	163,058	36,820	12,624	168,318	28,394[22]	113,574
Iowa	269,750	205,010	64,740	37,765	32,370	26,975	21,580	237,380	161,880	43,160	16,185	181,060	53,950	188,825
Kentucky[23]	No Schedule. PP benefits are paid at 66⅔% of wages according to degree of disability, for 425 weeks if disability is 50% or less or 520 weeks if disability is greater than 50%.													
Maine	"Specific loss" law provides set number of weeks at the employee's total compensation rate for loss of body parts whether worker actually loses that much time from work or not.[24] Employers may offset specific loss by amount of incapacity benefits previously paid.													
Maryland[25]	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Massachusetts[26,27]	Benefits paid according to degree of impairment, in Section 36 of published guidelines.													
Minnesota	Benefits paid according to degree of impairment, mostly set out in PPD schedule rules.[28]													
Mississippi	70,228	52,671	21,068	12,289	10,534	7,022	5,267	61,449	43,892	10,534	3,511	35,114	14,045	52,671
Missouri[29]	82,140	61,958	21,243	15,932	12,392	12,392	7,789	73,288	54,878	14,162	4,957	49,597	17,348	63,729
Montana	No schedule. Benefits paid according to degree of impairment, age, education, wage loss and lifting restriction.[30]													
Nebraska[31]	130,275	101,325	34,740	20,265	17,370	11,580	8,685	124,485	86,850	17,370	5,790	72,375	28,950	57,900[32]
Nevada[33]	No Schedule for Injuries after 1973.													

Chart VII — Income Benefits ($) for Scheduled Injuries, Cont.

													Hearing	
Jurisdiction	Arm at shoulder	Hand	Thumb	First finger	Second finger	Third finger	Fourth finger	Leg at hip	Foot	Great toe	Other toes	One eye	One Ear	Both Ears
New Hampshire[27]	224,595	202,135	81,282	50,266	40,461	20,320	9,625	149,730	104,811	19,251	3,208	89,838	32,085	131,548
New Jersey[28]	161,370	98,000	13,350	8,900	7120	5,340	3,560	154,035	81,650	7,120	2,670	62,200	10,680	62,200
New Mexico	Schedule is based on a percentage of Total Disability for a number of weeks.[29]													
North Carolina[30]	168,960	146,800	52,800	31,680	28,168	17600	14,080	140,800	101,376	24,640	7,040	84,480	49,280	105,600
North Dakota[32]	Benefits paid according to degree of impairment, mostly set out in PPI schedule rules.													
Ohio[33]	152,550	118,650	40,680	23,730	20,340	13,560	10,170	135,600	101,700	20,340	6,780	84,750	16,950	84,750
Oklahoma[34]	72,600	58,080	17424	10,296	8,712	5,808	4,488	72,600	58,080	8,712	2,904	72,600	29,040	87,120
Oregon[35]	107,328	83,850	26,832	13,416	12,298	5,590	3,354	83,850	75,465	10,062	2,236	55,900	33,540	107,328
Rhode Island[36]													6,750	21,960
South Carolina	130,363.20	109,623.60	38,516.40	23,702.40	20,739.60	14,814.00	11,851.20	115,549.20	82,958.20	20,739.60	5,925.60	82,958.40	47,404.80	97,772.40
South Dakota	102,600	76,950	25,650	17,955	15,390	10,260	7,695	82,080	64,125	15,390	5,130	76,950	25,650	76,950
Tennessee[38]	123,600	95,700	38,280	22,330	19,140	12,760	9,570	123,600	79,750	19,140	6,380	63,800	47850	95,700
Texas[40]	No schedule. Benefits paid according to degree of impairment, as calculated based on AMA Guide, 4th Edition.													
Utah[41]	85,546	65,856	26,264	16,464	13,328	6,604	3,136	61,152	34,496	10,192	1,568	47,040	21,364	42,728
Vermont	No schedule. Benefits paid according to degree of impairment, AMA Guide 5th edition.													
Virgin Islands[42]	Benefits for PPD shall be 66⅔% of AWW pursuant to statutory schedule in accordance with degree of impairment.													
Virginia[43]	141,200	105,900	42,360	24,710	21,180	14,120	10,590	123,550	88,250	21,180	7,060	70,600	35,300	70,600
Washington[44]	92,718.03	83,446.19	33,378.49	20,861.55	16,689.55	8,344.63	4,172.27	92,718.03	64,902.64	19,470.80	7,108.38	37,087.18	12,362.38	74,174.45
West Virginia[45]	88,504.80	73,754.00	29,501.60	15,470.80	10,325.56	7,375.40	7375.40	88,504.80	51,627.80	14,750.80	5,900.32	48,677.64	33,189.30	81,129.40
Wisconsin[46]	121,000	96,000	38,720	14,520	10,870	6,252	6,776	121,000	60,500	20,167	6,050[47]	66,500	13,310[48]	79,860[49]
Wyoming	No schedule. Benefits paid by formula based on AMA Guide to the Evaluation of Permanent Impairment.													
FECA[50]	466,302	364,672	112,092	68,749	44,836	37364	22,184	430,433	306,384	56,793	23,912	239,129	77,717	298,912
Longshore Act	321,603	251,510	77,309	47416	30,923	25,770	15,462	296,865	211,310	39,170	16,492	164,925	53,601	206,156
British Columbia[52]	70%	54%	16% at MP jt 20% at CMC	4%	4%	2.5%	2.5%	65%	25%	2.5% 5% with head of metatarsal	0.5%[51]	16%	3% deaf	15% non-traumatic 30% traumatic

