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SUBJECT: Audit Report – Postal Service’s Injury Compensation Programs’
Controversion and Challenge Process in Selected Areas
(Report Number HM-AR-06-004)

This report presents the results of the U.S. Postal Service Office of Inspector General’s (OIG) self-initiated audit of the Postal Service’s Injury Compensation Programs’ controversion¹ and challenge² process in the Eastern, New York Metro, Northeast, Great Lakes, and Western Areas and the headquarters Injury Compensation Office³ (Project Number 05YG034HM001). Our objective was to determine, for chargeback year⁴ (CBY) 2004, whether the Postal Service’s controversions and challenges for workers’ compensation claims are effective in ensuring only eligible employees are placed on the periodic roll.⁵

We concluded the Postal Service properly controverted and challenged almost all of the workers’ compensation claims we reviewed and ensured only eligible employees were placed on the periodic roll. The Postal Service could improve, however, its controversion and challenge process in selected areas of operation. Specifically, supervisors and injury compensation control offices (ICCO) did not always properly controvert and/or challenge claims in accordance with Postal Service policies and procedures. In addition, the ICCOs did not consistently follow Postal Service policies and procedures to track and monitor controverted and/or challenged workers’ compensation claims submitted to the OWCP. As a result, the Postal Service paid \$57,536 in injury compensation costs for improperly controverted and/or challenged

¹ A controversion is an agency’s action to dispute the entitlement of Continuation of Pay (COP) for a traumatic injury. COP is an injured employee’s entitlement of pay for up to 45 days of disability or medical treatment following a traumatic injury. Postal Service supervisors may controvert a claim by completing the indicated portion of a DOL Form Compensation Act (CA)-1, Federal Employee’s Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation.

² A challenge is the Postal Service’s term for any action to dispute questionable elements of an employee’s claim for Federal Employees’ Compensation Act (FECA) benefits.

³ These areas submit workers’ compensation claims to the Kansas City and New York Department of Labor (DOL) Office of Workers’ Compensation Programs’ (OWCP) District Offices, which have jurisdiction over the claims. The Postal Service Headquarters, manager, Health and Resource Management, recommended we review the Kansas City and New York OWCP District Offices.

⁴ The DOL OWCP Chargeback System is the mechanism by which the costs of compensation for work-related injuries and deaths are billed annually to employing agencies. The chargeback billing period is from July 1 in one year to June 30 the following year.

⁵ The periodic roll is a system the OWCP uses that allows the U.S. Department of the Treasury to automatically pay prolonged disability cases every 28 days and death cases every month, until advised otherwise by the OWCP.

workers' compensation claims that, if properly controverted or challenged, may have been denied.

In addition, the Postal Service did not convert \$12,793 in COP to employees' sick and/or annual leave when required by Postal Service policies and procedures. We used a statistical sample to project that, in CBY 2004, the Eastern, New York Metro, Northeast, Great Lakes, and Western Areas and the headquarters Injury Compensation Office paid at least \$108,289 in COP for denied claims that were not recovered. This represents \$166,127 in questioned costs and will be reported as such in our *Semiannual Report to Congress*. (See Appendix B.)

The report contains three recommendations to improve the Postal Service's controversion and challenge process in selected areas of operation. The manager, Health and Resource Management, agreed with the monetary findings and recommendations; however, he did not agree that one of the claims we reviewed was improperly prepared for controversion. His comments, in their entirety, are included in Appendix H.

Background

The FECA provides compensation benefits to civilian federal employees who are injured in the course of federal employment. The OWCP administers FECA through 12 district offices located across the U.S. The OWCP, a component of the Employment Standards Administration within the DOL, administers the FECA program. The OWCP adjudicates claims⁶ and pays compensation, medical, and death benefits for injured federal workers, including Postal Service employees.

