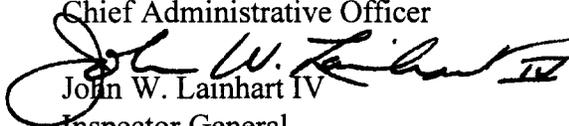


John W. Lainhart IV
Inspector General

Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: James M. Eagen III
Chief Administrative Officer

FROM: 
John W. Lainhart IV
Inspector General

DATE: May 11, 1998

SUBJECT: Audit Report - Opportunities Exist for Improving the Workers' and
Unemployment Compensation Programs at the U.S. House of Representatives
(Report No. 98-CAO-05)

This is our final report on the audit of Workers' and Unemployment Compensation Programs at the U.S. House of Representatives (House). We initiated this audit in response to your request to review the programs and develop recommendations to assist in your efforts to improve current processes. The audit focused on (1) determining the magnitude of workers' and unemployment compensation claims in the House (Washington D.C. and district offices), (2) reviewing claims to identify any potential for fraud, waste, and abuse, and (3) defining the requirements for developing efficient and effective Workers' and Unemployment Compensation Programs. In this report, we identified issues needing management attention and made recommendations for improvement.

In response to our February 2, 1998 draft report, your office concurred with all the findings and recommendations. Your March 17, 1998 management response is incorporated in this final report and included in its entirety as an appendix. The corrective actions taken and planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations. Further, the milestone dates, provided for implementing corrective actions, appear reasonable.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Robert B. Frey III at (202) 226-1250.

Attachment

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Chairman, Committee on House Oversight
Ranking Minority Member, Committee on House Oversight
Members, Committee on House Oversight

**OPPORTUNITIES EXIST FOR IMPROVING THE WORKERS' AND
UNEMPLOYMENT COMPENSATION PROGRAMS
AT THE U.S. HOUSE OF REPRESENTATIVES**

*Report No. 98-CAO-05
May 11, 1998*

RESULTS IN BRIEF

CONCLUSIONS

At the beginning of the 105th Congress, the House of Representatives (House) initiated action to improve the management and operational processes surrounding the Workers' and Unemployment Compensation programs in response to the Office of Inspector General's (OIG) December 31, 1996 and August 11, 1995 audit reports (Report No. 96-CAO-15 and Report No. 95-CAO-26, respectively). The House centralized the Workers' Compensation and Unemployment Compensation Programs within the Office of Human Resources (OHR) in January 1997 and, by March 1997, hired an experienced compensation specialist to oversee and administer activities in both program areas.

OHR has since prepared proposed draft policies and procedures prescribing the management responsibilities and procedures for implementing the individual programs within the House. The compensation specialist has already identified several aspects of the management and implementation process that need to be addressed. Examples of other efforts completed or underway include: (1) requesting all workers' compensation program files from the prior decentralized offices managing the program; (2) establishing a centralized program for record-keeping and filing; (3) establishing program form letters and correspondence for distribution to House offices, U.S. Department of Labor (DOL) personnel, medical providers, and claimants; (4) conducting meetings with DOL workers' compensation officials, House managers and supervisors, and interagency workers' compensation personnel; (5) reviewing the DOL charge-back reports to ensure claims are for valid House employees; (6) researching and reviewing past due workers' and unemployment compensation bills for payment by the Office of Finance; and (7) issuing payments to DOL for all past due workers' and unemployment compensation charge-backs.

With efforts underway to correct operational inefficiencies for both the Workers' and Unemployment Programs within the House, OHR is pursuing avenues to further improve the programs and services to Member, Committee, and other House office personnel. In furtherance of their goals, OHR requested an OIG audit to assist them in identifying areas that can be further improved. To this end, our audit work identified additional opportunities where the OHR could

further improve their efforts in managing the Workers' and Unemployment Compensation Programs to ensure that the programs run more effectively and efficiently. The following is a summary of the findings discussed in this audit report.

- The House still needed to finalize its draft comprehensive workers' compensation policies and procedures, and communicate those policies and procedures to all House offices, reinforcing centralization of the process. Lack of comprehensive policies and procedures creates the potential for fraud, waste, and abuse concerning these claims, as well as mismanagement and inconsistencies in record-keeping of claims. This deficiency was the underlying cause for many of the other Workers' Compensation Program findings discussed in this report.
- The House was unable to accurately determine the workers' compensation expenses for Calendar Year (CY) 1996 and CY 1995, and did not record workers' compensation expenses in CY 1994. As a result, the CY 1996 and CY 1995 workers' compensation expenses were overstated by \$881,727 and \$979,478, respectively, and the CY 1994 expenses were understated by \$1,268,746. In addition, the House had not reimbursed DOL until August 1997 for workers' compensation charges incurred from July 1993 through June 1995. As a result of this delay, the House was not in compliance with the intent of the Federal Employees Compensation Act.
- Workers' compensation claim files were not complete. Without complete files, the House cannot verify that the charges and employees listed on the DOL quarterly charge-back reports are accurate. This increases the risk of misstatement of workers' compensation expense and liability balances. As a result of the decentralization of the Workers' Compensation Program prior to March 1997, standard filing policies and procedures had not been established and communicated to all House offices.
- The House did not have formal return to work or light duty programs for House Officers. These programs often enable employees to return to work sooner than they would otherwise following job related incidents. By not having return to work or light duty guidelines, some House employees may remain on workers' compensation rolls longer than they otherwise would, which places extra burdens and costs on the House. Although the House did not have formal return to work or light duty programs for House Officers, OHR has been proactive since January 1997 in coordinating return to work and light duty assignments when available.
- There was little coordination of safety efforts regarding the issues that affect workers' compensation claims at the House. As a result, some units of the House had higher than average injury rates and workers' compensation claims, some of which might have been preventable.
- The House did not have accurate and reliable workers' compensation statistics and cost data. Without a solid set of baseline statistics it was not possible to adequately determine the future workers' compensation liabilities for the House. Limited statistics and data made it difficult to mitigate future claims since the trends could not be assessed and shared with key staff,

such as supervisors and safety and health officials, who could act proactively to reduce the causes of claims. More importantly, limited data inhibited the House's ability to accurately determine the workers' compensation unfunded liability.

- The House still needed to finalize its draft comprehensive unemployment compensation policies and procedures, and communicate those policies and procedures to all House offices, reinforcing centralization of the process. Lack of adequate policies and procedures creates the potential for mismanagement and inconsistencies in record-keeping of claims, giving rise to fraud, waste, and abuse concerning unemployment compensation claims. This deficiency was the underlying cause for the other Unemployment Compensation Program findings discussed in this report.
- The House did not perform routine reviews of quarterly reports from the District of Columbia Department of Employment Services (DCDES) and the State Employment Security Agencies (SESAs) for reasonableness of DOL charges. Not performing reconciliations between accounting information and supporting data may expose the House to payment for false or incorrect claims. In addition, the House did not accrue for unemployment expenses in its accounting records as the expenses are incurred, which could result in the expense being misstated. Furthermore, payments to DOL for unemployment compensation claims were overdue.
- Income Determination Forms (H931s) were not always fully completed by the House. Not including all of the required information on the H931s, ultimately, increases the House's risk of overpayment of unemployment compensation claims.
- Lastly, our review of the House unemployment claims process indicates that OHR may not have the necessary resources needed to manage the Workers' and Unemployment Compensation Programs. Currently, there is only one compensation specialist assisted by four part-time staff to oversee both the workers' compensation and unemployment programs. However, given the findings and recommendations in this report and significant workload involved with centralizing the workers' compensation program, it may not be feasible for one person to continue to manage both programs. The lack of resources is contributing to the processing of unemployment claims without the necessary reviews and controls. This issue is discussed in the "Other Matters" section of the report.

RECOMMENDATIONS

We made a total of 24 recommendations to the Chief Administrative Officer that should enhance the OHR's efforts to improve the management and operational processes specific to the Workers' and Unemployment Compensation programs. The report includes several recommendations dealing with the establishment of policies and procedures as well as the development of program plans for approval by the Committee on House Oversight. Eleven of the report recommendations deal with general or specific policy and procedure issues aimed at developing and communicating more comprehensive House guidance addressing the Workers' and Unemployment Compensation Programs.

Other recommendations include: (1) require OHR to forward information to prepare journal entries to the Office of Finance at each quarter on a timely basis to ensure expenses are recognized by the House, as they are incurred; (2) implement accrual basis accounting for workers' and unemployment compensation to ensure that expenses and related liabilities are recognized in the accounting period in which incurred; (3) reimburse DOL for all future charge-back amounts within the specified time frame in compliance with the *Federal Employees' Compensation Act*; (4) create a safety committee or claims review board consisting of safety and health officials, office supervisors, and the Workers' Compensation Program Manager to address safety issues, enforce policy, and review claims trends; (5) establish formal communication mechanisms with the Architect of the Capitol's Office of Safety and Engineering and Office of Compliance; (6) maintain a comprehensive database of accurate information to ensure more accurate loss projections and a more thorough understanding of the House's workers' compensation costs; (7) develop training courses and communications (e.g., through Channel 25) for the House's Workers' and Unemployment Compensation Programs and ensure that key employees in House and Member offices receive a basic understanding of the programs; (8) ensure that OHR verifies *Employer Notices of Claim Filed or Benefits Paid* (UD399s) against the payroll listing for all names on the quarterly statements sent by the DCDES or states; (9) obtain the formula/criteria used by DCDES and each SESA in determining the amount of unemployment compensation claimants should receive and perform sample recalculations; (10) establish a control log that can verify when each H931 is received by the House and returned to DCDES or the appropriate SESA; and (11) consider obtaining, at least, an additional part-time program management position or transferring the responsibility of unemployment compensation management to another manager as a collateral duty, or using a third party administrator to process unemployment claims.

MANAGEMENT RESPONSE

On March 17, 1998, the CAO concurred with the findings and all 24 recommendations (see Appendix). According to the response, many actions are completed or planned to improve the Workers' Compensation and Unemployment Compensation Programs. Details of the response to each of the findings are summarized under the Management Response section at the end of each finding. In addition, a copy of the CAO's full response is provided as an Appendix to this report.

OFFICE OF INSPECTOR GENERAL COMMENTS

The CAO's actions are responsive to the issues we identified and, when fully completed, should satisfy the intent of our recommendations. The milestone dates provided for selected actions appear reasonable.

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Appendix: CAO Management Response To The Draft Report

I. INTRODUCTION

Background

Workers' Compensation

The *Federal Employees' Compensation Act* (FECA) authorizes compensation and medical care for employees disabled by job-related injuries or illnesses. FECA also provides for the payment of compensation benefits to dependents if a work-related injury or disease causes an employee's death. The FECA program (Workers' Compensation Program) operates on a reimbursable basis. Claims are submitted by the claimants to their employing Federal agencies, processed by those agencies, and submitted to the Department of Labor (DOL) for payment. DOL subsequently bills the agencies to obtain reimbursement.

Unemployment Compensation

amount collected, Title 5 U.S.C., Chapter 85 authorizes a program of unemployment compensation for Unemployed Federal Civilian Employees (UCFE). The statute authorizes the Secretary of Labor, on behalf of the United States, to enter into agreements with the District of Columbia Department of Employment Services (DCDES), which oversees the unemployment compensation laws of the District of Columbia, and the State Employment Security Agencies (SESAs) which oversee unemployment compensation laws of each state, including the Federal territories—Puerto Rico, Guam, etc. The DOL has an agreement to reimburse the DCDES and the SESA for each state for unemployment compensation paid to eligible Federal civilian employees. Eligible Federal civilian employees are generally those individuals that are full or part-time employees and eligible for other Federal employee benefits. House employees working in Washington, DC file claims with DCDES, while employees in the Members' district offices file unemployment claims in their home states. DCDES and the SESAs provide *UCFE Quarterly Charge Summaries* to DOL and the House. These summaries list individuals collecting unemployment compensation, the and the amount charged to the House as the employer. The House, in turn, is required to reimburse DOL within 30 days of receipt of the DOL's *Quarterly Statement of Expenditures of Federal Funds for Reimbursable Unemployment Compensation Benefits Paid to UCFE Claimants*.

Administration of Workers' and Unemployment Compensation Programs Within the House

Prior to March 1997, Workers' Compensation Program claims were processed by various individual offices (e.g., Office of Human Resources (OHR), Furniture Resource Center, and Postal Operations) and submitted to the DOL for payment. Each Member, Committee, and House administrative office had a designated employee responsible for filing workers' compensation claims. However, in January 1997, the program was centralized under OHR. In addition, in March 1997 a Workers' Compensation Specialist was hired in response to prior audit recommendations to facilitate centralized processing and monitoring of workers' compensation and unemployment compensation claims.

Prior to January 1997 the Unemployment Compensation Program was under the Office of Finance (Finance). In January 1997 the program was centralized under OHR. In March 1997, the newly hired Workers' Compensation Specialist in OHR was also assigned the responsibility of managing the Unemployment Compensation Program.

Objectives, Scope, And Methodology

This audit was in response to a request by the House's Chief Administrative Officer (CAO) to review the Workers' Compensation and Unemployment Compensation Programs and develop recommendations to assist them in their efforts to improve current processes. The specific objectives of the audit were to (1) determine the magnitude of workers' and unemployment compensation claims in the House (Washington D.C. and district offices), (2) review claims to identify any potential for fraud, waste, and abuse, and (3) define the requirements for developing efficient and effective Workers' and Unemployment Compensation Programs.

Our audit was conducted in various offices under the CAO during the period of June 1997 through August 1997. The audit covered the 12-month period ending December 31, 1996 for the financial portion of the audit and the period of March 1997 to August 1997 for the performance portion of the audit. However, as indicated in the report, we extended our fieldwork on a limited basis after August 1997 to cover certain events, which came to our attention after that date, but before the issuance of the draft report.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. In conducting our audit, we:

- Conducted numerous interviews with staff in Finance, OHR, Office of Personnel & Benefits, Furniture Resource Center, Office of Compliance, and four Members' district offices.
- Interviewed other Legislative and Executive Branch personnel including staff with the Architect of the Capitol's Safety & Engineering Office, U.S. Senate, Library of Congress, U.S. General Accounting Office, U.S. Office of Personnel Management, U.S. Department of Defense, U.S. Department of the Interior, U.S. Department of Agriculture, U.S. Postal Service, and DOL.
- Evaluated current policies, standards, and procedures.
- Used numerous methods to obtain information, including reviews of U.S. government reports (Office of Personnel Management, Office of Compliance, etc.), agency websites, Price Waterhouse's proprietary knowledge transfer database, private sector reports, and discussions with Price Waterhouse industry specialists.
- Reviewed, on a test basis, evidence supporting the amounts and disclosures in the House accounting records. We also assessed the accounting principles used and significant estimates made by management.

