

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS



OWCP HAS TAKEN STEPS TO ADDRESS THE BACKLOG OF WAR HAZARDS CLAIMS

DATE ISSUED: MAY 12, 2025
REPORT NUMBER: 23-25-003-04-432



BRIEFLY...

OWCP HAS TAKEN STEPS TO ADDRESS THE BACKLOG OF WAR HAZARDS CLAIMS

Why We Did the Audit

Since the early 1940s, the U.S. government has ensured workers' compensation for contracted workers overseas who suffer injuries, disabilities, deaths, or detentions. War Hazards Compensation Act claims are funded through the Employees' Compensation Fund and congressional appropriations. In 2024, \$700 million in funding under special benefits was appropriated for War Hazards.

By mitigating financial risks associated with work in dangerous environments, War Hazards Compensation Act claims encourage companies to participate in government contracts, ensuring availability of essential services and support in conflict zones. Based on inquiries the OIG received regarding concerns about a backlog of claims, we conducted a performance audit to determine:

Has the Office of Workers' Compensation Programs (OWCP) ensured efficiency and thoroughness in processing War Hazards Compensation Act claims, addressed any backlog of unprocessed or unpaid claims, and implemented a secure process for collecting and safeguarding associated claims data?

To make this determination, we analyzed OWCP War Hazards Compensation Act claims data from January 2014 through October 2024, interviewed OWCP War Hazards Compensation Act claims officials and OWCP management, and reviewed related regulations and policy documents.

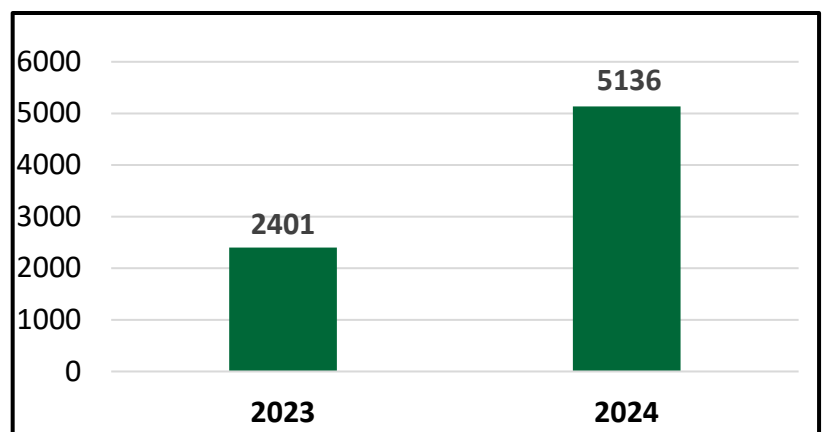
What We Found

We found OWCP had a thorough method for processing and paying War Hazards Compensation Act claims, including a valid and secure approach to collecting and safeguarding associated claims data. Moreover, OWCP is implementing new processes to improve efficiency and security of case and claims submission by the insurance carriers.

In addition, we determined a backlog did exist; however, it did not result from any process failure but was instead due to an increased volume of claims that resulted from expanded eligibility. OWCP had taken steps to swiftly increase its output for processing and paying claims, including allocating additional staff, which has helped address the backlog.

OWCP is also developing and implementing additional strategies—such as sampling enhancements, draft decision documents, and consolidated claims—to improve War Hazards case management, streamline processing times and reduce the backlog, helping prevent future issues. OIG analysis determined OWCP's process and its planned improvements, including the continuation of additional staffing resources, will allow OWCP to continue to address the backlog. As of October 2024, OWCP has approved and paid more cases in 2024 so far than in all of 2023 (see Figure).

Figure: Number of War Hazards Cases (Approved and Paid), 2023 and 2024*



*Numbers for 2024 are from January 1 through October 17.

Source: OWCP Weekly War Hazards Report, October 17, 2024

Read the Full Report

For more information, go to:

<https://www.oig.dol.gov/public/reports/oa/2025/23-25-003-04-432.pdf>.