The law requires the Postal Service to participate in the OWCP and ensure coverage for injured employees.⁷ The FECA covers all medical care that an employee needs to recover from the effects of a work-related injury, including hospitalization, nursing services, prosthetic appliances, and the services of an attendant when required for severe injuries.⁸

Federal agencies later reimburse the OWCP through the chargeback billing process. Every year, the OWCP furnishes each agency with a "chargeback bill," which is a statement of payments made on behalf of its injured employees.

While the OWCP has final authority with regard to approving and paying workers' compensation claims, the employing agency has certain responsibilities. This includes ensuring appropriate agency personnel understand their FECA responsibilities, notifying injured employees of their rights and obligations under FECA, initiating the claim and

⁶ Claims adjudication is the OWCP process of making a timely and fair decision to settle an injury claim.

⁷ U.S. Code 39, § 1005(c).

⁸ *2004 Federal Employee Almanac*, Medical Care Benefits, page 189.

ensuring timely notification to the OWCP, providing and tracking COP, helping employees return to work as soon as possible, and monitoring employees' medical status until a physician certifies the employees can return to work.

When an employee sustains a traumatic injury⁹ in the performance of duty, he or she should file a written report on a DOL Form CA-1. The employee should give the form to their supervisor within 30 days from the date of injury to be eligible for COP. In contrast, an employee should complete a DOL Form CA-2, Notice of Occupational Disease and Claim for Compensation, to make an occupational disease¹⁰ claim. Employees who submit DOL Forms CA-1 and CA-2 meet statutory time requirements for FECA benefits if they file the forms no later than 3 years from the date of injury or occupational disease. (See Appendix C for a flowchart of the Postal Service's and the OWCP's initial injury/workers' compensation claims process.)

Postal Service Injury Compensation Program

The Postal Service Injury Compensation Program assists injured workers in completing and submitting their workers' compensation claims to the OWCP. It also facilitates the return of injured workers to the workplace. The Postal Service also controverts and/or challenges a claim if they believe an employee is not entitled to FECA benefits. To dispute a claim, the Postal Service must provide sufficient evidence to the OWCP to support its position that an employee does not meet the five basic requirements for a compensable claim or is not entitled to COP based on one of nine established reasons. The Postal Service may dispute injury claims through controversions, challenges, or appeals to the Employees' Compensation Appeals Board (ECAB).¹¹ (See Appendix D for the five basic compensable requirements and the nine reasons to controvert and refuse COP payments.)

The headquarters vice president, Employee Resource Management, and the manager, Health and Resource Management, oversee the Postal Service's Injury Compensation Program at the headquarters level. Headquarters establishes policies and procedures, provides technical guidance to ensure uniform management of the program, identifies training needs for those involved in administrating the program, coordinates efforts with the DOL to meet the Postal Service's responsibilities under FECA, provides reports to Postal Service management about the status of the program, and identifies program initiatives to enhance effective program management.

⁹ A traumatic injury is defined as a wound or other condition of the body caused by external force, including stress or strain. The injury must be identifiable by the time and place of occurrence and the member of the body affected; and it must be caused by a specific event or incident, or series of events or incidents, within a single day or work shift.

¹⁰ An occupational disease is defined as a condition produced in the work environment over a period longer than one workday or shift. It may result from a systemic infection; repeated stress or strain; or exposure to toxins, poisons, or fumes.

¹¹ Only employees whose claims for workers' compensation benefits have been denied are eligible to file appeals to the ECAB.

In addition, the area and district Human Resources and injury compensation managers provide oversight for the administration of the Injury Compensation Program in the field. Area Human Resources and injury compensation managers implement the national program policies and procedures and oversee the program to ensure compliance with those policies and procedures. For example, the area Human Resources and injury compensation managers provide training and oversight of the injury compensation functions for their respective district ICCOs¹² (such as Area Program Reviews)¹³ which assure uniformity and consistency in the overall operation of the Injury Compensation Program. The district Human Resources and injury compensation managers implement headquarters and area program policies, objectives, and action plans within the district boundaries and provide training for supervisors in their respective district offices.