Chart VII — Income Benefits ($) for Scheduled Injuries, Cont.

Jurisdiction	Arm at shoulder	Hand	Thumb	First finger	Second finger	Third finger	Fourth finger	Leg at hip	Foot	Great toe	Other toes	One eye	Hearing: One Ear	Hearing: Both Ears
Manitoba[12]	70% 78,080	50–60% 52,480–65,280	20% 14,080	5% 1,280	4% 640	3% 640	2.5% 640	65% 71,680	10–25% 1,280–20,480	2.5% 640	.5% each 640	16% 8,960	5% 1,280	30% 26,880
Saskatchewan	70%	50%	20%	5%	4%	3%	2%	65%	25%	5%	1%	16%	5%	30% (gradual onset), 60% (if complete traumatic loss)
Yukon Territory	No Schedule. Benefits paid by formula based on AMA Guide, 4th Edition. Rate adjusted by flat salary and age.													
In this group of jurisdictions, compensation for temporary disability is allowed in addition to scheduled injury with certain limitations as to period.														
Indiana[20]	86,500	62,500	16,000	10,400	9,100	7800	5,200	74,500	50,500	16,000	2,600–7800[21]	50,500	20,500	62,500
New York[22]	124,800	97,600	30,000	18,400	12,000	10,000	6,000	115,200	82,000	15,200	6,400	64,000	24,000	60,000
Pennsylvania	Injured employees are compensated for scheduled losses based upon a percentage of the employee's pre-injury wage, multiplied by the statutory period established for the loss in question.													
In this group of jurisdictions, compensation for temporary disability is deducted from the allowance for scheduled injury.														
Kansas[23]	100,000	67,350	26,940	16,613	13,470	8,980	6,735	89,800	56,125	13,470	4,490	53,880	13,470	49,390
Kentucky[24]	No schedule. PP benefits paid at 66⅔% of wages according to degree of disability, for 425 weeks if disability is 50% or less or 520 weeks if disability is greater than 50%.													
Louisiana[25]	Schedule is based on 66⅔% of wages for a number of weeks.[26]													
Michigan[27]	185,341	148,135	44,785	26,182	22,737	15,158	11,024	148,135	111,618	22,737	7,579	111,618	[28]	[28]

Chart VII — Income Benefits ($) for Scheduled Injuries, Cont.

Notes

1. Amounts in chart reflect maximum potential entitlement. In Canada, permanent physical impairments generally are compensated by degree of disability using medical rating schedules as guidelines.

2. Alabama — Maximum weekly PP benefit is lesser of $220.00 or 100% SAWW. Additionally, compensation is allowed for both temporary disabilities and permanent partial scheduled injuries but not at the same time.