TABLE OF CONTENTS

INSPECTOR GENERAL’S REPORT	1
RESULTS	1
OWCP Had a Thorough Method for Processing and Paying War Hazards Claims, Including Secure Data Handling, and Has Taken Steps to Reduce the Recent Case Backlog	2
CONCLUSION	10
Analysis of Agency’s Comments	11
EXHIBIT	12
APPENDIX: SCOPE AND METHODOLOGY	13



INSPECTOR GENERAL'S REPORT

Douglas Pennington
Acting Director
Office of Workers' Compensation Programs
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

This report presents the results of the U.S. Department of Labor Office of Inspector General's (OIG) audit of the Office of Workers' Compensation Programs' (OWCP) War Hazards Compensation Act (War Hazards Act) claims. The War Hazards Act made insurance carriers eligible for reimbursement from the government for the compensation paid under the Defense Base Act where the worker's injury or death resulted from a "war-risk hazard".

Based on inquiries the OIG received regarding concerns about a backlog of War Hazards Act claims, we conducted a performance audit to determine:

Has OWCP ensured efficiency and thoroughness in processing War Hazards Act claims, addressed any backlog of unprocessed or unpaid claims, and implemented a secure process for collecting and safeguarding associated claims data?

To make this determination, we analyzed OWCP War Hazards Act claims data from January 2014 through October 2024,¹ interviewed OWCP War Hazards Act claims officials and OWCP management, and reviewed related regulations and policy documents. See Appendix for additional details on scope and methodology.

RESULTS

We found OWCP had a thorough method for processing and paying War Hazards Act claims, including a valid and secure approach to collecting and

¹ Data is as of October 17, 2024, which was the latest run of the Weekly War Hazards report used for OIG analysis.

safeguarding associated claims data. Moreover, OWCP is implementing new processes to improve efficiency and security of case and claims submissions by the insurance carriers.

In addition, we determined a backlog did exist; however, it did not result from any process failure but was instead due to an increased volume of claims that resulted from expanded eligibility. OWCP had taken steps to swiftly increase its output for processing and paying claims, including allocating additional staff, which has helped address the backlog. OWCP is also developing and implementing additional strategies to improve War Hazards Act case management, streamline processing times and reduce the backlog, helping to prevent future issues. OIG analysis determined OWCP's process and its planned improvements, including the continuation of additional staffing resources, will allow OWCP to continue to address the backlog.

OWCP Had a Thorough Method for Processing and Paying War Hazards Claims, Including Secure Data Handling, and Has Taken Steps to Reduce the Recent Case Backlog

OWCP established a process that ensures War Hazards Act claims are safeguarded and managed appropriately in accordance with the War Hazards Act and OWCP's Federal Employees' Compensation Act procedure manual. While we determined a backlog had developed as a result of expanded eligibility for claimants, OWCP has taken steps to reduce the backlog and also planned improvements to streamline claim processing times and reduce the backlog. Furthermore, we found no evidence that OWCP's manual case and claims data submission process was unsecure. However, OWCP is updating the submission process by implementing an e-filing solution, which will likely improve the efficiency, security, and integrity of the case and claims data submissions.

War Hazards claims are managed by OWCP's Division of Federal Employees' Compensation. The division handles War Hazard determinations and the claims examination and reimbursement process. These claims are paid out of the Employee Compensation Fund. Currently, the division has a dedicated team to handle War Hazards Act claims. The team follows a detailed process that ensures every case is a legitimate War Hazards claim and claims are supported by detailed documentation.

A backlog began after expanded eligibility for claimants, leading to a rise in the volume of War Hazards cases. OWCP has taken steps to address this backlog by increasing its War Hazards claims staffing, which increased its claims processing output. In addition, OWCP began developing and implementing multiple strategies to improve its processing timeframes, including sampling enhancements, carrier draft decision documents, and consolidated claims.