Objective, Scope, and Methodology

We discuss our objective, scope, and methodology in Appendix E in detail.

Prior Audit Coverage

We discuss prior audit coverage in Appendix F.

Results

Controversions and Challenges Were Effective but the Process Needs Improvement

Postal Service supervisors and ICCOs properly controverted and challenged almost all of the workers' compensation claims we reviewed and ensured only eligible employees were placed on the periodic roll. The process, however, could be improved in selected Postal Service areas of operation. We found supervisors and ICCOs did not always follow the Postal Service's controversion and challenge policies and procedures. For example, the Postal Service improperly controverted and/or challenged some of the workers' compensation claims the OWCP accepted, which may have resulted in the payment of unnecessary workers' compensation costs. Postal Service supervisors and ICCOs also sent claim forms to the OWCP indicating they were controverting and/or challenging the claims when the Postal Service did not intend to controvert and/or challenge the claims. In addition, supervisors and ICCOs submitted claims to the OWCP with missing information or documentation required by Postal Service policy and procedures and OWCP instructions.¹⁴

¹² The Eastern Area's ICCOs have been consolidated to a Shared Service Center in Pittsburgh, Pennsylvania. The headquarters manager, National Injury Compensation Program, provides oversight for their injury compensation functions.

¹³ Area Program Reviews also identify areas of strengths and weaknesses in order to effectively improve the administration of the program.

¹⁴ The OWCP provides instructions on the back of the claim forms for the employee and supervisor to properly complete the form.

From a universe of 1,973 controverted and/or challenged workers' compensation claim forms submitted to the Kansas City and New York OWCP District Offices in CBY 2004, we statistically selected a sample of 139 claims. (See Appendices E and G for the methodology and statistical sampling and projections, respectively.)

Of the 139 claims, the OWCP denied 53, thus upholding the Postal Service's controversion and/or challenge. An employee later withdrew a claim before the OWCP adjudicated it. The OWCP accepted the remaining 85 as meeting the eligibility requirements for FECA compensation and benefits (they denied the Postal Service's controversion and/or challenge). Of the 85 claims, only one resulted in an employee being placed on the periodic roll.

Based on our review of the 85 claims, the Postal Service provided sufficient information to controvert and/or challenge all but seven of the claims submitted to the OWCP district offices (see the next section, Improper Controversions and/or Challenges). A review of the remaining 78 claims also found that, in addition to the Postal Service providing sufficient information to controvert or challenge the claim, the OWCP properly adjudicated all¹⁵ of them based on the five basic requirements and nine reasons to controvert and refuse the payment of COP. Specifically, when the Kansas City and New York OWCP District Offices received the claims, the claims examiners (CE) further developed the claims and properly denied the Postal Service's controversions and/or challenges based on the rationale cited in the employees' claims acceptance letters.¹⁶ For example, in one case, the Postal Service controverted the claim based on the lack of supporting medical documentation (causal relationship). Upon receipt of the claim at the OWCP district office, the CE requested additional medical documentation from the employee. As a result of the new documentation, the employee's claim was accepted and the CE's rationale for denying the Postal Service's controversion was "the employee has now provided supporting factual and medical evidence sufficient to support her claim."

Improper Controversions and/or Challenges

Of the 139 claims, we identified seven that Postal Service supervisors and ICCOs improperly controverted and/or challenged. We considered these claims improperly controverted and/or challenged because the Postal Service did not provide detailed information to support its position that employees were not entitled to FECA

¹⁵ One claim, however, was not timely adjudicated by the OWCP for the employee's entitlement to COP. The Postal Service properly controverted the payment of COP on the claim, but the OWCP accepted the claim without making a final decision on the employee's entitlement to COP. As a result of our audit, the ICCO followed up with the OWCP district office and received a final decision letter from the OWCP dated approximately 2 years after the claim was accepted, approving the employee's entitlement to COP.