- Tested compliance with DOL and DCDES/SESA workers' and unemployment compensation requirements.
- Analyzed workers' compensation payment information from DOL's quarterly detailed listings in reviewing claims paid. (The audit did not assess the accuracy of the DOL claim payment system.)
- Used analytical techniques, such as transaction testing of DOL charge-backs, recalculation of benefit payments, and query of downloads of House payment records.
- Assessed "best practices" information from applicable agencies and private companies.

In addition to Exhibit A, *Status of Implementation of Prior Audit Report Recommendations*, we included a number of exhibits to provide OHR with the primary sources of our best practices analysis. Exhibits B and C summarize the best practices for workers' and unemployment compensation, respectively. The summaries in these two exhibits are organized by process and include best practices implemented at various public and private sector entities. Exhibit B contains private sector as well as Federal agency best practices, while Exhibit C comprises Federal agency best practices. Exhibits D and E include profiles of specific Federal organizations and how they manage their Workers' and Unemployment Compensation Programs through process, information systems, and people. Exhibit F lists all sources that were utilized by the performance audit team during the engagement.

Internal Controls

As part of the audit, we evaluated internal controls related to the Workers' and Unemployment Compensation Programs. The audit identified internal control weaknesses with respect to the management of these programs as of the completion of our audit fieldwork. The internal control weaknesses we identified are described in Findings A through J of this report.

Prior Audit Coverage

The Office of Inspector General (OIG) conducted two audits, which addressed problems with the Workers' Compensation and Unemployment Compensation Programs. The first audit, *Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer* (Report No. 96-CAO-15, dated December 31, 1996), included a finding "Decentralized Processing Of Workers' Compensation and Unemployment Compensation Can Result In Costly Errors" which identified potential financial and operational risks as a result of the decentralization of workers' and unemployment compensation processing. In addition, the second audit, *Improved Controls Could Prevent Abuse Of The House Restaurant System Unemployment Compensation Program* (Report No. 95-CAO-26, dated August 11, 1995), identified weaknesses in the management of the Unemployment Compensation Program by the House Restaurant System (HRS). Specifically, HRS did not develop, implement, and document program management controls of the Unemployment Compensation Program activities.

We followed up on implementation of 10 recommendations in the above two audit reports. We found that six recommendations were fully implemented, three were otherwise resolved, and one was partially implemented. Exhibit A provides a summary of the implementation status of each of these recommendations.

II. FINDINGS AND RECOMMENDATIONS

Worker's Compensation Program

Finding A: The House Needs To Develop And Implement Comprehensive Policies And Procedures For The Workers' Compensation Program

In January 1997, the Workers' Compensation Program was centralized within the OHR and in March 1997, a workers' compensation specialist was hired to oversee the program development and implementation. However, the House still needed to finalize its draft comprehensive workers' compensation policies and procedures, and communicate those policies and procedures to all House offices, reinforcing centralization of the process. Lack of comprehensive policies and procedures creates the potential for fraud, waste, and abuse concerning these claims, as well as mismanagement and inconsistencies in record-keeping of claims. This deficiency was the underlying cause for many of the other Workers' Compensation Program findings discussed in this report.

The House lacks workers' compensation policies and procedures

In both the public and private sectors, workers' compensation policies and procedures underlie the most successful programs. Formal policies and procedures are important foundations to lay the framework for an entity's internal control structure. The Office of Personnel Management's *Nationwide Study of Workers' Compensation Program at Federal Installations* recommends that Federal agencies develop local workers' compensation policies. Policies and procedures should begin with an outline of the responsibilities of all key staff involved in the workers' compensation process. These key staff include House employees and supervisors, Workers' Compensation Program staff, and safety and engineering staff within the Architect of the Capitol. The policies and procedures should provide an overview of the process and the required tasks and forms to be completed by key staff. For example, the Library of Congress maintains procedures which outline required tasks to be performed by the supervisor, staff, and the workers' compensation specialist.

While OHR had made significant strides in preparing draft policies and procedures, the House did not have approved formal comprehensive workers' compensation policies and procedures as of August 1997. Without policies and procedures, House office staff may not fully understand the worker's compensation process. Compounding this problem, the House operates in a high turnover environment where office administrators change frequently. This can lead to incomplete documentation, incomplete claim files, and delays in processing of benefits due to claim forms not being properly completed. Furthermore, there is little assurance that the Workers' Compensation Program is consistently, effectively, and efficiently meeting management's objectives.

Prior to March 1997, Workers' Compensation Program claims were processed and submitted to DOL for payment without standardized House policies and procedures by various individual offices (OHR, Furniture Resource Center, and Postal Operations). In addition, we found six claims submitted directly to DOL from six Member offices. As a result, individual offices relied

on their own policies and procedures. Now that the process is centralized in OHR, that office should prepare standard policies and procedures. Since March, OHR has taken an important first step by drafting external and internal policies and procedures for worker's compensation.

To be effective, comprehensive policies and procedures must outline the responsibilities of all staff involved in the process and describe the major tasks performed by OHR with respect to the process. In addition, they need to include the specific policies and procedures discussed in the later findings in this report.

The House needs to disseminate policies and procedural information regarding workers' compensation to all House offices

The Office of Personnel Management's *Nationwide Study of Workers' Compensation Program at Federal Installations* recommends that Federal agencies provide training or orientation for employees on workers' compensation issues. This ensures that staff know what to do and whom to contact for assistance in filing a claim. Supervisors and key employees involved in the program should receive training or an orientation to the Workers' Compensation Program so that all forms are processed correctly and benefits are not delayed. Also, supervisors are allowed to controvert the issuance of a continuation of pay (COP) under FECA, and with a basic understanding of the FECA guidelines, they will be better able to do so. Information gathered from other Federal agencies and private companies suggests that disseminating Workers' Compensation Program information to all stakeholders is key to keeping claims costs down.

In January 1997, the workers' compensation program was centralized within OHR and in March 1997, a designated Workers' Compensation Program Manager was hired. However, not all House staff were aware of the centralization. For example, three of the five district offices we contacted were not aware of which office within the CAO was specifically responsible for workers' compensation. In addition, officials from the House Furniture Resource Center, which is the largest source of workers' compensation claims, responded that they send their claims directly to DOL. This can make it difficult for OHR to be aware of all outstanding claims and also makes it difficult for them to maintain a complete set of files.

As of August 1997, the House had not prepared a strategic plan for the Workers' Compensation Program, including plans for training orientation and dissemination of information. Also, draft policies and procedures had not been finalized and approved by the Committee on House Oversight. It is especially important that the Members' offices be provided with an orientation to workers' compensation benefits since these offices are subject to high turnover rates, every two years. Without the benefit of training or orientation to the Workers' Compensation Program a number of inefficiencies can occur. For example, without an orientation, new office administrators may be prone to circumventing OHR. This makes it difficult for the House to track claims and may result in incomplete files. Further, office administrators and supervisors cannot be expected to know or be aware of their legal right to controvert COP. This could result in excess claims and costs to the House. During the audit period all claims were sent to the DOL with no COP controversion.

Once formal policies are approved for workers' compensation, a communication strategy to disseminate workers' compensation information should be prepared. In addition, specific workers' compensation communications such as workers' compensation policies and procedures manual, orientation training, updates to the Congressional Handbook, and a Channel 25 training video should be offered to all House offices as they are for other benefits.

Recommendations

We recommend the Chief Administrative Officer:

1. Finalize the draft comprehensive workers' compensation policies and procedures, for approval by the Committee on House Oversight, outlining the processes, tasks, and responsibilities of House staff involved in the worker's compensation process and incorporating the workers' compensation policies and procedures discussed in the later findings in this report.
2. Reiterate to all House offices the importance of filing workers' compensation claims with OHR rather than directly with the DOL Office of Workers' Compensation Programs.
3. Develop a workers' compensation strategic plan, for approval by the Committee on House Oversight, to outline how workers' compensation policies and procedural information will be communicated to all House offices. The plan should include (a) disseminating workers' compensation policies and procedures to key employees in all House offices, (b) providing Workers' Compensation Program orientation for new office administrators at the beginning of each new Congress, (c) updating the *Congressional Handbook* with contact information, and (d) developing a workers' compensation training video for Channel 25.

Management Response

On March 17, 1998, the CAO concurred with this finding and all three recommendations (see Appendix). According to the response, the CAO will forward to the Committee on House Oversight (CHO) for approval, the *House Management Procedures For Workers' Compensation* as part of a proposed strategic plan for implementing workers' compensation policies and procedures. Upon approval of the strategic plan, the OHR plans to utilize a variety of communication tools such as the *Members' Handbook* and *CAO Personnel Policies and Procedures* to inform House offices of workers' compensation filing policies and procedures.

Office of Inspector General Comments

The CAO's planned actions are responsive to the issues we identified and, when fully completed, should satisfy the intent of our recommendations.

Finding B: Controls Were Needed To Ensure Accurate And Timely Recording And Payment Of Workers' Compensation Expenses

The House was unable to accurately determine the workers' compensation expenses for Calendar Year (CY) 1996 and CY 1995, and did not record workers' compensation expenses in CY 1994. As a result, the CY 1996 and CY 1995 workers' compensation expenses were overstated by \$881,727 and \$979,478, respectively, and the CY 1994 expenses were understated by \$1,268,746. In determining the expense, we found that the House did not properly segregate expenses reported on DOL charge-back reports, which spanned two different calendar years. Since the House's general ledger system was on a cash basis of accounting at the time, workers' compensation expense amounts were not recognized as no payments had been made. In addition, the House had not reimbursed DOL until August 1997 for workers' compensation charges incurred from July 1993 through June 1995. As a result of this delay, the House was not in compliance with the intent of FECA. The reimbursements were delayed because the charge-backs had not been substantiated and approved by an authorizing official.

Workers' compensation expenses were not properly recorded

Accrual accounting, as defined by generally accepted accounting principles, requires that expenses be recognized in the accounting period in which they are incurred. Therefore, CY 1995 expenses should only include charges incurred between January 1, 1995 and December 31, 1995 and CY 1996 expenses should include only those charges incurred between January 1, 1996 and December 31, 1996. The figure below shows the workers' compensation expense per the House records for each year versus the actual expense.

Figure 1: Workers' Compensation (WC) Expenses

CY	WC Expense Per House Records	Actual WC Expense	Overstated/ (Understated)
1996	\$2,717,628	\$1,835,901	\$ 881,727
1995	\$2,673,057	\$1,693,579	\$ 979,478
1994	\$0	\$1,268,746	(\$1,268,746)

In determining the CY 1996 expenses, the House did not properly segregate CY 1995 from CY 1996 expenses contained on the DOL reports dated July 1, 1995 through June 30, 1996 and July 1, 1996 through December 31, 1996. Rather, all charges for the period July 1, 1995 through December 31, 1996, representing 18 months of activity, were reported as CY 1996 expenses. Similarly, the CY 1995 expense was compiled using 24 months of activity since no expenses were recorded in CY 1994. Rather than adjusting the CY 1994 expenses, the House recorded all of the charges on the FY 1994 and FY 1995 DOL reports as CY 1995 expenses. In addition, since expenses were misstated in each of these three years, and no payments were made to DOL, liability balances were also misstated.

OHR needs to forward information during each quarter on a timely basis to Finance for preparation of journal entries. This communication is imperative to ensure that expenses and/or accruals related to workers' compensation are recorded and recognized on a timely basis. Additionally, the House did not accrue these expenses in its system records. This could be

attributed to the lack of accrual accounting at the House, as discussed in “Weakness 1” of the OIG Report on *Audit Of Financial Statements For The Year Ended December 31, 1995* (OIG Report No. 96-HOC-05, July 30, 1996). However, in the meantime OHR could forward information to prepare journal entries to Finance periodically to ensure expenses are recognized by the House as they are incurred.

Payments to DOL have not been made since 1993

5 USC 8147(b) states that DOL’s workers’ compensation charges billed by August 15th must be deposited into DOL’s account at the Department of Treasury account within 30 days after funds appropriated for the fiscal year are made available. For example, a bill received on August 15, 1996 for payment for the July 1, 1995 through June 30, 1996 charge-backs was due by November 1, 1997. Nevertheless, as of July 1997 the House had not reimbursed DOL for claim payments made on their behalf for the period of July 1993 through June 1995. However, the House issued a payment of \$2,673,057 in August 1997, which covered all overdue reimbursements to DOL. Although Finance was ultimately responsible for timely payment to DOL, payments had not been made because they had not been substantiated and approved for payment.

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish procedures to ensure that workers’ compensation expenses reported on DOL charge-back reports are properly segregated and accumulated for financial reporting purposes.
2. Require OHR to forward information to prepare journal entries to Finance at each quarter on a timely basis to ensure expenses are recognized by the House, as they are incurred.
3. Implement accrual basis of accounting to ensure that workers’ compensation expenses and related liabilities are recognized in the accounting period in which incurred.
4. Reimburse DOL for all future charge-back amounts within the specified timeframe in compliance with 5 USC 8147(b).