War Hazards Claims Process

We found OWCP had a detailed process for handling War Hazard cases, starting with case creation, then case adjudication, and, last, claims reimbursement.

War Hazard Case Creation

Case creation starts when an insurance carrier or self-insured employer submits Form CA-278, Claim for Reimbursement of Benefit Payments and Claims Expense, and supporting documentation for reimbursement of payment it made to a claimant it believes qualifies as a War Hazard claim. The OWCP office in Jacksonville, Florida, receives this form and documentation and creates a case, which generates a War Hazards case number. In creating the case, the Jacksonville office validates that the documents belong to the correct case files and the appropriate claim gets assigned to the appropriate case number but does not determine whether a case is a valid War Hazards case.

War Hazard Case Determination

Once the case has been created, the case number is assigned to the War Hazards unit for adjudication (determining if the case meets the criteria of a War Hazard) and reimbursement. The War Hazards unit supervisor assigns the case to a War Hazards claims examiner who is then responsible for adjudication and reimbursement. Previously, adjudication and reimbursement were split between claims examiners; however, each claims examiner now performs both functions. In addition, OWCP continued to prioritize higher value claims based on the carriers' preference for this approach rather than working through the oldest pending claims.

Adjudication includes the review of: (1) all required forms and (2) the attorney's brief, which summarizes case facts and procedural history and, ideally, explains what happened to the individual including what injuries were sustained, when and where the incident occurred, and why the case meets the definition of a War Hazards risk. Additionally, claims examiners review: medical reports submitted by the employee (or survivors) and the employer to establish a claim under the Defense Base Act, the compensation order awarding benefits under the Defense Base Act, the insurance policy under which the employee was

covered, and documentation of the payments for which reimbursement is being claimed.

If the case meets the War Hazards criteria, the claims examiner will send an acceptance letter to the carrier stating the case is accepted under the War Hazards Act. In some cases, the claims examiner finds essential documents or information missing and sends a development letter, giving the carrier 60 days to provide the necessary details. The claims examiner may also informally follow-up through email for quicker resolution. OWCP indicated each claims examiner may conduct this type of follow-up 1-2 times a week. If the case is determined not to be acceptable under the War Hazards Act, a letter is sent explaining the reasoning; however, according to OWCP, rejections occur infrequently.

War Hazard Claims Reimbursement

Once OWCP has accepted a case under the War Hazards Act, reimbursement begins. Importantly, OWCP accepts a case based on whether the injury or death meets the War Hazards criteria but approves claims when expenses are determined to be correctly itemized and necessary. The claims examiner must determine whether compensation was paid in the correct amount and whether the medical expenses were for treatment of the condition(s) approved as related to the war-risk hazard. Reimbursement requests can contain allocated or unallocated expenses, burial expenses, and medical expenses, with documentation or notes explaining the request.

Last, the claims examiner calculates and a supervisor certifies the reimbursement amount. If the amount is over \$100,000, the field office director conducts a second certification. Once this is complete, the claims examiner prepares Standard Form 1034. This form lists the amount of reimbursement for each category of payment and the total amount to be reimbursed. The claims examiner sends the form to the insurance carrier or self-insured employer with a cover letter advising the reimbursable amount for each category and requesting signature. The letter must note any payments that cannot be authorized, along with the reason for denial.

OWCP stated some carriers are slow on signing and returning the form, which holds up payments. OWCP tracks the status of these and periodically follows up with the law firm representing the carrier. Once the signed form is returned, the claims examiner enters the payment details into the Integrated Federal Employees' Compensation System and then refers the payment to the supervisor for certification. Finally, once certified, the claims examiner sends a payment advisory to the appropriate parties.

Securing War Hazard Case and Claims Submissions

We found OWCP established procedures to support a secure, manual process for handling War Hazard cases and claims submissions with insurance carriers. In addition, during our fieldwork, OWCP was implementing a new e-filing solution that improves upon the efficiency and integrity of the case and claims submission process while continuing to secure the information. We did not perform testing of the new solution and may revisit the e-filing solution when fully implemented.