3. Alaska — Compensation is $177,000 multiplied by the employee's percentage of permanent impairment based on the 5th edition AMA Guide to the Evaluation of Permanent Impairment.

4. Arizona — Benefits based on $2,400.00 wage. Total loss payable at 55% of $2,400 (monthly payment of $1,320).

5. Arkansas — Maximum PP rate is 75% of maximum total disability rate ($350.00 effective 1/1/2005).

6. California — For injuries after 1/1/05, maximum PP disability benefit is as follows: 1–69% @ $220 per week, 70–99% @ 270 per week (See Labor Code sections 4453(b)(6–7).

7. California — This assumes injury to the major arm and that reasonably satisfactory use of a prosthesis is not possible. Amount excludes life pension benefits.

8. California — This assumes injury to the major hand and that reasonably satisfactory use of a prosthesis is possible.

9. California — Loss of leg at or above knee, reasonably satisfactory use of prosthesis possible.

10. California — Assuming satisfactory stump.

11. California — Assuming loss of all except great toe.

12. California — Assuming ability to wear artificial eye.

13. Colorado — Effective July 1, 2004 the compensation rate for scheduled injuries is $212.32 per week. Each succeeding July 1, the compensation rate is modified for injuries arising on and after such date by the same percentage increase or decrease as the state AWW. When an injury results in the total loss or total loss of use of an arm at the shoulder, a forearm at the elbow, a hand at the wrist, a leg at the hip or so near as to preclude the use of an artificial limb, the loss of a leg at or above the knee where the stump remains sufficient to permit the use of an artificial limb, a foot at the ankle, an eye, or a combination of any such losses, the benefits shall be calculated as medical (or whole person) impairment. Medical impairment benefits are calculated by multiplying the medical impairment rating by an age factor set forth in statute, times 400 weeks and multiplied by the temporary total disability rate.

14. Connecticut — Commission may award additional benefits based on loss of earnings.

15. Florida — Sliding scale of weeks depending upon the value of the impairment rating. Injured workers not receiving wages equal to or greater than pre-injury wage are compensated at 75% of previous wage. Those employed at pre-injury wage are compensated at half that value.

16. Hawaii — In cases in which the disability is determined as a percentage of total loss or impairment of physical or mental function of the whole person, the maximum compensation is the corresponding percentage of 312 times 100% of the SAWW.

17. Idaho — Maximum weekly PP benefit is 55% of the SAWW for year in which injury occurred.

18. Illinois — For PP benefits, wage replacement is 60%. Figures reflect benefits for amputation of a member and enucleation of an eye — maximum is 133⅓% of the SAWW ($1,051.99 effective 1/15/05). For other PP benefits, maximum is $567.87 effective 7/1/04–6/30/05.

19. Illinois — Hearing loss under Workers' Compensation is $28,394.00.

20. Maine — Set number of weeks.

21. Maryland — Maximum weekly PP benefit is $114 where benefits are payable for less than 75 weeks (lower PPD tier); 66⅔% of the AWW, not to exceed ⅓ of the SAWW, where benefits are payable for 75 weeks but less than 250 weeks (middle PPD tier); and 66⅔% of the AWW not to exceed 75% of the SAWW where benefits are payable for 250 weeks or more (serious disability). If claimant is a public safety employee or the injury for which PPD is sought is to the thumb, fingers or great toe, rate of PPD is the middle tier formula; lower tier maximum rates for claims occurring on or after 1/1/88 - $80.00; on or after 1/1/199 - $82.50; on or after 1/1/93 - $94.00. Claims occurring prior to 1/1/88, all PPD award with a duration less than 250 weeks are paid at the rate of 2/3 AWW not to exceed a maximum of 1/3 of the SAWW.

22. Massachusetts — Proportional benefits for partial loss of limbs (fingers, toes).

23. Minnesota — PP disability equals scheduled dollar amount ($75,000 to $515,000) times percent whole body disability. Concurrent payment of PP disability and temporary partial benefits allowed in certain situations.