Management Response

On March 17, 1998, the CAO concurred with this finding and all four recommendations (see Appendix). According to the response, the CAO plans to establish coordinated procedures between OHR and Finance to properly segregate, accumulate and prepare journal entries for workers' compensation expenses by May 1, 1998. In addition, OHR plans to finalize procedures to provide DOL workers' compensation charge-back information segregated at a minimum by calendar year quarter to Finance by May 1, 1998. For the 1997 accounting period, Finance has included the requirement of workers' compensation adjustments in the annual financial statement compilation procedures. Finance plans to develop, by December 31, 1998, accounting procedures to ensure the workers' compensation expenses and liabilities are accrued and reported in the 1998 accounting period. Furthermore, *OHR Management Procedures for Workers' Compensation* were drafted in April 1997 and formalized in September 1997. These procedures address reviewing and forwarding future charge-backs to Finance, so that OHR will be in compliance with 5 USC 8147(b). Also, the charge-back for July 1, 1995-June 30, 1996 was paid on October 20, 1997, in accordance with 5 USC 8147(b). The charge-back for July 1, 1996-June 30, 1997 has been audited by OHR. Payment is statutorily required when Fiscal Year 1999 funds become available.

Office of Inspector General Comments

The CAO's completed and planned actions are responsive to the issues we identified and, when fully completed, should satisfy the intent of our recommendations. The milestone dates provided appear reasonable.

Finding C: Workers' Compensation Claim Files Were Incomplete

Workers' compensation claim files were not complete. Without complete files, the House cannot verify that the charges and employees listed on the DOL quarterly charge-back reports are accurate. This increases the risk of misstatement of workers' compensation expense and liability balances. As a result of the decentralization of the Workers' Compensation Program prior to January 1997, standard filing policies and procedures had not been established and communicated to all House offices.

According to the DOL *Training for Federal Employing Agency Compensation Specialists* manual, the compensation specialist in OHR should maintain a file for each employee who sustains a job-related injury and for each employee who reports an occupational disease. Each file should include copies of all correspondence and any other related items. A log sheet should also be included in each workers' compensation claim file to serve as a checklist for the contents of the file.

Claim files did not always have all of the required documentation to support the claim and related DOL charge-backs. Specifically, evidence that claims were filed within the statutory period and required forms supporting claims were not maintained by the House. A complete workers' compensation file should include Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation (CA-1), Notice of Occupational Disease and Claim for Compensation (CA-2), or Federal Employee's Notice of Recurrence of Disability and Claim for Continuation Pay/Compensation (CA-2a). If applicable, additional forms can include (1) Authorization of Examination and/or Treatment (CA-16), (2) Attending Physician's Report (CA-20), (3) Duty Status Report (CA-17), (4) HCFA-1500 health insurance forms, and (5) hard copy support from the DOL Office of Workers' Compensation Programs (OWCP).

When complete files are not maintained for all employees who have filed workers' compensation claims with DOL, the House cannot verify that the charges and employees listed on DOL quarterly charge-back reports are accurate. This increases the risk of overcharges to the House and misstatement of workers' compensation expense and liability balances. Implementation of standard filing procedures and communication of these policies and procedures to all House offices should help to prevent missing and incomplete files.

Recommendation

We recommend the Chief Administrative Officer establish and implement policies and procedures to ensure that (a) a claim file is maintained in OHR for each employee who has submitted a claim for job-related injury and/or occupational disease, which is still "active" (i.e., payments are still being made or the case is pending approval), regardless of the age of the claim, (b) a log sheet in each workers' compensation claim file to serve as a checklist for the contents of the file, and (c) missing documentation be requested from DOL or the applicable source.

Management Response

On March 17, 1998, the CAO concurred with this finding and the recommendation (see Appendix). According to the response, the *OHR Management Procedures for Workers' Compensation*, which was formalized in September 1997, establishes procedures to ensure that complete workers' compensation files, including document registration logs are maintained by OHR. OHR has not found it necessary to re-create any missing workers' compensation claim information; if necessary, OHR will use available resources to request pertinent documentation.

Office of Inspector General Comments

The CAO's actions are responsive to the issues we identified and satisfy the intent of our recommendation. Thus, we consider the recommendation closed.

Finding D: The House Did Not Have Formal Return To Work Or Light Duty Programs

The House did not have formal return to work or light duty programs for House Officers. These programs often enable employees to return to work sooner than they would otherwise following job related incidents. By not having return to work or light duty guidelines, some House employees may remain on workers' compensation rolls longer than they otherwise would, which places extra burdens and costs on the House. Although the House did not have formal return to work or light duty programs, since March 1997, OHR has been proactive in coordinating light duty and return to work assignments when available.

Research from both Federal agencies and private organizations indicate that light duty and return to work programs decrease an organization's workers' compensation costs. The 1995 OPM study *Nationwide Study of Workers' Compensation Programs at Federal Installations* states "Studies by the General Accounting Office and others have shown that successful reemployment is a key to reducing compensation costs." For example, one of the key aspects of the Department of the Interior's recent strategic workers' compensation plan is to "bring employees back to work as soon as medically able." As a result of this and other efforts, the Department of Interior has lowered its overall workers' compensation costs by \$405,000 for the most recent three-quarter year period. In addition, the Department of the Navy reported that one facility saved \$1.7 million in FY 1993 through "active return to work and light duty programs," including an investigation program. Further, an Upjohn Institute For Employment Research survey of 220 Michigan medium to large employers showed that proactive return to work programs lowered wage loss claims.

Exhibit B includes light duty and return to work best practices that were found in six of the eight Federal agencies and one of the three private organizations we surveyed. Several relevant best practices include: (1) creating a liaison between the Workers' Compensation Program management and operational units to locate light-duty opportunities and expedite return to work, (2) working with interagency management committees in an effort to place recovering employees in appropriate positions at other Federal agencies, and (3) periodically reviewing DOL charge-back reports and case files to follow up with employees who have not received medical attention, but are still receiving compensation. It must be noted that claimants who secure employment at a reduced wage, may still qualify for "wage-earner reduction capacity." Therefore, the House would continue to be billed, but at a reduced rate on the quarterly charge-back.

During our review of the workers' compensation claims files, we found evidence of several employees taking no time off after such job-related injuries. This indicates that many House employees are eager to return to work. However, our review of files also discovered cases with employees who received doctor approval to return to work for light duty, but did not return to work for some time afterwards. The House is using the DOL's nurse intervention program to assist long-term claimants during the compensation period and to help short-term claimants during the "COP" period return to work.

Interviews with House supervisors indicated that some of the medical providers may not place the highest priority on employees returning to work. For this reason some employees may be staying on workers' compensation rolls longer than they would if return to work or light duty programs were in place.

When employees do not return to work, extra burdens and costs are placed on the House. House offices cannot seek temporary replacements when an employee is out due to an injury, and therefore, must keep positions open for a period of up to one year. This, in turn, forces managers to shift the workload to the remaining employees. Also, when employees are out of work for longer periods, the House workers' compensation costs rise since DOL statistics show that the largest portion of costs is usually continuation of an employee's salary rather than medical bills.

The House differs from many other agencies in that until March 1997, workers' compensation issues were managed by individual offices. Also, the staffing and the flexibility required to implement return to work programs was dependent on needs within each office. Given the situation, formal policies and procedures, such as those outlined in Exhibit B, were never developed and approved to establish the return to work and light duty programs. The establishment of formal policies and programs regarding return to work and light duty will allow all stakeholders to be informed of the program and enhance coordination between offices, providers, and Workers' Compensation Program management. In addition, without specific guidelines in place, the House must rely on the initiative of medical providers and employees to notify the House when an employee is able to return to work.

Recommendation

We recommend that the Chief Administrative Officer develop policies and procedures, for approval by the Committee on House Oversight, to establish light duty and return to work programs for House Officers. These policies and procedures should include the practices outlined in Exhibit B.

Management Response

On March 17, 1998, the CAO concurred with this finding and the recommendation (see Appendix). According to the response, the CAO will propose to the CHO by June 1, 1998, policies and procedures to assist House officers in facilitating employees return to work or light duty accommodations, as appropriate in the House environment. OHR, in coordination with the DOL/OWCP Vocational Rehabilitation Program, will continue to identify available positions and coordinate the claimants (House employees) return to suitable duty.

Office of Inspector General Comments

The CAO's planned actions are responsive to the issues we identified and, when fully completed, should satisfy the intent of our recommendation. The milestone date provided appears reasonable.

Finding E: The House Lacked Coordinated Safety Efforts Between OHR And The Architect Of The Capitol's (AOC) Office Of Safety And Engineering and Office of Compliance

There was little coordination of safety efforts regarding the issues that affect workers' compensation claims at the House. As a result, some units of the House had higher than average injury rates and workers' compensation claims, some of which might have been preventable. This was primarily due to the lack of policies and procedures dictating a proactive safety program, and the fact that prior to January 1997, the House was not required to be in compliance with Office of Safety and Health Administration (OSHA) and other safety standards. Consequently, safety and workers' compensation issues were handled by individual offices.

According to the Office of Compliance's *Report on Initial Inspections of Facilities for Compliance With Occupational Safety and Health Standards Under Section 215*, "each covered facility within the Legislative Branch should develop appropriate safety and health programs." Also, under FECA regulations, safety violations can be used to controvert claims. For example, according to the DOL FECA Resource Book, a supervisor can substantiate willful misconduct and controvert a claim if he/she documents an employee failing to adhere to safety procedures three times.

Several studies describe strong links between safety and Workers' Compensation Program. For example, The Department of the Interior's Workers' Compensation Program includes a safety awareness program and a "Safety Net" intranet page to promote safety awareness. Through the integration of workers' compensation and safety efforts, the Department of Interior saved \$405,000 during the most recent three-quarter year period and expects to have lowered annual workers' compensation costs for the first time in 12 years. Similarly, in the Upjohn Institute survey of 220 companies, it was noted that diligent safety efforts were shown to have a strong impact in preventing disability. Exhibit B presents several examples of safety and workers' compensation coordination for a range of Federal agencies and private organizations.

Many Federal agencies have created safety or claims review committees to periodically address workers' compensation and safety issues. The communication of safety issues through posters, seminars or safety committees can lead to the prevention of some injuries and claims. For example, the Army National Guard established a self-directed team comprised of an injury compensation administrator, a union president, a safety officer, an occupational health physician, and three line supervisors. The team analyzes the program, determines how to reduce injuries, and recommends policies and procedures. The Library of Congress has a similar committee which is comprised of a safety officer, health officer, several supervisors, and Workers' Compensation Program Manager. The intent of these committees is to prevent workplace injuries from occurring in the first place and to prevent accidents from recurring. Through such efforts, Federal agencies and private employers have made headway in lowering their workers' compensation overall costs.

During the audit period, there was little coordination between the House Workers' Compensation Program, safety officials, and office supervisors to prevent injuries from occurring or to

investigate injuries after they occurred. The House did not have proactive safety awareness or education. From interviews with supervisors and House staff it was evident that safety issues were dealt with in an informal manner within each office. The AOC's Office of Safety and Engineering attended to structural safety issues but did not proactively conduct safety education or investigations relating to workers' compensation injuries. In many cases the Office of Safety and Engineering either was not contacted when an injury occurred or they received notice some weeks later through police reports.

During the review of workers' compensation files, evidence of recurring injuries was found within the Furniture Resource Center. There was also evidence, from on-site observation, that some Furniture Resource Center employees were not complying with safety prevention measures, such as fully fastening their lifting belts when moving furniture. Interviews with personnel from the Furniture Resource Center indicated that little was done to enforce safety measures and no formal safety education existed. As a result, as shown in Figure 2, the Furniture Resource Center had injury rates that were three times higher than the national average for similar occupations.

Figure 2: Incidence of Injuries

Labor Category	Period	Injuries
Carpentry & Floor Work—Industry	1995	10.5 (1)
Average for 18 Construction Labor Categories—Industry	1995	10.1 (1)
Furniture Resource Center—House	Annual Average: mid 1993-1996 (2)	29.6 (3)

(1) Non-fatal occupation injury rates per 100 full-time workers by industry.

Source: OSHA Statistics.

(2) Period: July 1, 1993 to December 31, 1996.

(3) Non-fatal occupation injury rates per 100 full-time workers.

Source: House Office of Personnel & Benefits workers' compensation files.

Safety compliance is a relatively new initiative within the House. Until passage of the Congressional Accountability Act of 1995, the House did not have to comply with OSHA regulations concerning workplace safety and hazards. Through the efforts of an initial survey done by the Office of Compliance, the House is slowly coming into compliance with Federal workplace safety regulations. However, the management of the House's Workers' Compensation Program was previously decentralized, making it extremely difficult to coordinate safety and workers' compensation issues. Also, the lack of policies and procedures to coordinate efforts between the Office of Safety and Engineering, on-line supervisors, and OHR could have contributed, in part, to injuries that could have been prevented. Costs to the House are increased from workers' compensation costs and loss of productivity due to inadequate safety programs.

Recommendations

We recommend the Chief Administrative Officer:

1. Create a safety committee or claims review board consisting of safety and health officials, office supervisors, and the Workers' Compensation Program Manager to address safety issues, enforce policies, and review claims trends.
2. Establish formal communication mechanisms with the AOC's Office of Safety and Engineering and Office of Compliance.

Management Response

On March 17, 1998, the CAO concurred with this finding and the two recommendations (see Appendix). According to the response, the CAO appointed a Safety Representative from the Furniture Resource Center to coordinate CAO health and safety activities with the Office of Compliance and the Architect of the Capitol. The Workers' Compensation Program Manager will work with the CAO's Safety Representative and his team to proactively address safety issues, enforce policy and review claims trends. In addition, the CAO will implement formal written guidelines establishing and recognizing a formal communication mechanism between OHR, the Office of Safety and Engineering, and the Office of Compliance by May 1, 1998.

Office of Inspector General Comments

The CAO's completed and planned actions are responsive to the issues we identified. Based on the actions completed, we consider Recommendation 1 to be closed. The planned actions, when fully completed, should satisfy the intent of Recommendation 2. In addition, the milestone date provided for Recommendation 2 appears reasonable.

Finding F: Workers' Compensation Statistics And Trends Were Not Formally Tracked And Analyzed

The House did not have accurate and reliable workers' compensation statistics and cost data. Without a solid set of baseline statistics it was not possible to adequately determine the future workers' compensation liabilities for the House. Limited statistics and data made it difficult to mitigate future claims since the trends could not be assessed and shared with key staff, such as supervisors and safety and health officials, who could act proactively to reduce the causes of claims. More importantly, limited data inhibited the House's ability to accurately determine the workers' compensation unfunded liability. The House's limited statistics and cost data were primarily due to the lack of overall policies and procedures to ensure data capture and analysis. In addition, a database of information was not in place to track costs and claims.