Manual Submission Process for Case and Claims Data

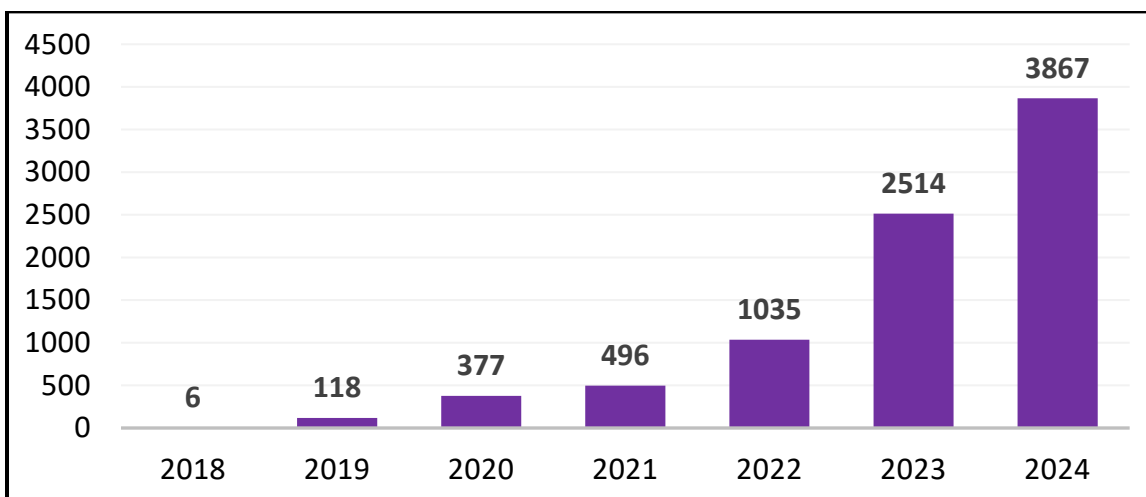
OWCP established a Memorandum of Understanding with the insurance carriers to arrange a secure method for transferring documentation needed to support a War Hazards case. The memorandum lays out the security requirements for this transfer, which include the use of 256-bit encryption to encrypt the files before burning the files onto digital media as approved by OWCP in advance. The digital media is then sent via trackable mail, which includes via the U.S. Postal Service and commercial shipping companies. The password needed to decrypt the files is sent separately from the digital media via secure e-mail or a separate package. Our analysis determined these protections supported a secure process.

New e-filing Submission Process for Case and Claims Data

As part of OWCP's initiatives to improve the War Hazards case management process, the agency is offering an e-filing solution as an option to submit claims via a file sharing program rather than via mail. This new method would remove the chance for any items to be lost in transit and would afford both time and cost savings. OWCP tested the new solution with one of the carriers and is now offering it to all carriers. As of September 2024, 5 of the 10 carriers had swapped to e-filing. Future audit work may revisit the e-filing solution once fully implemented.

OWCP Is Making Progress in Reducing its Backlog

For the purpose of this review, the OIG defined a "backlog" as cases initially received by OWCP during prior years that have not yet been reviewed to determine if they are valid War Hazard cases. As of October 2024, 2,514 cases created in Calendar Year (CY) 2023 were pending review while 3,867 cases created in CY 2024 remained pending (see Figure 1). These pending cases represented approximately \$247 and \$358 million dollars, respectively (see Exhibit, Table 1).

Figure 1: Number of Pending War Hazards Cases, CY 2018–CY 2024*

*Numbers for CY 2024 are from January 1 through October 17.