24. Missouri — Totals rounded, totals given for hearing loss due to Transmatic incident loss (explosion, blast, or blow to head) 49 weeks (1 ear) or 180 weeks (both ears). Occupational hearing loss provides for loss up to 49 weeks (1 ear) or 180 weeks (both ears). Maximum weekly PP benefit is 55% of the SAWW; minimum is $40.00. If amputation or 100% loss of use, there is an additional 10% compensation. Benefit set at rate on date of injury.

25. Montana — The maximum partial disability benefit is 50% SAWW.

26. Nebraska — Terms run consecutively for loss of, or loss of use of, more than 1 member but less than total disability.

27. Nebraska — PT loss of hearing is compensated as PT disability.

28. Nevada — Some PT loss receives 100% of the Temporary Total Disability benefit until death. There is a schedule for the loss or permanent damage of teeth NAC616C.509.

29. New Hampshire — If any injury results in more than one specified body part or is to the spinal column or spinal cord, or to the brain or involves scarring, disfigurement, or other skin impairment resulting from a burn or burns, an award shall be made to the whole person using 350 weeks as the maximum. Maximum weekly payment is $1,069.50 times the number of weeks specified.

30. New Jersey — There is an an additional payment of 30% of the award where there has been an amputation of a major member (arm, hand, leg, foot). Compensation is payable weekly at 70% of pre-injury weekly wages, up to a maximum of 55% of the SAWW for arm or leg, 45% of the SAWW for hand, 40% of the SAWW for foot or one eye, 35% of the SAWW for hearing — both ears, 20% of the SAWW for other scheduled injuries in chart.

31. New Mexico — Benefits are a percentage of the compensation rate times the number of weeks specified for each injury in the statute schedule § 52–1–43. Effective 1/1/2004, the maximum weekly payment is $549.37.

32. North Carolina — For unscheduled injuries, maximum compensation is $20,000.00.

33. North Dakota — PP impairment benefit is 33⅓% of the SAWW for a scheduled number of weeks. Impairments are paid as a lump sum and are not based on any disability of injured worker.

35. Ohio — Maximum weekly PP benefit is 33⅓% of the SAWW, payable for a maximum of 200 weeks at a rate of 2 weeks for each percentage of the PP percentage.

36. Oregon — For injuries occurring on or after 1/1/02 through 12/31/04, calculated at $559 per degree for scheduled injuries; for unscheduled injuries awards of 0–64 degrees, $184 per degree, awards greater than 64 degrees but equal to or less than 160 degrees, $184 times 64 ($11,776) plus $321 times the number of degrees in excess of 64, awards greater than 160 degrees $184 times 64 plus $321 times 96 ($42,592) plus $749 times degrees in excess of 160.

39. Rhode Island — Maximum scheduled PP benefit is 50% of AWW — $90.00 weekly; minimum is $45.

40. Tennessee — Injury Schedule is based on a set number of weeks. Maximum weekly benefit is 66⅔% of the employee's AWW.

41. Utah — Maximum per week, including allowance for dependents is 66⅔% of the SAWW. Entry presumes total loss of hearing in one ear and no loss of hearing in the other (54½ weeks).

42. Virgin Islands — PP benefit is 66⅔% of the SAWW. For loss of two or more digits or one or more phalanges of two or more digits on a hand or foot, benefits may be proportioned to the loss of use of the hand or foot.

43. Virginia — Benefits for scheduled injuries are payable in addition to compensation for temporary disability. County of Spotsylvania v. Hart, 218 Va. 565,238 S.E.2d 813 (1977). TT disability payments continue until claimant is released to return to work at which time award for specific disability may be entered and paid simultaneously with payment for TP benefits.

44. Washington — Amounts are adjusted each July 1 to reflect percentage changes in CPI. All scheduled injury benefits reported are the amputation or total loss values for scheduled injuries.

45. West Virginia — Maximum weekly benefit is 70% SAWW for injuries after 7/1/2003.

46. Wisconsin — Maximum weekly PP benefit is $242.00 effective 1/1/05.

Chart VII — Income Benefits ($) for Scheduled Injuries, Cont.

Notes, Cont.

47. Wisconsin —Third, fourth and fifth toes $4,840.

48. Wisconsin — Under occupational hearing loss law, maximum is $8,712 for one ear and $52,272 for both ears as of 1/1/06.