The tracking and monitoring of program statistics such as costs and number of claims are fundamental to a well-run program. Best practices indicate that tracking claims and costs can help in establishing a proactive approach in the management of a Workers' Compensation Program, as well as ensure more accurate loss projections and a more thorough understanding of the program. For example, because workers compensation injuries are reported fairly quickly, the availability of reported claim counts can enhance a reserve review (determination of the reasonableness of the unfunded future liability amount), as well as provide useful information with regard to changes in claim frequency over time. Availability of claim counts also enables a separate analysis of claim severity (size in dollars). Severity trends can be evaluated for reasonability as well as for identification of problems. Frequency and severity analyses can provide useful insight into loss cost drivers.

Standard actuarial procedures require historical data (at least five years) on the nature and types of claims to ensure accurate loss projections. Five of the eight Federal agencies surveyed in Exhibit B maintained databases to track costs and trends in claim information. In addition, our survey showed that workers' compensation data was maintained in the databases to track workers' compensation claims information. Data was recorded by accident period and evaluated on an annual basis at 12 months, 24 months, 36 months, etc. from period of inception. Typical data maintained includes:

- Date of claim
- Claimant name, age, occupation, years of service
- Type of injury
- Costs associated with claim

The House did not formally maintain the historical statistics or perform trend analyses that were needed to oversee the Workers' Compensation Program and estimate the year-end workers' compensation unfunded liability. Statistics not tracked included trends in terms of injuries and short- and long-term claims expenses. As a result, the House did not know types of injuries, claims, and trends so that appropriate intervention could be taken to mitigate future claims. One of the more significant effects of not maintaining historical data was the inability to accurately determine the workers' compensation unfunded liability. For example, open claim counts can be useful in evaluating reserve estimates on older accident periods. This lack of statistics and trend analyses was primarily due to the absence of policies and procedures and mechanisms for

accumulating historical workers' compensation data. Additionally, the House did not have a comprehensive database of information to facilitate the statistical tracking and reporting of such data.

Recommendations

We recommend the Chief Administrative Officer:

1. Establish policies and procedures to ensure the production of periodic reports (at least semi-annually) of claim information and costs, which are communicated to senior management. At a minimum the reports should capture the following information:
 - Reported losses and allocated loss adjustment expenses.
 - Reported claim counts.
 - Closed claim counts (or open claim counts).
2. Maintain a comprehensive database of accurate information to ensure more accurate loss projections and a more thorough understanding of the House's workers' compensation costs. Future data should be accumulated and maintained going forward, and recorded by accident period (12 months, 24 months, 36 months, etc. from policy period inception). Prior years' historical data, which can be requested from DOL, should also be recaptured. The House should maintain the following basic data on every claim:
 - Date of claim
 - Claimant name, age, occupation, years of service
 - Type of injury
 - Costs associated with claim

Management Response

On March 17, 1998, the CAO concurred with this finding and the two recommendations (see Appendix). According to the response, the *OHR Management Procedures for Workers' Compensation*, formalized in September 1997, establishes procedures for a monthly internal OHR claims status report to account for current calendar year workers' compensation statistics. Accurate and reliable workers' compensation statistics and cost data will be tracked by the implementation during 1998 of the DOL EDI Computer System. This will allow the House to interface with the data contained in workers' compensation files at the DOL.

Office of Inspector General Comments

The CAO's completed and planned actions are responsive to the issues we identified. Based on the actions completed, we consider Recommendation 1 to be closed. The planned actions, when fully completed, should satisfy the intent of Recommendation 2.

Unemployment Compensation Program**Finding G: The House Needs To Develop And Implement Comprehensive Policies And Procedures For The Unemployment Compensation Program**

In January 1997 the Unemployment Compensation Program was centralized under OHR. In March 1997, the House assigned the Workers' Compensation Program Manager to also oversee the Unemployment Compensation Program. However, the House still needed to finalize its draft comprehensive unemployment compensation policies and procedures, and communicate those policies and procedures to all House offices, reinforcing centralization of the process. Lack of adequate policies and procedures creates the potential for mismanagement and inconsistencies in record-keeping of claims, giving rise to fraud, waste, and abuse concerning unemployment compensation claims.

Management is responsible for establishing and maintaining a system of controls to provide reasonable assurance that its goals and objectives are being met. These controls are necessary to provide reasonable assurance that the goals and objectives of the Unemployment Compensation Program are met, and to ensure that the unemployment compensation expense balance is fairly stated and only valid charges are assessed against the House. Formal policies and procedures are important to lay the framework for an entity's internal control structure. In addition, the DOL "UCFE Instructions for Federal Agencies" states in Chapter II that Federal agencies should establish internal procedures and assign responsibilities for the Unemployment Compensation Program areas. This includes providing information concerning the Unemployment Compensation Program to its employees. Also noted in Chapter II is that the compensation specialist responsible for the Unemployment Compensation Program should develop and maintain procedures and operating instructions for all of the agency's unemployment compensation responsibilities.

In October 1997, OHR completed draft internal unemployment compensation policies and procedures. These policies and procedures include a description of the roles and responsibilities of OHR staff and staff in other House offices who are responsible for the program. However, these policies and procedures still need to be finalized and approved. In addition, the House offices did not receive training on unemployment compensation procedures. The House operates in a high turnover environment. As a result, office administrators change frequently. Without the benefit of procedures and training, they will lack important knowledge of the unemployment compensation process. For example, the narrative describing the reasons for separation on the initial claims forms, Income Determination Forms (H931s), is an important determinant of benefits eligibility for most SESAs. Improper wording on the H931s could result in more claims and costs than would be incurred otherwise, or the denial of benefits to employees who would otherwise be eligible. It is also important for OHR to have written policies and procedures for processing and auditing claims. These policies and procedures will ensure the performance of unemployment compensation activities in the event that current staff leave or transfer.

The House did not have structured methods for communicating Unemployment Compensation Program information. The key administrators of the unemployment compensation process in the House offices did not receive orientation or training on the program. As a result, not all staff

were aware that the Unemployment Compensation Program was centralized with OHR. For example, of the five district office officials we interviewed, three stated that were not aware which office was responsible for the Unemployment Compensation Program. While OHR did prepare draft policies and procedures, it had not developed a strategic communications plan for disseminating the procedures once they are finalized. In addition, specific unemployment compensation communications such as unemployment compensation policies and procedures manuals, orientation training, updates to the Congressional Handbook, and a Channel 25 training video should be offered to all House offices as they are for other benefits.

Recommendations

We recommend the Chief Administrative Officer:

1. Finalize the draft comprehensive unemployment compensation policies and procedures, for approval by the Committee on House Oversight, outlining the processes, tasks, and responsibilities of House staff involved in the unemployment compensation process.
2. Develop an unemployment compensation strategic plan, for approval by the Committee on House Oversight, outlining how unemployment compensation policies and procedural information will be communicated to all House offices. The plan should include (a) disseminating unemployment compensation policies and procedures to key employees in all House offices, (b) providing Unemployment Compensation Program orientation for new office administrators at the beginning of each new Congress, (c) updating the *Congressional Handbook* with contact information, and (d) developing an unemployment compensation training video for Channel 25.

Management Response

On March 17, 1998, the CAO concurred with this finding and the two recommendations (see Appendix). According to the response, the CAO will forward to the Committee on House Oversight (CHO) for approval, the *House Management Procedures For Workers' Compensation* as part of a proposed strategic plan for implementing unemployment compensation policies and procedures. OHR recommended that the policies and procedures be discussed and distributed during new Member and/or designee orientation and made available in new-hire packets to Congressional Members for internal distribution. Upon approval of the strategic plan, the OHR plans to utilize a variety of communication tools to inform House offices of unemployment compensation filing policies and procedures.

Office of Inspector General Comments

The CAO's planned actions are responsive to the issues we identified and, when fully completed, should satisfy the intent of our recommendations.

Finding H: Reconciliations Of DOL Charges Against House Records Were Not Routinely Performed And Reimbursement Payments To DOL Were Overdue

The House did not perform routine reviews of DCDES/SESA quarterly reports for reasonableness of DOL charges. Not performing reconciliations between accounting information and supporting data may expose the House to payment for false or incorrect claims. In addition, the House did not accrue for unemployment expenses in its accounting records as expenses are incurred, which could result in the expense being misstated. Furthermore, payments to DOL for unemployment compensation claims were overdue. This can be attributed to the lack of communication between OHR and Finance, which resulted in accrual and payment information not being forwarded to Finance. In addition, since the House's general ledger system was on a cash basis of accounting, unemployment compensation expense amounts had not been recognized as no payments had been made.

Federal agencies need to audit DOL charge-back reports for accuracy. For example, last year alone the Department of Defense saved \$16 million by auditing DOL charge-back reports for unemployment compensation claims (see Exhibit C). Reconciliations between House payroll information and *Employer Notices of Claim Filed or Benefits Paid* (UD399s) and *Monetary Determination Forms*, against DCDES and SESA quarterly reports and DOL charge-back reports are important to ensure that amounts charged the House by DOL are accurate and represent claims for valid House employees. In addition, accrual accounting, as defined by generally accepted accounting principles, requires that expenses be recognized in the accounting period in which they are incurred. Therefore, CY 1995 expenses should only include charges incurred between January 1, 1995 and December 31, 1995 and CY 1996 expenses should include only those charges incurred between January 1, 1996 and December 31, 1996.

DOL quarterly charges are not assessed for reasonableness before payment

Routine reconciliations were not performed between amounts on DOL charge-back reports, DCDES/SESA quarterly reports, and corresponding House payroll records for unemployment compensation claimants. Neither Finance nor OHR properly reconciled DOL charges against House records as this process was not assigned to any responsible party. Further, there was no independent benefit calculation made by the House to determine if it should be liable for the complete assessed amount of charges. As a result, if amounts on the DOL quarterly charge-back reports were misstated and included non-House employee claims, the House could make payments for false or incorrect claims. In addition, if errors or miscalculations occurred the House could over or understate its unemployment compensation expense and liability. Also, the House may not be able to request credits for amounts inappropriately charged to the House if the request is not submitted in a timely manner and the Statute of Limitations expires.

Reviewing DCDES statements for reasonableness by performing periodic audits of charges was assigned a low priority by the House. As a result, the House did not take steps to obtain the information, such as benefit determination formulas used by the DCDES to calculate charges, necessary for such a review. Additionally, the House did not always receive or request a DCDES income determination statement, which listed the House's maximum liability for each

claimant. This statement can be compared to the DCDES quarterly statement to determine if the claimant received more than the original income determination.

We reviewed a sample of 79 unemployment claims paid by the House and did not find any evidence that the claimants were other than House employees. Furthermore, all benefits paid by the House appear to be reasonable and appropriate. While no errors or omissions were identified in the sample we tested, routine reconciliations and reviews can facilitate the House's efforts to determine the reasonableness of charges from DOL. More importantly, the House can compare amounts on the income determination statement to the recalculated benefits to determine reasonableness.

Payments to DOL for unemployment compensation claims were overdue

The House did not accrue unemployment compensation expenses in its accounting records. Additionally, the House's 1996 unemployment compensation expense and liability balances were overstated by \$575,075, as a result of using an incorrect DOL statement to compile the expense at yearend. This was attributed to the lack of communication between OHR and Finance. This communication was imperative to ensure that expenses and/or accruals related to unemployment compensation were recorded on a timely basis. All DOL quarterly reports received by OHR should be forwarded on a timely basis to Finance for recording, processing, and payment.

As a result, the House was two years overdue in reimbursing DOL for prior year claim payments made on the House's behalf, and CY 1996 payments were still overdue. Specifically, the House was past due on the second and third quarter CY 1996 DOL *Quarterly Charge Summaries* in the amount of \$1,869,928, as of December 31, 1996. This amount included unemployment expenses related to HRS employees, which had not been paid since 1990. Because resources were not available to thoroughly check unemployment compensation claims reported by DOL, payments were not made on a timely basis. However, the House issued payments in July and October, 1997, respectively, covering the overdue reimbursements to DOL¹.

Recommendations

We recommend the Chief Administrative Officer:

1. Ensure that OHR verifies UD399s against the payroll listing for all names on the quarterly statements sent by the DCDES or states. Request adjustments for non-House employees listed on the statements.
2. Obtain the formula/criteria used by DCDES and each SESA in determining the amount of unemployment compensation claimants should receive. Perform, at a minimum, a recalculation of income determination and unemployment compensation charges for a sample of DCDES claimants. Additionally, recalculate a sample of the remaining SESA claims to verify their unemployment compensation charges.

¹ The reimbursement information was provided subsequent to the completion of our fieldwork.

3. Establish policies and procedures to accrue unemployment compensation expenses which include requiring OHR to complete the following steps:
 - Forward information during each quarter on a timely basis to Finance for the preparation of journal entries to ensure expenses are recognized as they are incurred by the House.
 - Ensure that the correct DOL reports are used in accumulating the unemployment compensation expenses for financial reporting purposes.
4. Require Finance to implement accrual basis accounting for unemployment compensation to ensure that expenses and related liabilities are recognized in the accounting period in which incurred.
5. Establish policies and procedures to ensure that Finance reimburses DOL within 30-days after receipt of the DOL *Quarterly Charge Summary*.

Management Response

On March 17, 1998, the CAO concurred with this finding and all five recommendations (see Appendix). According to the response, the *OHR Management Procedures for Workers' Compensation*, formalized in September 1997, establishes procedures to (1) verify UD 399s against payroll listings for all names on the quarterly statements sent by DCDES/SESAs, (2) randomly sample income determinations to determine the amount of unemployment compensation claimants should receive, and (3) forward unemployment compensation charge-backs to Finance—whose procedures currently provide for payment of all DOL Quarterly Charge Summary billings/invoices within five days of receipt. Additionally, Finance monitors payment processing daily to ensure adherence to DOL/ESA statutory obligations.