¹⁶ The OWCP sends the employee a claim acceptance letter to identify the medical condition for which the claim is accepted and to advise the employee how to claim compensation benefits, obtain payment, or receive reimbursement for payment of medical bills. It is also the mechanism the OWCP uses to explain to the employee (and the agency) why they are denying the controversion and/or challenge. OWCP regulations require the claim acceptance letter.

compensation benefits. For example, the case file for one of the claims contained the original letter the supervisor prepared for the OWCP challenging the validity of the claim. We learned the ICCO sent a copy of the letter to the OWCP for their consideration after the OWCP accepted the claim. The employee was later placed on the periodic roll in June 2005 when she filed a claim for a recurrence of the injury.¹⁷

In another case, the Postal Service supervisor did not indicate on DOL Form CA-1, block 36,¹⁸ that the Postal Service was controverting and/or challenging the claim, even though the supervisor indicated in blocks 28 and 29¹⁹ that the employee did not meet two of the FECA requirements for benefits (fact of injury and performance of duty requirements). In addition, the ICCO did not prepare a cover letter or submit detailed information to the OWCP to support the controversion and challenge. In the claim acceptance letter to the employee, the CE denied the Postal Service's controversion. The ICCO told us the Postal Service should have provided comments in block 36 to support their controversion of the claim.

Postal Service policy²⁰ states the Postal Service may controvert a claim by completing the indicated portion of DOL Form CA-1 and submitting detailed supporting information. In addition, policy²¹ states the supervisor must properly complete DOL Form CA-1 and adequately document the controversion package. It further states DOL Form CA-1 should be clearly marked and contains a full explanation for the basis of the controversion.

Postal Service policy²² also states the supervisor should tailor the controversion and challenge package to the facts of each case. It further states if the Postal Service does not submit a written explanation of the dispute, the OWCP may accept the employee's report of injury as factual. Therefore, early and proper identification of controverted or challenged claims is essential to permit the OWCP to give these claims priority in processing and to avoid the possibility of substantial or erroneous payment of FECA benefits.

Policy²³ also states the area Human Resource office is responsible for implementing the national Injury Compensation Program policies and directives and overseeing the

¹⁷ A recurrence is when an injured employee is again disabled as a result of the original injury or occupational disease, causing additional disability.

¹⁸ Block 36 is a question the supervisor must answer regarding whether the employing agency is controverting the employee's claim for COP. If the Postal Service controverts COP, there must be a detailed reason in this block.

¹⁹ Blocks 28 and 29 are questions the supervisor must answer regarding whether or not the employee was injured in the performance of duty, and if the injury was caused by the employee's willful misconduct, intoxication, or intent to injure their self or another, respectively.

²⁰ *Employee and Labor Relations Manual (ELM)* 17.12, Section 545.731, Definition of Controversion, September 2005.

²¹ ELM 17.12, Section 545.75(a), Controversion Package, September 2005.

²² Handbook EL-505, *Injury Compensation Program*, Section 8.3, Preparing the Controversion and Challenge Package – ICCO, December 1995.

²³ Handbook EL-505, Section 1, The Postal Service Injury Compensation Program, December 1995.

area-wide program activities to ensure compliance with national policies and procedures.

We also determined that 22 of the 139 claim forms we reviewed were submitted to the OWCP indicating the Postal Service was controverting and/or challenging them, when in fact they were not. For example, on one claim form the reason a supervisor gave for an employee not to receive benefits was that the employee waited 3 days to file the claim. On another claim, the supervisor's reason was that the employee reported the accident after a discussion was held regarding the employee's attendance. Additional reasons given by supervisors were "employee failed to follow safety rules" and "poor attendance." The ICCOs acknowledged these were not valid reasons to controvert and/or challenge the claims but they did not remove the invalid information from the claim forms before submitting them to the OWCP.