47. Wisconsin —Third, fourth and fifth toes $4,840.

48. Wisconsin — Under occupational hearing loss law, maximum is $8,712 for one ear and $52,272 for both ears as of 1/1/06.

49. FECA — Includes allowances for dependents. Maximum weekly benefit is $1,549.42.

50. Indiana — Payable if injury occurred after 7/1/97. Amounts provided are for loss of use; loss by separation results in a doubled award. Indiana can conduct an assessment of up to 1.5% any time the fund drops below $1,000,000 on or before 10/1. Effective after 6/30/01, PPI based on degree of injury: 1–10 degrees $1,300; 11–35 degrees $1,500; 36–50 degrees $2,400; 51–100 degrees $3,000. Impairment awards are subject to child support withholding.

51. Kansas — Additional healing period up to 15 weeks may be allowed, for amputations only. Maximum weekly PP benefit is 75% of the SAWW.

52. New York — $400 maximum does not relate to protracted healing period. Additional compensation due to loss of 50% or more of member applies only to loss of arm, leg, hand or foot and only if impairment of earning capacity is due solely to such loss.

54. Kentucky — For injuries occurring on or after 12/12/96 the degree of disability is determined by the AMA Guide. Benefits for PP disability benefits are calculated by multiplying 66⅔% of the employee's pre-injury AWW (not to exceed 75% of the SAWW) times the permanent disability rating (AMA impairment times factor). The multiplying factors are specifically set out by statute and the factor used is based on the AMA functional impairment rating. The benefit may not exceed 99% of 66⅔% of the employee's AWW or 75% of the SAWW, whichever is lower. When an employee lacks the physical capacity to return to the type of work performed at the time of the injury the maximum benefit may increase to 100% of the SAWW. For injuries from 12/12/96–7/13/2000, if the employee does not retain the physical capacity to return to the type of work performed at the time of injury, the employee is entitled to 1.5 times the benefit to which he would otherwise be entitled. In addition, when an employee returns to work at the same or greater wage, their workers' compensation benefits are reduced by one-half for each week such work continues. If employment ceases for any reason, benefits will be restored to the regular benefit level during unemployment or work at lesser wages than earned at time of injury. For injuries occurring on or after 7/14/2000, multipliers are three times the benefit if lacking the physical capacity to return to previous type of work or a multiplier of two if worker ceases to earn the same wage. Hearing loss for dates on or after 12/12/96 require at least a finding of 8% functional impairment (AMA Guide) in order to be found to be compensable.

55. Louisiana — Schedule applies to amputation or disability greater than 25%. Supplemental earnings benefits equal 66⅔% of the difference between AWW (4 weeks prior to injury) and post-injury earnings subject to the maximum earned while disabled. Supplemental earnings benefits are available to those who earn less than 90% of pre-injury wages; maximum 520 weeks; cease 2 years after termination of TT disability (unless paid for 13 consecutive weeks during that time) or upon retirement or receipt of Social Security retirement benefits.

56. Louisiana — Arm-200 weeks; hand — 150 weeks; thumb — 50 weeks; first finger — 30 weeks; second finger — 20 weeks; third finger — 20 weeks; fourth finger — 20 weeks; leg — 175 weeks; one eye — 100 weeks; one ear — 0 weeks; two ears — 100 weeks.

57. Michigan — Wage-loss benefits payable for life.

58. Michigan — Hearing loss compensable based on lost earnings.

59. Oklahoma — For injuries occurring on or after 1/1/03, if the shoulder or hip is involved, the disability is considered to be to the body as a whole, $132,000. Maximum PPD benefit is $264.00, 50% of the SAWW effective 11/1/02–10/31/05 and shall be paid to the employee for the period in the schedule.

60. Texas — For injuries occurring on or after 1/1/91, there is no schedule of benefits. Partial permanent benefits are paid according to the degree of impairment and the loss of earnings.

61. Figures could not be confirmed at the time of publication; information taken from the 2004 *Analysis*.

62. District of Columbia — Figures represent a 25% reduction of the stated period of weeks listed in the Act for injuries occurring on or after 4/16/99.