Additional formula information and criteria used by DCDES and each SESA in determining the amount of unemployment compensation claimants was received from the DOL/ESA in November 1997. In addition, since May 1997, OHR has forwarded on a timely basis all DOL unemployment compensation charge-backs to Finance for review and payment. For the 1997 accounting period, Finance has included the requirement for unemployment compensation adjustments in the annual financial statement compilation procedures. Finance will develop by December 31, 1998, accounting procedures to ensure the unemployment compensation expenses and liabilities are accrued and reported.

Office of Inspector General Comments

The CAO's completed and planned actions are responsive to the issues we identified. Based on the actions completed, we consider Recommendations 1, 2, and 5 to be closed. The planned actions, when fully completed, should satisfy the intent of Recommendations 3 and 4. The milestone dates for implementing Recommendations 3 and 4 appear to be reasonable.

Finding I: Income Determination Forms (H931s) Were Not Always Fully Completed Or Adequately Reviewed

H931s were not always fully completed by the House. Not including all of the required information on the H931s, ultimately, increases the House's risk of overpayment of unemployment compensation claims. The underlying reason for these deficiencies was the lack of policies, procedures, and training for House employees responsible for completing H931s.

The "UCFE Instructions to Federal Agencies" establishes requirements for the maintenance of claim files for active unemployment compensation claim requests. The H931 should be fully completed per Chapter VI part 3 (1), "so that a determination can be made concerning the claimant's Federal civilian service." This includes information on a former employee's "Federal Civilian Service" status and reason for separation. The top portion of the Form H931, provided by the DCDES/SESA, is completed and returned to DCDES or the appropriate SESA by the claimant. DCDES or the SESA subsequently forwards the H931 to the House for verification and completion of the remaining information. The House is then responsible for providing verification of employment information by completing the remainder of the H931, approving the form, and submitting it back to the DCDES or the SESA within 4 days of receipt. Chapter VI part 3 (1) states that "the Federal agency should complete and return H931 to the SESA within 4 workdays of its receipt." This allows DCDES or the SESA to make an income determination for the claimant in a timely manner. To ensure that the forms are sent within the 4 days, control logs documenting receipt and submission of the forms should be maintained. Per "UCFE Instructions for Federal Agencies," DCDES or the SESA will use information that the claimant provides (i.e., the top part of the H931) in the event the form H931 is not completed and returned in a timely manner by the employing agency.

H931s were not always fully completed

Out of 79 claims tested, 22 H931s were not fully completed or present in the House's employee files. For example, for 7 of the 22 H931s, the reason for separation was not indicated. Additionally, for 66 of the 79 claims tested, we were unable to verify when the H931s were returned to the DCDES/SESA due to insufficient documentation. As the DCDES/SESA is relying on the claimant's information in these cases, the income determination could be in the claimant's favor. Thus, the House risks overpayment of unemployment compensation claims, when the H931s are not completed or not returned at all. Although the requirements and instructions for completing H931s were clearly stated in the DOL manual "UCFE Instructions for Federal Agencies," there were no formal policies and procedures written by the House for staff to follow when completing the forms. Draft policies and procedures were developed in September 1997². However, they still need to be finalized and approved. Furthermore, those responsible for completing H931s do not go through any formal training process addressing how each item on the form should be completed.

² This information was provided to us subsequent to the completion of our fieldwork.

The House lacked adequate review procedures for H931s

Upon termination, employees submit the H931s to their State Unemployment Office. The states forward the H931s to OHR for completion and verification of employment information, such as termination reasons and verification of salary information. However, there was no formal process for management approval of H931s upon completion. During the audit period, it was common practice for OHR to have the same staff member process and approve the H931 by signing the name of the Approving Officer in OHR, indicating proper verification of eligibility and employment information submitted by the terminated employee. However, his delegation of authority was only communicated informally to the staff and as such, there was no formal evidence of this delegation. In addition, the lack of supervisory review can cause errors and irregularities to go undetected, and may potentially over or understate the House's unemployment compensation expense if unemployment benefits are calculated using inaccurate information or benefits are paid to ineligible persons.

In October 1997, The Associate Administrator, Human Resources issued a policy statement regarding signature authority. The policy assigned specific personnel the responsibility for review of H931s and delegated signature authority for H931s to those individuals.³

Recommendations

We recommend that the Chief Administrative Officer:

1. Finalize and approve the draft written policies and procedures for individuals responsible for unemployment claims processing.
2. Develop training courses and communications (e.g., through Channel 25) for the House's Unemployment Compensation Program and ensure that key employees in House offices receive a basic understanding of the program. Emphasis should be placed on the importance of fully completing the Form H931 prior to returning it to DCDES or the SESA.
3. Establish a control log that can verify when each H931 was received by the House and returned to DCDES or the appropriate SESA.

Management Response

On March 17, 1998, the CAO concurred with this finding and all three recommendations (see Appendix). According to the response, the *OHR Management Procedures for Workers' Compensation*, formalized in September 1997, establishes procedures for processing unemployment compensation claims and maintaining a control log for processing the claims. In addition, upon approval of the strategic plan for unemployment compensation, OHR will utilize training courses and communication tools to inform House offices of unemployment compensation filing policies and procedures. OHR staff responsible for processing unemployment compensation claims completed training with DOL/ESA in November 1997.

³ This information was provided to us subsequent to the completion of our fieldwork.

Office of Inspector General Comments

The CAO's completed and planned actions are responsive to the issues we identified. Based on the actions completed, we consider Recommendations 1 and 3 to be closed. The planned actions, when fully completed, should satisfy the intent of Recommendation 2.

III. OTHER MATTER

OHR May Not Have The Resources Necessary To Manage The Workers'/Unemployment Compensation Programs

Our review of the House workers' and unemployment claims process indicates that OHR does not have the necessary resources needed to manage the Workers' and Unemployment Compensation Programs. Currently, there is only one compensation specialist assisted by four part-time staff to oversee both the Workers' Compensation and Unemployment Programs. However, given the findings and recommendations in this report and significant workload involved with centralizing the Workers' Compensation Program, it is not feasible for one person to continue to manage both programs with the current limited resources. The lack of resources is causing unemployment claims to be processed without the necessary reviews and controls. Currently, OHR does not have an additional management resource designated to assist with the oversight of the House Unemployment Compensation Program.

Currently, one manager, the Workers'/Unemployment Compensation Program Manager, is responsible for overseeing both programs. She is only provided occasional assistance for the Workers' Compensation Program from another OHR staff person. In addition, there are three clerks in OHR who provide part-time assistance in processing the unemployment compensation claims. Claims processing comprises approximately five percent of their overall unemployment compensation duties. Because of resource constraints, their work is currently not reviewed by the supervisors within OHR. OHR currently does not have an additional management resource designated to assist with the oversight of the House Unemployment Program. However, given the significant tasks at hand regarding the Workers' Compensation Program and the need for a more in-depth review of unemployment compensation charge-backs, it is difficult for one compensation specialist to efficiently and effectively manage and oversee both programs. Inefficient management of the workers' and unemployment compensation process raises the potential for the House paying erroneous claims, preparing improper documentation, and processing required forms late.

Recommendation

We recommend that the Chief Administrative Officer consider (a) obtaining, at least, an additional part-time program management position, (b) transferring the responsibility of unemployment compensation management to another manager as a collateral duty, or (c) investigating, through a cost/benefit analysis, the possibility of using a third party administrator to process unemployment claims.

Management Response

On March 17, 1998, the CAO concurred with this finding and the recommendation (see Appendix). According to the response, the CAO completed an analysis which indicated that present OHR staffing levels, distribution of job responsibilities and current unemployment and worker's compensation case loads, do not warrant additional staff, transfer of job responsibilities or use of a third party administrator.

Office of Inspector General Comments

The CAO's actions are responsive to the issues we identified and satisfy the intent of our recommendation. Thus, we consider the recommendation closed.

**STATUS OF IMPLEMENTATION OF PRIOR AUDIT REPORT RECOMMENDATIONS
(AS OF AUGUST 1, 1997)**

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
Audit Report No. 96-CAO-15, <i>Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer</i>, dated December 31, 1996:			
S.1. Centralize responsibilities for processing and monitoring workers' compensation in OHR.	Fully Implemented	In January 1997, the Workers' Compensation Program was centralized within OHR. In March 1997, a Program Coordinator was hired to manage and monitor the program.	Closed
S.2. Centralize responsibilities for processing and monitoring unemployment compensation in the Office of Human Resources.	Fully Implemented	In January 1997, the Workers' Compensation Program was centralized within OHR. In March 1997, a Program Coordinator was hired to manage and monitor the program.	Closed
S.3. Appoint a Program Coordinator to manage Worker's and Unemployment Compensation Programs.	Fully Implemented	The House hired a Program Coordinator in March 1997 to manage both the Worker's and Unemployment Compensation Programs.	Closed

**STATUS OF IMPLEMENTATION OF PRIOR AUDIT REPORT RECOMMENDATIONS
(AS OF AUGUST 1, 1997)**

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
Audit Report No. 95-CAO-26, <i>Improved Controls Could Prevent Abuse Of The House Restaurant System Unemployment Compensation Program</i>, dated August 11, 1995:			
A.1. Resolve the audit adjustments identified in this report with DOL.	Partially Implemented	Most of these adjustments are due to “double-dipping,” which DCDES must first recover from future claims filed by the claimants before crediting HRS. This does not appear likely since claimants have not been instructed about the process and DCDES will not actually prosecute individual for which payment is sought, unless they received more than \$8,000. As of 12/31/96, it is estimated that HRS has received total credits of approximately \$39,000 from DCDES/SESA as a result of differences noted in the report. HRS still needs to resolve the remaining adjustments.	To be determined
A.2. Reimburse DOL the outstanding unemployment compensation liability for the period July 1, 1992 through March 31, 1995.	Fully Implemented	The House reimbursed DOL all past due charge-backs in July and October 1997 ⁴ .	Closed

⁴ This information was provided to us subsequent to the completion of our fieldwork.

**STATUS OF IMPLEMENTATION OF PRIOR AUDIT REPORT RECOMMENDATIONS
(AS OF AUGUST 1, 1997)**

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
A.3. Develop, implement, and document detailed procedures which clarify responsibility on the management and control of the unemployment compensation administration.	Otherwise Resolved	This recommendation was originally focused at HRS. HRS was no longer a base-year employer as of March 31, 1996. The intent of this recommendation is covered and expanded in this current report. Therefore, Recommendation A.3. is no longer applicable.	Closed
A.4. Ensure that appropriate review activities pertaining to Unemployment Compensation administration are performed regularly.	Otherwise Resolved	An individual is responsible for reviewing DCDES/SESA statements to assess reasonableness of charges. Since HRS is no longer a base-year employer as of March 31, 1996, charges should eventually cease.	Closed
A.5. Assign responsibility for conducting periodic internal reviews of UCFE activities to personnel who do not have record-keeping responsibilities.	Fully Implemented	An individual is responsible for reviewing DCDES/SESA statements to assess reasonableness of charges. Since HRS is no longer a base-year employer as of March 31, 1996, charges should eventually cease.	Closed
B.1. Seek a formal coverage ruling from the Assistant Secretary for Employment and Training, DOL, to determine whether HRS contract employees are eligible to receive unemployment compensation benefits under Title 5 of the U.S. Code.	Fully Implemented	HRS inquired of DOL and received a ruling in August 1996 stating that the contract employees were entitled to unemployment compensation benefits.	Closed

**STATUS OF IMPLEMENTATION OF PRIOR AUDIT REPORT RECOMMENDATIONS
(AS OF AUGUST 1, 1997)**

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
B.2. Request, in the event that a favorable coverage ruling is received from DOL, a reduction of \$200,557 for previously billed unemployment compensation paid to HRS contract employees.	Otherwise Resolved	Given the resolution to Recommendation C.6. the House is liable for unemployment compensation paid to HRS contract employees.	Closed

BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Disseminate Information Senior management involvement in workers' compensation policy ✘ The involvement of Senior Management reinforces the importance of safety and proper claims filing to employees.	X					X					
Inform senior management on workers' compensation costs and program performance ✘ Senior Management is aware of possible problem areas.	X	X	X			X					
Develop and disseminate workers' compensation process guide for managers ✘ Guide serves as a quick reference on how to handle and prevent injuries and claims. ✘ Facilitates uniform claims handling by supervisors and managers.			X	X	X						

- 1. Department of Defense
- 2. Department of the Interior
- 3. Library of Congress

- 4. Internal Revenue Service
- 5. Department of Veterans Affairs
- 6. United States Postal Service

- 7. Office of Personnel Management
- 8. United States Department of Agriculture

BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Disseminate Information Develop and disseminate a workers' compensation strategic plan, which includes program objectives and target actions and performance measures ✘ Clear objectives and measures make it easier to hold individual units accountable for costs. This ensures all parts of the organization do their part in reducing workers' compensation costs.		X									
Use intranet sites to disseminate workers' compensation information ✘ All employees can have access to latest policies and information regardless of geographic location.	X	X						X			

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BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Manage & Process Claims Encourage supervisors to report claims quickly and to controvert suspected claims ✘ Delays in reporting results in higher average claims costs. ✘ The sooner erroneous claims are caught, the lower the cost to the organization.			X			X	X			X	
Establish formal workers' compensation policies including Return to Work Policies and Programs ✘ Formal workers' compensation policies ensure all parties are informed of their roles in the process. ✘ Effective return to work programs lower overall program costs by keeping employees off long-term rolls. Studies show that the longer an employee stays at home the less likely it is that they will return to work.	X	X	X			X	X	X			X

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BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Manage & Process Claims Maintain contact with injured employees ✘ Keeping in contact helps get employees back to work faster. ✘ Employees feel that they are valued. ✘ Employees are more likely to stay off of long-term rolls.			X				X		X		
Offer flexible return to work options including part-time work, light duty or transition jobs and inform medical providers of these options ✘ Speeds up an employees return to work and improves productivity. ✘ Clarifies options to providers so they can make the appropriate recommendations.	X		X		X	X					X

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BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Manage & Process Claims Maintain frequent contacts with medical providers ✘ HR is on top of the status of each case and medical providers are aware of return to work options.			X		X	X					
Audit long-term cases especially cases, where there is no medical treatment for over a year ✘ Since the majority of workers' compensation costs stem from long-term cases, effective audits may uncover long-term cases where employee is fit to return to work or has found other sources of income--if either is found, workers' compensation costs can be decreased.		X	X				X				
Create formal safety awareness and injury prevention programs that are linked to workers' compensation efforts ✘ Safety programs and committees can help prevent injuries and workers' compensation claims.									X		X