Postal Service policy²⁴ states DOL Form CA-1 should be clearly marked and contains a full explanation for the basis of the controversion. In addition, policy²⁵ states that if the supervisor does not provide a valid basis for the controversion, the ICCO should contact the employee's supervisor for the missing information. It also states²⁶ that if the ICCO finds an invalid reason given by the supervisor on the DOL Form CA-1, he or she should contact the supervisor, explain that the reason(s) are not sufficient and then properly annotate the form. The ICCO making the revision must then initial any changes they make on the supervisor portion of the form.²⁷

Incomplete Claims Forms

Of the 139 claim forms we reviewed, 29 were missing information Postal Service policy and procedures and OWCP instructions require. The claim forms had block numbers (questions) the employees and/or the supervisors did not adequately answer. For example, block 15²⁸ in 14 of the claims was missing information, including on one claim the employee's signature, and on 13 of the claims employees did not indicate they were electing COP or sick and/or annual leave while disabled from work during the COP entitlement period. On another claim, the supervisor answered the question, but did not provide a supporting explanation as required. For example, in block 28 of DOL Form CA-1, if the supervisor answers the employee was not injured in the performance of duty, the supervisor must provide a written explanation.

²⁴ ELM 17.12, Section 545.75(a), Controversion Package, September 2005.

²⁵ Handbook EL-505, Section 4.4, Reviewing CA-1, Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay – ICCO, December 1995.

²⁶ *Postal Service Basic Injury Compensation Training Manual*, Course Number 19Q01-11, Controversion Definition, March 2005.

²⁷ Handbook EL-505, Section 4.4, Reviewing CA-1, Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay – ICCO, December 1995.

²⁸ Block 15 is for the employee to sign his/her name and elect COP or sick and/or annual leave while off work due to their disability.

Postal Service policy²⁹ states that upon receiving the completed DOL Form CA-1 from the employee, the supervisor should review it for completeness and accuracy and assist the employee in correcting any deficiencies. In addition, the policy states the ICCO should review DOL Form CA-1 for completeness and accuracy. If it is incomplete, the ICCO should contact the employee, the employee's representative, or the employee's supervisor for the missing information.

These conditions occurred because the Postal Service's injury compensation managers for the New York Metro, Northeast, and Western Areas and the headquarters manager, National Injury Compensation Program, did not provide sufficient oversight to ensure the ICCOs were following the Postal Service's controversions and challenges policies and procedures. Specifically, the injury compensation managers were not ensuring the controversion and challenge packages and claim forms were properly prepared before submission to the OWCP for adjudication.

In addition, most of the selected area Human Resources and injury compensation managers conducted limited reviews of the controversion and challenge process in their annual Area Program Reviews. For example, two reviews were limited to verifying only if a cover letter or package had been prepared for controverted and challenged claims and did not include a review to ensure the packages were properly prepared. The area injury compensation managers told us they instead focused their Area Program Reviews on other functions of the injury compensation process such as file maintenance, medical management, third-party activity, and limited duty rehabilitations. We noted, however, the Great Lakes Area did include a more thorough review of the controversion and challenge process in its Area Program Reviews, which likely contributed to the case files for this area having fewer discrepancies than those in the other areas we reviewed.

Although inadequate oversight in the process resulted in a small number of claims (seven) improperly controverted and/or challenged, the Postal Service paid \$57,536 in injury compensation costs for claims accepted by the OWCP in CBY 2004 that, if properly controverted or challenged, may have been denied, as shown in Table 1. This includes \$50,892³⁰ in compensation and medical payments; \$4,099 in COP; and \$2,545 in administrative fees.³¹

²⁹ Handbook EL-505, Section 3.6, Assisting the Employee in Reporting an Injury and Making a Choice of COP or Leave – Supervisor; and Section 4.4, Reviewing CA-1, Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay – ICCO, December 1995.

³⁰ This total includes \$22,640 and \$28,252 in compensation and medical payments, respectively.