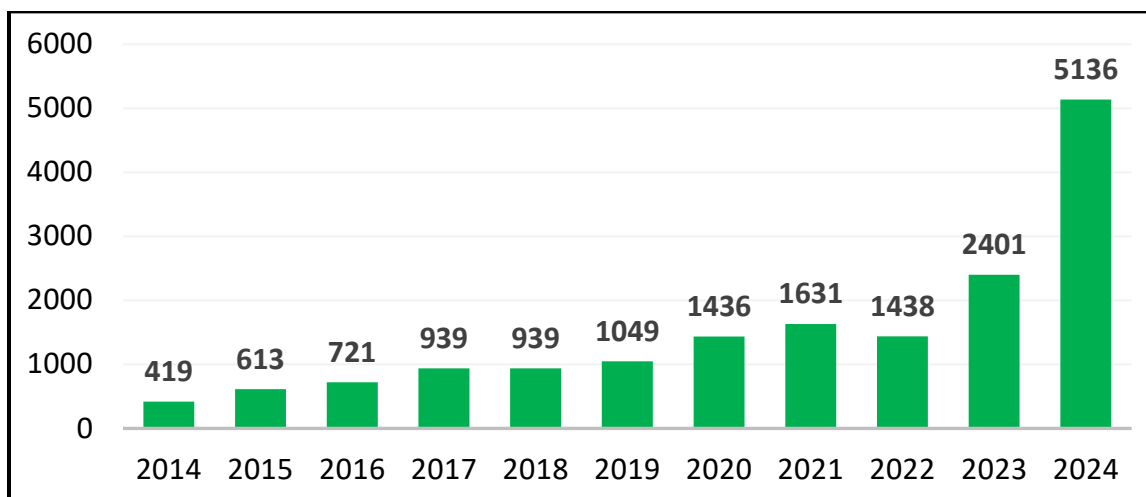
Source: OWCP Weekly War Hazards Report, October 17, 2024

According to OWCP officials, the rise in War Hazards case volume can be attributed to expanded eligibility leading to more qualifying injuries and contributing to the increase in Defense Base Act claims. Given the increased number of cases without a corresponding increase in resources to process the cases, a backlog began.

However, OIG analysis of the process, based on reviewing the documented steps and observation of a typical case walkthrough, indicates the process itself will likely address the backlog. As of October 2024, as a result of changes made to OWCP's process to address the backlog of claims, OWCP had approved and paid more cases and resulting dollars by October 2024 (see Figure 2 and Exhibit, Table 2) than in all of CY 2023.

We found, from CY 2019 to CY 2023, the number of War Hazards cases OWCP approved and paid rose by 129 percent. Specifically, in CY 2019, OWCP approved and paid 1,049 War Hazards cases and, in CY 2023, approved and paid 2,401 War Hazards cases (see Figure 2). The total amount of money approved and paid for War Hazards cases also rose by 80 percent in that period: from about \$279 million in CY 2019 to more than \$500 million in CY 2023 (see Exhibit, Table 2).

**Figure 2: Number of War Hazards Cases (Approved and Paid),
CY 2014–CY 2024***



*Numbers for CY 2024 are from January 1 through October 17.

Source: OWCP Weekly War Hazards Report, October 17, 2024

In CY 2021, OWCP took steps to address the backlog of pending cases by creating a unit of five dedicated War Hazards claims examiners. Previously, War Hazards cases were handled by claims examiners also working on Defense Base Act claims. In December 2023, OWCP requested moving 13 temporary special project claims examiners to the War Hazards unit for a year-long detail to help reduce the backlog. The request was approved in January 2024, and staff were trained shortly thereafter.