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BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Manage & Process Claims Workers' compensation specialist reviews "no cost" workers' compensation cases ✘ These reviews help prevent future accidents.		X	X								
Work with interagency management committees and Department of Labor (DOL) "Assisted reemployment program" to place recovering employees in appropriate positions at other agencies ✘ Enables agencies to decrease workers' compensation rolls even if opportunities are not available at the employees current agency.			X				X				

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- 8. United States Department of Agriculture

BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Financial Reporting											
Audit DOL chargebacks for accuracy ✘ Catching erroneous cases can cut costs.	X	X	X			X		X			
Review of computer printouts of medical expenses. ✘ Review for accuracy with chargebacks keeps medical costs down.	X	X	X								
Preparation of quarterly and yearly status reports with performance measures which include long-term cases, \$ expense per claim, \$ expense per long-term claim ✘ Allows management to assess performance and pinpoint areas where costs are rising.	X	X	X			X					

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BEST PRACTICES FOR WORKERS' COMPENSATION PROGRAM

Best Practice	Source										
	DOD ¹	DOI ²	LOC ³	IRS ⁴	VA ⁵	USPS ⁶	OPM ⁷	USDA ⁸	UpJohn Institute	Kemper Ins.	Alexander & Alexander
Information and File Management Complete workers' compensation files including medical reports and DOL 1032 and OWCP5 forms ✘ Improves verification of charges against DOL.	X	X	X								
Use of integrated workers' compensation systems to track workers' compensation data ✘ Allows for projection of costs and trends using payroll links and links to DOL. ✘ Allows for quick summary of workers' compensation claims and overall performance.	X					X	X	X			

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BEST PRACTICES FOR UNEMPLOYMENT COMPENSATION PROGRAM

Best Practice	Source			
	DOD ¹	DOI ²	USDA ³	U.S. Senate
Disseminate Information				
Maintain in-house policies and procedures so all staff know how to process claims ✘ If employees leave then new Unemployment Insurance (UI) claims processors can quickly learn the process.				X
In a decentralized environment maintain a detailed list of office contacts who are responsible for UI matters ✘ UI processors know who to contact with questions.				X
Manage & Process Claims				
Ensure supervisors understand how to handle unemployment documentation reasons for separation ✘ Documentation of reason for separation can lower erroneous claims, reducing costs to the organization.				X
Third party claims management ✘ Using economies of scale third-party administrators can process claims more efficiently at lower cost.		X	X	

1. Department of Defense
2. Department of the Interior
3. United States Department of Agriculture

BEST PRACTICES FOR UNEMPLOYMENT COMPENSATION PROGRAM

Best Practice	Source			
	DOD ¹	DOI ²	USDA ³	U.S. Senate
Manage & Process Claims				
Try to complete H931 forms within 2 days <ul style="list-style-type: none"> ✘ This allows time for adequate review. ✘ Ensures forms are complete within 4-day legal requirement. 				X
Report erroneous claims or errors in income determination immediately to state employment security agency <ul style="list-style-type: none"> ✘ Catching and reporting errors as soon as possible reduces the claims that are paid out. ✘ The longer it takes to spot errors the more difficult it is to rectify. 	X			X
Financial Reporting				
Use dedicated auditors to audit Department of Labor (DOL) chargebacks for accuracy <ul style="list-style-type: none"> ✘ Catching erroneous cases can cut costs—the DOD saved \$16 million in one year alone. 	X			
Information & File Management				
Use of information systems to conduct matches from DOL tape to in-house payroll <ul style="list-style-type: none"> ✘ Allows for quick assessment of erroneous charges which speeds up investigation of claims ✘ Speeds up the credit process 	X			

1. Department of Defense
2. Department of the Interior
3. United States Department of Agriculture

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

WC Profile

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 Department of Defense

Overview

The Department of Defense (DoD) oversees the operations of the four service branches which include the Air Force, Army, Navy, and Marines. In recent years the DoD Headquarters (HQ) has expanded its role in setting and coordinating policies for support services such as workers' compensation and unemployment insurance. DoD has also focused significant efforts in developing integrated information systems which allow its geographically dispersed support personnel to access common data fields from network terminals at all locations.

Workers' Compensation at DoD

Organization

The DoD has a decentralized workers' compensation process. Each of its over 400 installations is charged with reporting and monitoring workers' compensation claims. At each of the installations there is at least one Injury Compensation Program Administrative Personnel who is responsible for workers' compensation claims. At HQ workers' compensation staff is made up of 18 "Liaisons" who, as experts in the workers' compensation area, facilitate the process by providing training on workers' compensation issues and reviewing cases and

Agency Profile	
Employees	840,000
Workers' Compensation Claims (est.)	80,000 per year 15,000 on-going
Workers' Compensation Staff	400 on-site 18 HQ

claims. HQ is also responsible for setting policies, measuring process performance and providing technical assistance to staff at the installations.

Process

The workers' compensation claims process is initiated when an injured employee completes the appropriate claim form. This is typically filled out jointly by the employee and their supervisor. It is then sent to the Injury Compensation Program Administrator at each facility who reviews the form, completes the remaining required sections and forwards the completed form onto the Department of Labor (DOL). Workers' compensation files are kept at each installation.

DoD Injury Compensation Program Administrators follow formal workers' compensation policies outlined in the Civilian Personnel Manual. Part of the DoD approach includes an emphasis on light duty program with the objective of getting employees back to work, in some capacity, as quickly as possible. Part-time work and re-training are offered to encourage employees to return to work. Another aspect of the DoD case management approach includes a thorough review of all claims—both at the installation level and through HQ audits. It is not uncommon for DoD staff to conduct visits to the injured employee's house to assess whether they are receiving proper treatment.

To assess performance DoD HQ monitors workers' compensation costs and the number of claims. Specifically they track the cost of claims, number of claims, and type of injuries to determine significant

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

trends and issues, which are then summarized and presented to senior management on a quarterly basis.

Information Systems

The DoD integrated information system serves as the backbone of the claims management process. The recently developed Injury and Unemployment Tracking System is a windows based system which can automatically populate claims records through matches to payroll records. For example, using the social security number it automatically extracts employee salary and other information into the correct fields so that compensation amounts can be calculated.

The system provides two clear advantages for DoD. First it allows workers' compensation personnel in various geographic locations to access employee records efficiently despite their physical distance. Secondly it facilitates the on-going review of claims and costs by generating 12-15 reports including new claims per month by installation.

The DoD uses other forms of technology to communicate and disseminate workers' compensation information to its staff. They use a world wide web page to display workers' compensation policies, procedures and other pertinent information. They are also planning to install a knowledge-based system, which would allow staff to query the system regarding policy and procedural questions. The system would then retrieve the appropriate response for the particular question. In a joint effort, they are planning to work with the DOL to allow for electronic access to DOL and for the transfer of workers' compensation claims forms (CA-1s and CA-2s.)

People

Workers' compensation staff at each installation are responsible for following policies outlined in the Civilian Personnel Manual. They receive periodic training on technical aspects of workers' compensation case management from the HQ Liaison Officer. The HQ Liaison Officers visit the installations through out the year to conduct seminars and provide hands on technical assistance.

Best Practices - Additional Comments

Active training and active case management has allowed the DoD to decrease workers' compensation claims over the past few years. The

impact of training is twofold. First, all employees are trained in how to manage claims processes and identify specific items to look for. Secondly employees out on leave are rehabilitated and often trained to perform other jobs if they can longer return to their former position. There have been several cases where they have re-trained blue collar workers to be computer operators.

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

WC Profile

 U.S. Postal Service

Agency Profile	
Employees	850,000
Workers' Compensation Claims (est.)	90,000 per year 10,000 on-going
Workers' Compensation Staff	450

Overview

The U.S. Postal Service (USPS) maintains operations throughout the United States using a series of 88 District and 12 area offices. Given its large size and heavy use of machinery the Postal Service accounts for between 33 to 50% of all FECA claims each year. Over the past few years they have made significant strides towards decreasing their workers' compensation costs and liabilities using a number progressive techniques in the return to work area.

Workers' Compensation at USPS

Organization

The workers' compensation function is located in the risk management area of the Postal Service. Workers' Compensation activities are decentralized within 88 national Postal Districts and 12 Postal Areas. Simple claims are initiated and handled at the local and District office level. Area offices assist in managing the more complex cases and serve as the repository of all files for long-term cases.

Process

When an employee is injured the appropriate workers' compensation claim form is filled out by the employee and their supervisor at the local office. It is then sent to one of the 88 District offices. In many of the larger Postal facilities on-site care is available so the employee can receive treatment at any time. Short-term cases, where an employee is out for less than 45 days, are typically handled by the local office and District personnel who ensure initial treatment and that the employee returns to work as scheduled by the medical provider. Area offices are involved in the more complex and usually longer term cases. Area offices consist of several districts. Records are kept at the District level for short-term claims and at the Area level for long-term claims.

The Postal Service workers' compensation approach includes a formal workers' compensation policy. The thrust of the approach involves treating workers' compensation injuries as soon as possible through on-site care and nurse intervention programs.

Another part of the approach includes a limited duty program to encourage employees to return to work even if only on a part-time basis. In some instances the Postal Service has modified jobs to allow employees to transition back into the workplace. In other cases workers' jobs have been redesigned so workers return to a new job.

Suspect claims are thoroughly researched by staff at HQ and the Area Offices. If there is enough initial evidence, suspect claims are referred to Postal Inspectors who then conduct surveillance activities

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

to see if benefits are permissible. If it is proven that employees have non - declared employment or income, the amount of claims payments is decreased.

To measure workers' compensation costs the Postal Service tracks the number workers' compensation claims reported, the dollar costs, and continuation of payment (or non - medical) amounts for each Postal Area. Long-term cases are tracked and the success of the return to work efforts is also measured by calculating the percent of employees returning to work and staying at work.

Information Systems

The Postal Service uses a custom workers' compensation information system to track claims. This system is accessible at major locations by authorized staff.

The USPS receives weekly electronic data feeds from the Office of Workers' Compensation Program (OWCP). These feeds show the employees who are on the workers' compensation rolls at DOL and who listed the USPS as their employer. The USPS information system is then able to run the DOL list against the master employee payroll file to catch instances where employees are erroneously charged back to the Postal Service. A resulting report is prepared for discrepancies and all discrepancies are researched. In addition to the in-house system, the Postal Service uses the DOL Automated Query System to track claims and case management at the DOL.

People

Staff involved in the workers' compensation office receive periodic training in workers' compensation claims management. The District Offices also under go routine inspections, which verify that forms are completed on time.

The USPS also communicates and promotes awareness among staff so that they understand that workers' compensation is a business expense. To reinforce this idea, USPS offers several types of incentives to motivate managers at local offices and facilities. They include workers' compensation costs as part of the Economic Value Added calculations that are used for incentive bonuses. Individual managers are also given an incentive to bring employees back from workers' compensation injuries since rehabilitated workers' are not counted in their operating budgets yet can add to their throughput numbers.

Best practices - Additional Comments

The Postal Service is pilot testing a nurse intervention program for short-term (less than 45 days) claims. It is similar to DOL's nurse intervention program for long-term claims. It is aligned with the overriding USPS strategy of immediate attention through on-site clinics and Doctors where possible and constant follow up through nurse intervention.

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

WC Profile

 Library of Congress

Agency Profile	
Employees	4,600
Workers' Compensation Claims (est.)	240 per year 20 on-going
Workers' Compensation Staff	1

Overview

The Library of Congress manages several facilities in and around the District of Columbia (DC). The workers' compensation function relies on the integrated efforts of safety, health services and workers' compensation staff to decrease workers' compensation costs. They have had particular success in adapting best practices from the private sector and using these techniques to improve their workers' compensation program.

Workers' Compensation at The Library of Congress

Organization

Workers' compensation is centrally managed by the Library of Congress. Since the Library does not have many facilities located outside the DC area this is feasible with a limited number of staff. The workers' compensation staff works with the safety department and with medical staff to review cases, construct on-going policies, etc.

Process

When an employee is injured on the job they report to the Health Services Department. There they receive treatment from a nurse and can fill out the necessary workers' compensation claims forms. Sometimes they are accompanied to the Health Services Department by their supervisor. The immediate attention to the claim has been helpful in understanding the cause of the claim and to ensure the employee understands the proper course of action. Policy guidelines for supervisors and for injured employees are also available. If a claim is suspect they will controvert the claims through the DOL. They controvert between 5 and 10% of the claims per year. For those claims where fraud is suspected, the evidence and case are turned over to the Inspector General's office.

The Library of Congress maintains a complete file on each claim including investigation reports, DOL claims forms along with medical reports. A Claims Review Board consisting of workers' compensation staff, supervisors, health professionals and safety officers has been established to review cases. To verify quarterly chargebacks, the Library of Congress reviews each claim that appears on the DOL quarterly statement. They verify those claims that show no medical payments for the year but significant compensation payments. A year-end audit is performed to ensure that DOL 1032 forms are present as well as current medical status, Form OWCP 5. DOL 1032 reports the amount of earnings for the claimant. If they receive outside income that has not been previously reported, workers' compensation costs can be reduced. A review of the files a few years ago showed that for many of the long-term case files the current medical status form did not

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

exist, even though it is required to be updated each year. Thus the claimants who were able to work were still out receiving payments.

The Library of Congress aggressively monitors long-term claims since they represent 90% of the Library's workers' compensation costs. As a result of thorough reviews and audits they have managed to decrease long-term cases by 20% over the last two years.

Information Systems

The Library of Congress uses a Dbase database to track all workers' compensation cases. This system allows the Library of Congress to track the type of injury, costs and case status. It allows for quick and on demand summaries of the workers' compensation costs and cases. They hope to use the DOL internet based case system in the future.

People

Supervisors receive training on how to handle claims. Also several types of training are provided including rehabilitation, ergonomics, and safety and accident prevention. A formal safety program and manual are also well established.