³¹ Administrative fees represent the amount the OWCP assesses federal agencies for managing workers' compensation claims. The amount paid is approximately 5 percent of the Postal Service's compensation and medical. The Postal Service's administrative fees increased 35 percent, from \$32.9 million in CBY 2000 to \$44.3 million in CBY 2005.

Table 1: Postal Service's Workers' Compensation Costs for Improperly Controverted and/or Challenged Claims, CBY 2004

| Employees | Compensation Payments | Medical Payments | Total Compensation and Medical Payments | COP | Total Compensation, Medical, and COP Payments |
|---------------------|-----------------------|------------------|---|----------------|---|
| A | \$0 | \$0 | \$0 | \$2,923 | \$2,923 |
| B | \$0 | \$86 | \$86 | \$0 | \$86 |
| C | \$22,083 | \$8,285 | \$30,368 | \$325 | \$30,693 |
| D | \$0 | \$221 | \$221 | \$52 | \$273 |
| E | \$0 | \$14,854 | \$14,854 | \$0 | \$14,854 |
| F | \$0 | \$783 | \$783 | \$799 | \$1,582 |
| G | \$557 | \$4,023 | \$4,580 | \$0 | \$4,580 |
| Subtotal | \$22,640 | \$28,252 | \$50,892 | \$4,099 | \$54,991 |
| Administrative Fees | \$1,132 | \$1,413 | \$2,545 | \$0 | \$2,545 |
| Total | \$23,772 | \$29,665 | \$53,437 | \$4,099 | \$57,536 |

Sources: Postal Injury Compensation System (PICS)³² and the Postal Service's Payroll System³³

Conclusion

The OWCP will not consider a claim compensable if it fails to meet any of the five basic requirements. Therefore, the Postal Service is obligated to controvert and/or challenge a claim if it does not meet those requirements. This assurance may have prevented the payment of \$53,437³⁴ in unrecoverable costs and \$4,099 in recoverable costs by the Postal Service.

In addition to the monetary impact, the Postal Service's credibility is at risk with the OWCP when claims indicate the Postal Service is controverting and/or challenging them when, in fact, it is not. Submitting claims that contain missing information or documentation could diminish future chances of successfully controverting illegitimate claims. Also, not providing a valid reason to controvert and/or challenge a claim could give the perception the Postal Service unnecessarily controverts and/or challenges claims. As a result, the OWCP CEs may not seriously consider controversions and/or challenges and may accept claims they may otherwise deny if a valid reason were provided. According to Postal Service training materials, one way of securing this valued commodity is to ensure the ICCO does not submit "spurious" controversions. This will, in the final analysis, add to the Postal Service's credibility with the OWCP and

³² PICS is an OIG system that contains weekly medical costs and workers' compensation data received from the OWCP for each injured Postal Service employee.

³³ The Postal Service's Payroll System includes employees' Pay Hours History files, Time and Attendance Collection System (TACS) data, cumulative adjustments, and pay calculations.

³⁴ This amount includes \$50,892 in compensation and benefits and \$2,545 in administrative fees.

will also serve to enhance future chances of successfully controverting illegitimate claims.³⁵

Recommendation

We recommend the manager, Health and Resource Management, direct the injury compensation managers in the New York Metro, Northeast, and Western Areas; and the headquarters manager, National Injury Compensation Program, to provide:

1. Sufficient oversight to their injury compensation control offices to ensure they are following the Postal Service's controversions and challenges policies and procedures. This should include, as part of their annual Area Program Reviews, a thorough review for completeness and accuracy of the:
 - a. Controversion and challenge packages.
 - b. Workers' compensation claim forms.

Management's Comments

The manager, Health and Resource Management, agreed with the monetary findings and recommendation. He stated he will ensure that program audits contain a section on proper controversion and challenge management by June 16, 2006. He also stated this audit change will be used as part of a standardized program review for every Postal Service district office.