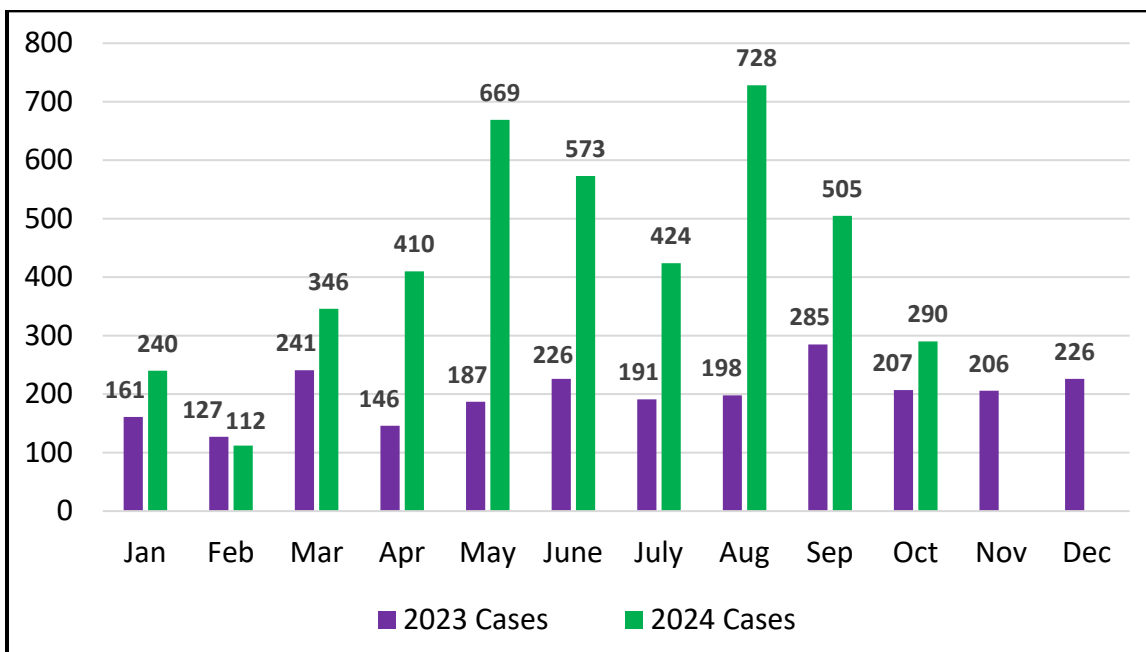
In March 2024, the new staff went to work on cases, resulting in an immediate, positive impact on OWCP claims processing productivity. As of September 2024, OWCP had 18 War Hazards claims examiners who typically processed 40-45 cases a month (this number was also a part of the War Hazard performance standards for a claims examiner). OIG determined that, if OWCP makes the additional staffing resources permanent as planned, it will allow OWCP to continue to address the backlog.

The impact of additional staff was clear when comparing the output of claims processed in CY 2023 versus CY 2024 for the War Hazards unit. The process remained the same, but the new staff following the process generated substantially more output. OWCP paid 728 War Hazards cases in August 2024 versus 198 in August 2023 (see Figure 3).

In the 8 months from March 2024 to October 2024, OWCP was able to pay more cases (3,945) than in all of CY 2023 (2,401). In addition, the amount of money paid for War Hazards cases also increased in 2024 (see Exhibit, Table 1), further

demonstrating the backlog reduction supported by the increase of claims examiner staffing resources.

Figure 3: Impact of Additional Staff on Ability of War Hazards Unit to Process Cases, Number of War Hazards Cases Paid CY 2023 versus CY 2024*



*Numbers for 2024 are from January 1 through October 17 and only include paid cases, not those approved awaiting carrier signoff of Standard Form 1034.

Source: OWCP Weekly War Hazards Report, as of October 17, 2024

In addition, with the increased staff, OWCP addressed a higher level of current claims in 2024 than in 2023, while simultaneously working to reduce the backlog of older claims. To that end, OWCP prioritized claims according to the carriers' preference, targeting higher value cases first. The OIG examined the February 2024 data as of February 15 versus the October 2024 data as of October 17. The backlog of pending claims from 2018–2023 was 7,273 in February 2024 and 4,546 in October 2024, a reduction of 2,727 cases, while OWCP also processed 1,330 new 2024 cases during that same period.