Best Practices-Additional Comments

The Library of Congress has had success by carefully monitoring long-term claims. Since the long-term claims are the greatest cost, any improvements in the caseload can produce substantial financial savings.

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

WC Profile

.....
 Department of the Interior

Agency Profile	
Employees	70,000
Workers' Compensation Claims (est.)	6,000 per year 4,000 on-going
Workers' Compensation Staff	on-site - cases handled by Personnel or Safety Officers 1 HQ liaison

Overview

The Department of the Interior (DOI) is made up of 16 separate Bureaus and Offices. They range from the Bureau of Indian Affairs, National Park Service, Bureau of Land Management, to the U.S. Geological Survey. The DOI HQ manages the strategic direction and performance measurement of the workers' compensation program while transactions are processed within each of the distinct Bureaus.

Workers' Compensation at DOI

Organization

The DOI has a decentralized workers' compensation (WC) process whereby each of its 10 Bureaus is charged with reporting and monitoring workers' compensation claims. Each Bureau has trained staff who process workers' compensation claims as part of their duties.

The DOI HQ staff consists of 1 professional liaison who acts as a coordinator for all of the Bureaus on workers' compensation issues. The HQ sets strategy and measures the performance of the workers' compensation program.

The DOI also has an in-house "WC Council", composed of the 9 to 10 principal WC Specialists in the Department. The Council meets quarterly and offers the opportunity to disseminate information.

Process

The process is initiated when an employee is injured. The DOL appropriate forms are filled out by the employee and their supervisor. The forms are then reviewed by either the Personnel Office or the Safety Office, depending on the Bureau. The forms are then sent (mailed) to the regional DOL OWCP regional office. Safety Offices within each DOI Bureau investigate accidents.

DOI has a workers' compensation policy which is outlined in the DOI's "Workers' Compensation Program Strategic Plan FY - 97/99". They also have and encourage light duty assignments and part-time work for employees.

Records are kept by each Bureau. Aggregate data is compiled by the HQ liaison and disseminated to the Assistant Secretary and each Bureau. To track program performance and trends DOI tracks the

WORKERS' COMPENSATION (WC) PROGRAMS IN OTHER FEDERAL AGENCIES

cost of claims, number of claims, types of "no cost" claims, hours lost, and type of injuries.

DOI also has numerous controls to monitor the WC process. First, the employee's supervisor reviews the forms. Then, the Safety Bureau or Personnel review the forms for accuracy. DOI occupational health nurses review claims within 45 days of the accident. Also, the DOI nurses review long-term cases at least every three years (DOI currently has 1,200 long-term cases). The Department also gets "third opinions" in some cases.

Information Systems

The DOI HQ developed a tracking system to help analyze and manage claims. DOI receives the quarterly DOL chargeback on tape (electronic copy). The specialist then can manipulate chargeback information using dBase software. The chargeback tape has more information than the "hard copy" of the chargeback. For example, the specialist can break down WC claims by zip code, etc. The DOI HQ liaison tracks workers' compensation costs and claims. Charts and graphs are printed using Harvard Graphics. Reports of workers' compensation costs are prepared quarterly and annually.

The DOI also maintains a Safety Net home page to disseminate policies and procedures to staff and supervisors. The Safety Net home page includes such features as: alerts, calendar, resources, standards, training and related WWW sites. The site also has access to the newly created Safety Management Information System (SMIS), a Department on-line accident reporting system.

People

Bureau staff receive training from their respective Safety offices on workplace safety and accident prevention issues. Bureaus send their staff to a week-long OWCP workers' compensation class designed for claims examiners. The specialists can take OWCP's advanced course via correspondence. DOI has an active safety awareness program, complete with posters, a slogan, etc.

Best Practices-Additional Comments

The DOI offers retraining for those people who are unable to return to their previous positions.

"No cost" cases are viewed as "near misses" by the HQ WC specialist, who reviews those cases and reports findings to the

Bureaus. The objective is to prevent accidents from happening in the first place.

DOI has created a Strategic Plan which describes the goals of the WC program, which includes specific objectives, performance measures and actions to be taken, as well as benchmarks "to measure excellence". The Plan includes rewards and recognition for meeting goals.

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

UC Profile

 Department of Defense

Agency Profile	
Employees	840,000
Unemployment Insurance (UI) Claims (est.)	71,000 per year
UI Staff	400 on-site 2 HQ

Overview
 The Department of Defense (DoD) oversees the operations of the four service branches which include the Air Force, Army, Navy, and Marines. In recent years the DoD Headquarters has expanded its role in setting and coordinating policies for support services such as workers' compensation and unemployment insurance. DoD has also focused significant efforts in developing integrated information systems, which allow its geographically dispersed support personnel to access common data fields from network terminals at all locations.

Unemployment Claims at DoD
Organization
 DoD uses a decentralized approach to processing unemployment claims. As with workers' compensation each installation has at least one employee responsible for tracking claims. An integrated information systems facilitates this process.

by allowing the claims processor to have payroll information at their fingertips—no matter the location of the installation. In recent years there have been many claims due to restructuring and downsizing. The UI claims process is outlined in the Civilian Personnel Manual.

Process
 Claims are handled at each facility by designated UI representatives and the employee's supervisor. Records are kept at each installation and each installation verifies employment. Policies for handling claims are outlined in the Civilian Personnel Manual.

When errors occur they are reported directly to the state employment agency. This helps obtain clarifications quicker and helps get credits processed quicker.

Information Systems
 Quarterly printouts for each state are tracked via computer. Responses are made directly to the state's where errors exist. HQ has a team of auditors which reviews the DOL quarterly chargebacks for potential invalid claims.

DoD also uses their world wide web site as a means of distributing unemployment information. They include unemployment information

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

in their Internet site. They also include an interactive voice response mechanism.

People

DoD personnel have been trained in the past through seminars. The seminars are aimed at the human resource staff at each installation.

Best Practices-Additional Comments

A major strength of the DoD UI process is the use of two dedicated auditors to track all claims. Last year they used computer matches to catch over \$16 million in false claims.

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

UC Profile

 U.S. Senate

Agency Profile	
Employees	7,500
UI Claims (est.)	700 per year
UI Staff	6

Overview

The U.S. Senate has a decentralized environment with over 100 member offices throughout the United States and in Washington DC. In this environment, the payroll department is responsible for processing unemployment and other benefits claims and forms. The location of unemployment processing within payroll allows for forms to be processed in a quick efficient manner.

Unemployment Claims at The Senate

Organization

The unemployment insurance forms are processed by the Senate payroll office. There are six employees responsible for processing the unemployment insurance claims in addition to performing other payroll tasks. All initial claims are reviewed twice, once by the payroll clerk and then prior to sign off by the Senate Financial Clerk. To facilitate the process, each member

office has a designated person responsible for assisting with unemployment claims processing.

Process

The Senate payroll office receives unemployment claims forms from each State once an individual has filed for unemployment. The forms are first reviewed by the payroll clerk.

The forms are verified for information such as employee status and income for the last four quarters, which is checked against the payroll system. Although they have four days to process the forms (ES931s) they try to process the forms within two days. The Senate payroll processors maintain a list of contacts for each Senator's office. Thus, they have a central contact for unemployment insurance related questions such as the reasons for separation.

The policy is to tell the administrator (if a reason for separation has not been introduced into the system) that the reason stated in the unemployment form will stand as the reason for separation. This is to prevent cases where someone was fired from also collecting unemployment benefits. Financial clerks must sign off on the form before it goes out. When chargebacks are received they are verified. All chargebacks that cannot be verified are sent back.

The Senate maintains internal payroll procedures to instruct staff on how to process the unemployment insurance claims.

Employee personnel files are kept in each office. The payroll office keeps personnel files which relate to benefits enrollment. All copies of the unemployment forms that have gone through the payroll office are kept on file. Quarterly chargebacks are reviewed. The Financial

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

Clerk of the Senate does a final review of the forms. Thus, the Senate has two people review each claim. This is to ensure that any errors are caught.

Information Systems

The Senate uses its payroll system to verify data. The system has the ability to prepare summaries of the last four quarters of income needed for the ES931 forms.

People

People receive on-the-job training in the payroll department to learn how to process the unemployment claims.

Best Practices-Additional Comments

The Senate does an excellent job of checking forms the first time. This catches erroneous claims before they hit the rolls at the states and the DOL.

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

UC Profile

 U.S. Department of Agriculture

Agency Profile	
Employees	100,000
UI Claims (est.)	54,000 per year
UI Staff	NA (Outsourced)

Overview

The U.S. Department of Agriculture (USDA) is one of several Federal agencies and numerous private companies that uses a third party administrator (TPA) to process unemployment claims. For several years this system seems to work well. The TPA brings economies of scale and expertise that would be hard to come by in-house.

Unemployment Claims at USDA

Organization

All claims are processed by a TPA--the Frick Company. The USDA Personnel department conducts an exit interview and provides the employee with the SF-8 form which allows them to begin the unemployment process. The remainder of the process is handled by the TPA.

Process

Claims have been outsourced to Frick & Co. since 1985. At the time of leaving, an employee gets an SF-8 form with Frick & Company's name on it. The employee files with his/her State. Meanwhile the person's supervisor completes a form (reason for separation, etc.) and sends it to Frick. The State sends the forms to Frick who sends the State wage info, or protests, if necessary. Frick will assist in the protest process, if necessary. The Office of Personnel maintains unemployment policies in instructional materials, which go to supervisors, claims processors, etc.

USDA keeps employment records. Certain records such as wage information are sent directly to the TPA. The TPA has a set of 15 internal controls that they follow to safeguard data.

Information Systems

"Everything is done electronically." This allows the TPA to achieve efficiencies where most sole agencies cannot. Approximately 450,000 wage records are sent to Frick every two weeks and kept on Frick databases. Frick reconciles both DOL quarterly chargebacks and State lists of claims, using electronic means. All forms are scanned into their database systems by Frick.

UNEMPLOYMENT COMPENSATION (UC) PROGRAMS IN OTHER FEDERAL AGENCIES

People

The TPA will provide training for USDA staff and many supervisors have taken the courses. The training focuses on unemployment basics up through spotting fraudulent or erroneous claims and safeguards that organizations can install.

SOURCES

- 1) Interviews with workers' compensation specialists and interested parties at the following agencies: Department of Interior, Department of Agriculture, Postal Service, Library of Congress, House of Representatives Office of Personnel & Benefits, House of Representatives Furniture Resource Center, Office of Compliance, House Members' District offices, Architect of the Capitol's Safety & Engineering Department, U.S. Senate, Department of Defense, General Accounting Office, and Office of Personnel Management.
- 2) "Workers' Compensation Programs At Federal Installations - Phase I: Assessment - OPM Nationwide Study", Office of Personnel Management, February 1996.
- 3) "Disability Prevention Among Michigan Employers: 1988-1993" W.E. Upjohn Institute for Employment Research, 1993.
- 4) "Federal Employee's Compensation Act - Need to Increase Rehabilitation and Reemployment of Injured Workers", U.S. General Accounting Office, February 1992.
- 5) "Review of Workers' Compensation Program for U.S. Postal Service Employees", Department of Labor, May 1995.
- 6) "Evaluation of Early Nurse Visitation Program - Boston Regional Office of Workers' Compensation Programs", Department of Labor, June 1997.
- 7) "Workers' Compensation - Selected Comparisons of Federal and State Laws", U.S. General Accounting Office, April 1996.
- 8) "Federal Employees Compensation Act - Issues Associated With Changing Benefits for Older Beneficiaries", U.S. General Accounting Office, August 1996.
- 9) "Federal Employees Compensation Act - No Evidence That Labor's Physician Selection Processes Biased Claims Decisions", U.S. General Accounting Office, February 1994.
- 10) "Employers' Guide to Controlling Your Unemployment Costs", The Frick Company, 1997 ed.
- 11) "Task Book - Training for Federal Employing Agency Compensation Specialists", Department of Labor, October 1994.
- 12) "Resource Book - Training for Federal Employing Agency Compensation Specialists", Department of Labor, October 1994.

SOURCES

- 13) Department of Labor, Website.
- 14) Department of Interior, Website.
- 15) Bureau of Labor Statistics, Website.
- 16) Price Waterhouse, Knowledge & Information Transfer Database (proprietary).
- 17) "Congressional Accountability Act of 1995 - Report on Initial Inspections of Facilities for Compliance With Occupational Safety and Health Standards Under Section 215", General Counsel, Office of Compliance, June 28, 1996.
- 18) "Federal Employees' Compensation Act As Amended", U.S. Department of Labor, Employment Standards Administration, Office of Workers' Compensation Programs, CA-700, Revised May 1987.

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

MEMORANDUM

TO: John W. Lainhart, IV
Inspector General

FROM: Jay Eagen
Chief Administrative Officer

SUBJECT: Draft Audit Report - Opportunities Exist for Improving the Worker's and Unemployment Compensation Programs at the U.S. House of Representatives

DATE: MAR 17 1998

Thank you for the opportunity to comment on the Draft Audit Report - Opportunities Exist for Improving the Worker's and Unemployment Compensation Programs at the U.S. House of Representatives. We have carefully reviewed the draft report's recommendations and are in general agreement with them. Our specific comments for each recommendation are provided below.

Finding A: The House Needs To Develop And Implement Policies And Procedures For The Workers' Compensation Program

Recommendations

We recommend the Chief Administrative Officer:

1. Finalize the draft comprehensive workers' compensation policies and procedures for approval by the Committee on House Oversight, outlining the processes, tasks, and responsibilities of House staff involved in the workers' compensation process and incorporating the workers' compensation policies and procedures discussed in the later findings in this report.

CAO Response: CONCUR.

House Management Procedures For Workers' Compensation will be forwarded by the Chief Administrative Officer (CAO) to the Committee on House Oversight for approval as part of the proposed strategic plan identified in response to Recommendation A.3.

2. Reiterate to all House offices the importance of filing with the OHR rather than directly with the U.S. DOL, Office of Workers' Compensation Programs.

CAO Response: CONCUR.

Upon approval of the strategic plan identified in response to Recommendation A.3, OHR will utilize a variety of communication tools such as the *Member's Handbook and CAO Personnel Policies and Procedures* to inform House offices of workers' compensation filing policies and procedures.