63. British Columbia — Percentages are applied to 90% of net average monthly earnings with the resulting amount payable monthly until retirement age and adjusted January 1 each year by the Consumer Price Index. Additional percentages may apply for bilateral impairment and age adaptability.

64. Hawaii — Figure represents benefit for the loss of vision. For the loss of an eye by enucleation, benefit is $99,520.

65. Illinois — Figure reflects amount under the Workers' Compensation Act, 50 weeks maximum. Under the Workers' Occupational Diseases Act; $56,787.00, 100 weeks maximum.

66. British Columbia — 0.5% with additional, and 0.5% with metatarsal, however little toe with metatarsal is 2%.

67. Manitoba — A dual award system of compensating injured workers was adopted in 1992. Under this system, separate awards or benefits are paid to workers for permanent impairment and loss of earnings. The first line shows the degree of impairment. The second line shows the level of the impairment award. The level of the impairment award is based on a 2005 accident date and a 45 year-old worker.

68. Indiana — Figures reflect range from 5th to 2nd toe based on degree calculations.

69. Massachusetts — Guidelines on-line at http://www.state.ma.us/dia/othforms/36guidelines.htm.

70. California — $7,535 to $31,900 (AMA guides indicate standard rating of 10-29% WPI for loss of an eye).

Source: Excerpted from Analysis of Workers' Compensation Laws 2005, prepared and published by the U.S. Chamber of Commerce. The full report may be ordered at (800) 638-6582. Reprinted with permission.

APPENDIX F. MANAGEMENT'S COMMENTS

U.S. Department of Labor

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

OCT 13 2005

MEMORANDUM FOR KIM H. STROUD
Director, Audit Reporting
United States Postal Service

FOR

FROM: VICTORIA A. LIPNIC

SUBJECT: Draft Audit Report—Office of Workers' Compensation Programs' Schedule Award Payments to Postal Service Employees in the Pacific Area—Report I (Report Number HM-AR-05-DRAFT)

This responds to your August 31, 2005 request to review and comment on the draft audit report entitled *Office of Workers' Compensation Programs' Schedule Award Payments to Postal Service Employees in the Pacific Area*. We have reviewed the report with its findings and recommendations and offer the following comments.

The audit presents an inflated error rate. The audit states that 44 claims reviewed contained overpayments. However, a sampling of these cases indicates that in 40 of the cases cited, the differences noted are the result of the proper application of Cost-of-Living-Adjustments (COLAs) rather than improper payments. COLAs were properly paid in all cases reviewed. In addition, the audit notes that 40 of the reviewed cases contained underpayments. Again, a sampling of these cases indicates that in 35 of these cases, the payments made were correct, but the auditors miscalculated the COLAs. Excluding the 75 cases mistakenly cited as errors results in an actual error rate for this sample of 5.7 percent, not 53 percent. In terms of total dollar amount authorized for the sampled payments, this represents less than 4 percent in over- and undercharges of the total amount paid. The discrepancy in error rates is further exacerbated since the audit uses the percentage of errors to project out "funds put to better use."

In addition, the audit team reviewed a percentage of employees who received schedule award payments during the Chargeback (CB) Year. However, the report does not specify how these employees were identified. The team then examined all aspects of the payments back to their inception, which in many cases were outside of the CB year. It seems that the audit team looked at the work for more than one year and compared those findings to the payments of only one CB year. Such a skewed universe would give an artificially high error rate.

In the 3rd paragraph on page 7 and in the first paragraph on page 9, reference is made to the Deputy Director of OWCP; the title of the individual in question is Deputy Director of DFEC.

On page 10, next to the last paragraph, it should be noted that even though a potential overpayment is identified, the claimant is entitled to due process. Once the process is complete, any monies received from the claimant are credited to the agency upon receipt by OWCP. Similarly, underpayments are not charged to the agency until payment is actually made by OWCP.

Recommendations

The report derives seven recommendations for ESA from its analysis of the sampled schedule award payments.

Recommendation 1: Program the Integrated Federal Employees' Compensation System as soon as possible to automatically reject periodic payments when the lump-sum payment option has been selected.