In terms of the monetary backlog, in February 2024, the backlog of pending cases for 2018–2023 totaled about \$778 million. After adding additional staff in March 2024, the backlog of pending cases decreased to approximately \$466 million in October 2024, a reduction of \$300 million dollars in 8 months. During this period, March–October 2024, the War Hazards unit also approved and paid about \$247 million in current 2024 cases. These results indicated the

additional staffing resources had a positive impact on the backlog and validated that the process was effective once additional personnel were in position to address the increased volume of claims. The plan for OWCP to permanently staff the program at the higher levels will allow OWCP to continue to reduce the backlog.

Additional OWCP Initiatives to Reduce Claims Backlog

OWCP is currently developing and implementing multiple strategies to improve the War Hazards case management process to streamline processing times and, therefore, reduce the claims backlog and help prevent future issues. OWCP met with carriers to provide updates on improvements, including holding listening sessions to present these initiatives. Descriptions of three such strategies—sampling enhancements, carrier draft decision documents, and consolidated claims—follow.

Sampling Enhancements

According to OWCP, most of the processing on a War Hazards claim consists of verifying reimbursement amounts. Currently, Bulletin 15-01 allows sampling of medical expenses under \$300 in accepted cases submitted for reimbursement (in lieu of reviewing each line item). OWCP has decided to explore increasing the medical reimbursement statistical sampling threshold from \$300 to a higher value.

Additionally, OWCP explored using statistical sampling applied to all individual reimbursement expenses—meaning compensation, allocated, and medical expenses—for entire claims. OWCP looked at methods of creating a blend of threshold and random sampling to reduce caseload while meeting an acceptable level of risk. In March 2024, OWCP analyzed random sampling versus threshold sampling² and decided to move forward with exploring statistical sampling for entire claims. Other data and methods are being reviewed to mitigate the risk of using statistical sampling across entire claims.

Carrier Draft Decision Documents

OWCP also considered allowing carriers to pre-draft a claim acceptance decision for claims examiner review, providing the carrier with a template. An alternative to the legal brief, this document would allow the consolidation of effort and work. After review, if the claims examiner accepts the case as a War Hazards case, the

² Threshold sampling is when claims with a value less than a certain threshold are approved with minimal or no examination whereas claims that exceed the threshold are manually reviewed.

claims examiner would send a brief letter confirming the decision. If the case is not accepted, the claims examiner would follow the normal process of notification. OWCP implemented this initiative on September 30, 2024.

Consolidated Claims

An insurance carrier can submit multiple claims as part of a War Hazards case. This can occur in part due to the resubmission of expenses denied in the first round or expenses incurred after the initial filing. OWCP is exploring a consolidated claims approach to fast-track claims. Carriers may be given the option to move their claim to the front of the line by waiving their ability to resubmit new claims and submitting everything at once. OWCP would only consider exceptions to this rule with good cause. OWCP continues to work with the U.S. Department of Labor's Office of the Solicitor on this initiative.

The proposed changes in development would supplement the staffing additions to the War Hazards unit and help address the backlog. These additional changes would continue to enhance the process in different ways and could potentially increase the number of claims that a claims examiner can process per month.

CONCLUSION

The War Hazards Act claims unit, managed by OWCP's Division of Federal Employees' Compensation, plays a crucial role in ensuring cases related to War Hazards are processed efficiently and effectively. While facing a backlog due to an increase in cases after expanded eligibility, the process used by OWCP has demonstrated resilience and adaptability in its operations.

The positive impact of OWCP's increase in claims examiner staffing resources dedicated to the processing of War Hazards claims was clear when comparing the output of both the number of cases and the case values from CY 2023 to CY 2024. OWCP plans to make these additional claims examiner resources permanent, which would allow OWCP to continue to reduce the backlog. The implementation of an e-filing solution and the prioritization of higher-value cases reflect OWCP's commitment to improving the claims process. With a significant rise in both the number of approved cases and the total amount reimbursed over recent years, the agency is making significant strides to address the intent of the War Hazards Act. As OWCP continues to refine its processes and address the backlog, it is essential to maintain the integrity and efficiency of the effort to uphold its mission of providing necessary support to individuals facing risks associated with overseas work in conflict zones.