Relative to the response the auditors received from the individual identified with the Furniture Resource Center, there is no evidence that any workers' compensation claims were filed inappropriately.

3. Develop a workers' compensation strategic plan, for approval by the Committee on House Oversight, to outline how workers' compensation policies and procedural information will be communicated to all House offices. The plan should include (a) disseminating workers' compensation policies and procedures to key employees in all House offices, (b) providing Workers' Compensation Program orientation for new office administrators at the beginning of each new Congress, (c) updating the Congressional Handbook with contact information, and (d) developing a workers' compensation training video for Channel 25.

CAO Response: CONCUR.

The strategic plan implementing workers' compensation policies and procedures will be forwarded by the Chief Administrative Officer (CAO) to the Committee on House Oversight for approval.

Finding B: Controls Were Needed To Ensure Accurate And Timely Recording And Payment of The Workers' Compensation Expense

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish procedures to ensure that workers' compensation expenses reported on DOL charge-back reports are properly segregated and accumulated for financial reporting purposes.

CAO Response: CONCUR.

The Chief Administrative Officer (CAO) will establish coordinated procedures between Office of Human Resources and the Office of Finance to properly segregate, accumulate and prepare journal entries for workers' compensation expenses by May 1, 1998.

2. Require OHR to forward information to prepare journal entries to Finance at each quarter on a timely basis to ensure expenses are recognized by the House, as they are incurred.

CAO Response: CONCUR.

See Response above.

3. Implement accrual basis of accounting to ensure that workers' compensation expenses and related liabilities are recognized in the accounting period in which incurred.

CAO Response: CONCUR.

Office of Human Resources will finalize procedures to provide U.S. DOL workers' compensation charge-back information segregated at a minimum by calendar year quarter to the Office of Finance by May 1, 1998. For the 1997 accounting period, the Office of Finance has included the requirement for workers' compensation adjustments in the annual financial statement compilation procedures. The Office of Finance will develop by December 31, 1998 accounting to ensure the unemployment compensation expenses and liabilities are accrued and reported in the 1998 accounting period.

4. Reimburse DOL for all future charge-back amounts within the specified time frame in compliance with 5 USC 8147(b).

CAO Response: CONCUR.

OHR Management Procedures for Workers' Compensation, drafted in April of 1997 by the workers' compensation specialist and formalized in September of 1997, establishes procedures to review and forward future charge-backs to the Office of Finance so that Office of Human Resources will be in compliance with 5 USC 8147(b).

The charge-back for July 1, 1995-June 30, 1996 was paid on October 20, 1997, in accordance with 5 USC 8147(b). The charge-back for July 1, 1996-June 30, 1997 has been audited by Office of Human Resources. Payment is statutorily required when FY'99 funds become available.

Finding C: Workers' Compensation Claim Files Were Incomplete

Recommendation

We recommend the Chief Administrative Officer:

1. Establish policies and procedures to ensure that (a) a claim file be maintained in the OHR for each employee who has submitted a claim for job-related injury and/or occupational disease which is still "Active" (i.e., payments are still being made or the case is pending approval), regardless of the age of the claim, (b) a log sheet in each workers' compensation claim file to serve as a checklist for the contents of the file, and (c) missing documentation be requested from DOL or the applicable source.

CAO Response: CONCUR.

OHR Management Procedures for Workers' Compensation, drafted in April of 1997 by the workers' compensation specialist and formalized in September of 1997, establishes procedures to ensure that complete workers' compensation files, including document registration logs are maintained by Office of Human Resources. OHR has not found it necessary to re-create any missing workers' compensation claim information; if necessary, OHR will use available resources to request pertinent documentation.

Completeness of workers' compensation files is explained in 20 CFR 10.411 and the *U.S. DOL Training for Federal Employing Agency Compensation Specialists*.

Finding D: The House Did Not Have Formal Return To Work Or Light Duty Programs

Recommendation

We recommend that the Chief Administrative Officer:

1. Develop policies and procedures, for approval by the Committee on House Oversight, to establish light duty and return to work programs for House Officers. These policies and procedures should include the best practices outlined in Exhibit B.

CAO Response: CONCUR.

The Chief Administrative Officer (CAO) will propose to the Committee on House Oversight by June 1, 1998 policies and procedures to assist House officers in facilitating employees return-to-work or light duty accommodations, as appropriate to the House environment.

The U.S. DOL/OWCP requires medical recertification of disability status to receive continued loss wage compensation benefits. Office of Human Resources in coordination with the U.S. DOL/OWCP Vocational Rehabilitation Program will continue to identify available positions and coordinate the claimants (House employee) return to suitable duty.

Finding E: The House Lacked Coordinated Safety Efforts Between OHR, The Office of Compliance, And Office of Safety And Engineering At The Architect of the Capitol (AOC)

Recommendations

We recommend the Chief Administrative Officer:

1. Create a safety committee or claims review board consisting of safety and health officials, office supervisors, and the Workers' Compensation Program manager to address safety issues, enforce policy, and review claims trends.

CAO Response: CONCUR with alternative action.

As a result of the Office of Compliance, OSHA style reviews and recommendations, the Chief Administrative Officer (CAO) has appointed a Safety Representative from the Furniture Resource Center to coordinate CAO health and safety activities with the Office of Compliance and the Architect of the Capitol (AOC). The worker's compensation specialist will work with the CAO's Safety Representative and his team to proactively address safety issues, enforce policy, and review claims trends.

2. Establish formal communication mechanisms with the Office of Safety and Engineering and the Office of Compliance.

CAO Response: CONCUR.

The Chief Administrative Officer (CAO) will establish formal written guidelines establishing and recognizing a formal communication mechanism between Office of Human Resources, the Office of Safety and Engineering and the Office of Compliance by May 1, 1998.

Finding F: Workers' Compensation Statistics And Trend Analyses Were Not Formally Tracked

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish policies and procedures to ensure the production of periodic reports (at least semiannually) of claim information and costs, which are communicated to senior management.

CAO Response: CONCUR.

OHR Management Procedures for Workers' Compensation establishes procedures for a monthly internal Office of Human Resources claims status report to account for current calendar year workers' compensation statistics.

2. Maintain a comprehensive database of accurate information to ensure more accurate loss projections and a more thorough understanding of the House's workers' compensation costs. Future data should be accumulated and maintained going forward and recorded by accident period (12 months, 24 months, 36 months, etc. from policy period inception). Prior years' historical data, which can be requested from DOL, should be recaptured.

CAO Response: CONCUR.

Future, accurate and reliable workers' compensation statistics and cost data will be tracked by the implementation of the U.S. DOL EDI Computer System. This system will allow the House to interface with data contained in workers' compensation claim files at the U.S. DOL.

This U.S. DOL system is anticipated to be available for implementation during 1998.

Finding G: The House Needs To Develop And Implement Policies and Procedures For The Unemployment Compensation Program

Recommendations

We recommend that the Chief Administrative Officer:

1. Finalize the draft comprehensive unemployment compensation policies and procedures for approval by the Committee on House Oversight, outlining the processes, tasks, and responsibilities of House staff in the unemployment compensation process.

CAO Response: CONCUR.

House Management Procedures For Unemployment Compensation will be forwarded by the Chief Administrative Officer (CAO) to the Committee on House Oversight for approval as part of the proposed strategic plan. Office of Human Resources has recommended that these policies and procedures be discussed and distributed during new Member and/or designee orientation. Policies and procedures should be made available in new-hire packets available to Congressional Members for internal distribution. Currently, the *Notice To Federal Employees About Unemployment Insurance* (Standard Form (SF-8) is contained in termination packets available in OHR.

2. Develop an unemployment compensation strategic plan, for approval by the Committee on House Oversight, to outline how unemployment compensation policies and procedural information will be communicated to all House offices. The plan should include (a) disseminating unemployment compensation policies and procedures to key employees in all House offices, (b) providing Unemployment Compensation Program orientation for new office administrators at the beginning of each new Congress, (c) updating the Congressional Handbook with contact information, and (d) developing a workers' compensation training video for Channel 25.

CAO Response: CONCUR.

A proposed unemployment compensation strategic plan will be forwarded by the Chief Administrative Officer (CAO) to the Committee on House Oversight for approval. Upon approval, Office of Human Resources will utilize a variety of communication tools to inform House offices of unemployment compensation filing policies and procedures.

Finding H: Reconciliations of DOL Charges Against House Records Were Not Routinely Performed And Reimbursement Payments To DOL Were Overdue

Recommendations

We recommend the Chief Administrative Officer:

1. Ensure that OHR verifies UD 399s against the payroll listing for all names on the quarterly statements sent by the states DCDES. Request adjustments for non-House employees listed on the statements.

CAO Response: CONCUR.

OHR Management Procedures for Unemployment Compensation establishes procedures to verify UD 399s against payroll listings for all names on the quarterly statements sent by DCDES/SESA's.

2. Obtain the formula/criteria used by DCDES and each SESA in determining the amount of unemployment compensation claimants should receive. Perform, at a minimum, a recalculation of income determination and unemployment compensation charges for a sample of DCDES claimants. Additionally, recalculate a sample of the remaining SESA claims to review their unemployment compensation charges.

CAO Response: CONCUR.

OHR Management Procedures for Unemployment Compensation establishes procedures to randomly sample income determinations to determine the amount of unemployment compensation claimants should receive. Additional formula information and criteria (*Significant Provisions of State Unemployment Insurance Laws, July 1, 1997*) used by DCDES and each SESA in determining the amount of unemployment compensation claimants was received from the U.S. DOL/ESA in November of 1997.

3. Establish policies and procedures to accrue for unemployment compensation expenses which include requiring OHR to complete the following steps:
 - Forward information during each quarter on a timely basis to Finance for preparation of journal entries to ensure expenses are recognized as they are incurred by the House.

CAO Response: CONCUR.

Since May 1997, Office of Human Resources has forwarded on a timely basis all U.S. DOL unemployment compensation charge-backs to the Office of Finance for review and payment. For the 1997 accounting period, the Office of Finance has included the requirement for unemployment compensation adjustments in the annual financial statement compilation procedures. The Office of Finance will develop by December 31, 1998 accounting procedures to ensure the unemployment compensation expenses and liabilities are accrued and reported in the 1998 accounting period.

- Ensure that the correct DOL reports are used in accumulating the unemployment compensation expenses for financial reporting purposes.

CAO Response: CONCUR.

See response above.

4. Require Finance to implement accrual basis of accounting for unemployment compensation to ensure that expenses and related liabilities are recognized in the accounting period in which incurred.

CAO Response: CONCUR.

See Response to H.3 above.

5. Establish policies and procedures to ensure that the Office of Finance reimburses the U.S. DOL within 30-days after receipt of the DOL *Quarterly Charge Summary*.

CAO Response: CONCUR.

***OHR Management Procedures for Unemployment Compensation* establishes procedures to forward charge-back invoices/billings to the Office of Finance. Currently, Office of Finance procedure provides for the payment of all U.S. DOL Quarterly Charge Summary billings/invoices within five (5) days of receipt. Additionally, the Office of Finance monitors payment processing daily to ensure adherence to U.S. DOL/ESA statutory obligations.**

Finding I: Income Determination Forms (U931s) Were Not Always Properly Processed Or Adequately Reviewed

Recommendations

We recommend the Chief Administrative Officer:

1. Finalize and approve the draft written policies and procedures for individuals responsible for unemployment claims processing.

CAO Response: CONCUR.

***OHR Management Procedures for Unemployment Compensation* establishes procedures for processing unemployment compensation claims.**

2. Develop training courses and communication (e.g., through Channel 25) for the House's Unemployment Compensation Program and ensure that key employees in House offices receive a basic understanding of the program. Emphasis should be placed on the importance of fully completing the Form H931 prior to returning it to the DCDES or the SESA.

CAO Response: CONCUR.

A strategic plan for unemployment compensation will be forwarded by the Chief Administrative Officer (CAO) to the Committee on House Oversight for approval. Upon approval, Office of Human Resources will utilize training courses and communication tools to inform House offices of unemployment compensation filing policies and procedures. OHR staff responsible for processing unemployment compensation claims completed training with the U.S. DOL/ESA in November of 1997.

3. Establish a control log that can verify when the Form U931 was received by the House and returned to DCDES or the appropriate SESA.

CAO Response: CONCUR.

OHR Management Procedures for Unemployment Compensation establishes procedures, including the control log for processing unemployment compensation claims.

III. OTHER MATTERS - OHR May Not Have The Resources Necessary To Manage The Workers'/Unemployment Compensation Programs

Recommendation

We recommend the Chief Administrative Officer:

1. Consider (a) obtaining, at least an additional part-time program management position, (b) transferring the responsibility of unemployment compensation management to another manager as a collateral duty, or (c) investigating, through a cost/benefit analysis, the possibility of using a third party administrator to process unemployment claims.

CAO Response: CONCUR.

While the Chief Administrative Officer (CAO) concurs that consideration of staffing is appropriate, our analysis indicates that present Office of Human Resources staffing levels, distribution of job responsibilities and current unemployment and workers' compensation case loads, do not warrant additional staff, transfer of job responsibilities or use of a third party administrator.

Office of Human Resources has two additional staff members, crossed-trained in workers' compensation and retirement issues, assigned to process workers' compensation claims in the absence of the workers' compensation specialist. Presently, OHR has three Human Resources Assistants in addition to the program manager responsible for processing unemployment compensation claims. Claims are distributed and processed according to *OHR Management Procedures for Unemployment Compensation*.

Preliminary cost benefit analysis indicates that, even with outsourcing, the House would be required to provide a point of contact (POC) to act as a conduit of information, review billing

for audit purposes, and prepare and submit vouchers for timely payment. Outsourcing benefits accrue only after the case workload exceeds the minimum FTE requirement for POC. The extremely low case load (in CY' 97) required only one FTE who acts as POC and has subsidiary HR duties. Administrative costs would actually increase through payment of a third party processor. In this specific instance, outsourcing appears not to be cost effective, is unnecessarily intrusive into Member/employee confidentiality, and does not serve to improve the responsiveness of OPB in furthering its mission.