ESA Management's Response: OWCP agrees with this recommendation. The first step, developing program specifications to modify the Integrated Federal Employees' Compensation System to automatically stop periodic compensation payments when a lump sum schedule award is processed, has been prepared. It is anticipated that the system modification will be implemented during 2006. However, it should be noted that the Administration's FECA reform bill would change the law on this point, such that claimants will be allowed to receive both the lump sum schedule award and continuing wage loss during the same period.

Recommendation 2: Reexamine schedule award case files from chargeback year 2003 to date to ensure that periodic payments have been deleted for claimants (Postal Service employees) who selected the lump-sum payment option.

ESA Management's Response: All cases on the Periodic Roll are reviewed annually as part of the periodic roll management project including Postal Service cases where the claimant has elected the lump-sum payment option. Such a review should discover cases for which a lump sum has been paid but periodic payments continue for the same period. Of the four actual overpayments in this sample, two had already been discovered prior to the OIG review. Given the relatively small error rate, OWCP believes that the expenditure of resources to further analyze all schedule awards since 2003 would not be cost effective.

Recommendation 3: Program the Integrated Federal Employees' Compensation System to allow the claims verifier and senior claims examiner to confirm the accuracy of the information input on the automated DOL Form CA-203, Automated Compensation Payment System Schedule Award Payment—510-09, by the claims examiner.

ESA Management's Response: That capability currently exists and is already utilized.

Recommendation 4: Program the Integrated Federal Employees' Compensation System to automatically remind claims examiners to pay the remaining balance of a schedule award at the recurrent pay rate when an award is interrupted to pay temporary total disability.

ESA Management's Response: The payment of a recurrent pay rate is a determination that must be made by a claims examiner (and verified by a different journey level claims examiner). Just because a schedule award is interrupted by an intervening period of total temporary disability, does not guarantee that a recurrent pay rate is applicable. Such a determination must be made on a case-by-case basis. In addition, there is no coding structure that differentiates disability benefits being paid during an interrupted schedule award from those paid in general or even following completion of a schedule. These cases are rare and implementation of this recommendation would involve a complex system enhancement that may not be cost effective. Again, the Administration's FECA reform bill will change the law on this point, such that claimants will be allowed to receive both the lump sum schedule award and continuing wage loss during the same period.

Recommendation 5: That until the Integrated Federal Employees' Compensation System is programmed for verification of accurate information on the DOL Form CA-203, Automated Compensation Payment System Schedule Award Payment—510-09, the verifier and senior claims examiner be directed to use a computerized spreadsheet (such as Microsoft Excel 24) to confirm the accuracy of the information on the DOL Form CA-203.

ESA Management's Response: As stated in the response to recommendation 3, that capability currently exists and is already utilized.

Recommendations 6: Reexamine schedule award case files from chargeback year 2003 to date to verify that award calculations are accurate, and ensure that claimants (Postal Service employees whose case files are managed in the San Francisco District) are paid at the correct weekly pay rate.

ESA Management's Response: Action to resolve this recommendation would be premature considering the actual percentage of improperly paid claims as well as the methodology concerns in the audit that are noted above. The amount of work required to resolve this recommendation does not seem to be warranted considering the percentage of under- and overcharges actually discovered during the audit. However, DFEC will conduct an internal review on a pilot basis during 2006 to further assess the extent of problems with schedule award payment accuracy. If warranted, the pilot results will also be used to create a specific schedule award element to add to the accountability review cycle for 2006 to help correct any problem in the future.

Recommendation 7: Reexamine schedule award case files from chargeback year 2003 to date to verify, for those claimants (Postal Service employees whose case files are managed in the San Francisco District) whose awards were interrupted, that the remaining balance of the schedule award is paid at the correct pay rate.

ESA Management's Response: The response is the same as our response to recommendation 6 above. Because there is no coding structure that differentiates disability benefits being paid during an interrupted schedule award from those paid in general or even following completion of a schedule, there is no efficient way of identifying the small number of cases in question.

This concludes our comments. We appreciate the cooperation and courtesies that were afforded to our field and headquarters' managers and staffs by the audit team. We thank you for the opportunity to comment. If you have any questions, please contact Rose Broadwater of my staff at (202) 693-0285.