Analysis of Agency's Comments

In response to a draft of this report, OWCP reviewed the report and stated it concurs with the facts as represented and had no comments to add. We appreciate the cooperation and courtesy OWCP extended to us during this audit.



Laura B. Nicolosi
Assistant Inspector General for Audit

EXHIBIT

The following tables display the total amounts pending and the total amounts approved and paid, respectively, for War Hazards Claims from CY 2014 through October 17, 2024.

Table 1: Total Dollars from Pending War Hazards Cases, CY 2018–CY 2024

Year	Total in War Hazards Pending Cases
2018	\$447,432.68
2019	\$13,762,499.02
2020	\$41,539,212.74
2021	\$54,120,645.51
2022	\$108,986,344.19
2023	\$246,726,376.85
2024*	\$358,045,857.51

Source: OWCP Weekly War Hazards Report, as of October 17, 2024

Table 2: Total Dollars of War Hazards Claims (Approved and Paid), CY 2014–CY 2024

Year	Total in War Hazards Claims Approved and Paid
2014	\$69,208,219.83
2015	\$129,775,172.40
2016	\$158,396,590.01
2017	\$175,111,466.82
2018	\$242,118,003.33
2019	\$279,048,841.10
2020	\$340,151,229.86
2021	\$311,667,641.63
2022	\$394,762,243.04
2023	\$500,307,177.76
2024*	\$717,812,970.16

Source: OWCP Weekly War Hazards Report, as of October 17, 2024

APPENDIX: SCOPE AND METHODOLOGY

Scope

Our audit covered OWCP's War Hazards Act claims from CY 2014 through CY 2024. Our review included close analysis of the: case processing and control points, processes in place to transfer and secure claim data, documentation designed to keep insurance carriers informed and aware of current status and ongoing improvements, and efforts to reorganize and increase staffing available to respond to backlog and inflow of cases.

Methodology

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

To answer our audit objective, we performed the following activities:

1. evaluated documentation related to the War Hazards Act claims, including its current backlog, ongoing improvements, and communication with carriers;
2. conducted data analysis of the backlog, including monthly updates; and
3. interviewed staff from OWCP to ascertain their perspectives on the current state of War Hazards Act claims and to gain information about any planned or currently implemented processes to reduce backlog.

Specifically, we interviewed OWCP employees, including the Director of Longshore and Worker's Compensation, Office Director of War Hazards Compensation Unit, Branch Chief of Financial Administration, and senior policy advisors. This report represents the culmination of our efforts in this endeavor.

Reliability Assessment

To determine the reliability of OWCP datasets, we obtained datasets from OWCP and an OIG data scientist validated the Structured Query Language (SQL) utilized to generate the dataset. The data scientist confirmed no alteration of data from underlying sources was made when publishing for public use. We confirmed our understanding of the data OWCP used through interviews, walkthroughs, and

documentation reviews. We determined the data was sufficiently reliable to support our audit conclusions, findings, and recommendations.

Internal Controls

In planning our audit, we identified the internal control standards relevant to our performance audit of OWCP's War Hazards Act claims. These included internal control audit standards primarily found in the Government Accountability Office's Government Auditing Standards and the OIG's Office of Audit Handbook. In planning and performing our audit, we considered OWCP's internal controls relevant to our audit objective by obtaining an understanding of those controls and assessing control risks for the purpose of achieving our objective. The objective of our audit was not to provide assurance of internal controls; therefore, we did not express an opinion on OWCP's internal controls.

Prior Relevant Coverage

During the last 5 years, the OIG has issued no reports of significant relevance to War Hazards Act claims.

**REPORT FRAUD, WASTE, OR ABUSE
TO THE DEPARTMENT OF LABOR**

Online

<https://www.oig.dol.gov/hotline.htm>

Telephone

(800) 347-3756 or (202) 693-6999

Fax

(202) 693-7020

Address

Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue NW
Room S-5506
Washington, DC 20210