The manager disagreed, however, that for Employee E on page 9, Table 1, the claim was improperly prepared for controversion. The manager told us that a DOL Form CA-1, block 36, was annotated with the statement "pain" as a diagnosis, and the form was sent to the OWCP. He stated the injury claim was controverted on the basis of a medical diagnosis of "pain," which meets one of the criteria for controversion – Fact of Injury. The manager stated this diagnosis did not demonstrate a connection between the pain, the injury claim, and the employers' liability, and thus was controverted. The manager further stated the OWCP responded to this controversion by sending a development letter to the employee (claimant) indicating that the evidence was not sufficient and requesting specific documentation within 30 days. The claim was eventually accepted by OWCP; however, only medical expenses were paid and the employee did not receive COP or compensation payments.

³⁵ *Postal Service Basic Injury Compensation Training Manual*, Course Number 19Q01-11, Controversion Definition, March 2005.

Evaluation of Management's Comments

The manager, Health and Resource Management's planned action is responsive to the recommendation and should correct the issues identified in the finding. We disagree, however, with the manager's comment that the claim for Employee E was properly prepared for controversion. The only information the Postal Service provided to the OWCP was the annotation in block 36 of the DOL Form CA-1 (with "pain" as the diagnosis). Based on Postal Service and OWCP policies and procedures, this was not sufficient information to support the controversion that the employee was not entitled to FECA compensation benefits because the ICCO did not provide detailed information related to the facts and circumstances surrounding the injury claim. As a result, upon receiving the additional documentation from the employee, the OWCP accepted the employee's claim as factual. Therefore, we stand by our conclusion that the claim was improperly controverted.

Insufficient Claims Management

The Postal Service ICCOs did not consistently follow Postal Service policies and procedures to track and monitor controverted and/or challenged workers' compensation claims submitted to the OWCP. The ICCOs did not always:

- Update controverted and/or challenged claims in their injury compensation tracking systems.
- Follow up with employees to recover COP when the OWCP denied claims or paid employees COP when they were not entitled.
- Request the CE's rationale for denied controversions and/or challenges when an employee's claim acceptance letter did not provide it.
- Properly notify employees when their claims were being controverted and/or challenged.

Of the 139 case files reviewed, 73 were not updated in the Human Resources Information System (HRIS)³⁶ and/or the Claim Control Register (CCR).³⁷ In addition, the COP Tracking Log³⁸ did not contain the necessary information to properly track and monitor the controverted and challenged claims. For example, the CCRs in the case

³⁶ The HRIS is a series of inter-related databases that allow managers to keep track of employees and information about them. For example, the injury compensation module in HRIS is used to improve the ability of ICCOs to track and control injury compensation claims by creating logs and reports used to evaluate injury activities.

³⁷ The CCR is a document used to provide an up-to-date picture of the status of a case. It should be placed on the left-hand side of the case file and updated manually.

³⁸ The ICCO uses the COP Tracking Log to track the total number of hours an employee uses during their COP entitlement period. This log assists the ICCO in their efforts to ensure employees do not receive COP for more than 45 calendar days for any one injury.

files did not contain any written information regarding the activities³⁹ associated with the claim.

In addition, we found employees were paid COP for 10 of the 139 workers' compensation claims, which the OWCP eventually denied. Of these 10 claims, we identified five where the Postal Service did not follow up with the employees to ensure management converted COP to sick and/or annual leave. Also during our review of one claim, we found an employee was paid 16 hours of COP for another DOL Form CA-2 claim⁴⁰ and the Postal Service did not follow-up to ensure they recovered the COP.⁴¹ The ICCOs agreed these employees were not entitled to the COP payments and they have taken sufficient action to ensure the COP payments are converted to the employees' sick and/or annual leave as required by Postal Service policy. Table 2 shows the total amount of hours and COP payments made to the employees.

Table 2: Total Amount of Hours and COP Paid to Employees

| Employees | Total COP Hours | Total COP Payment |
|------------------|------------------------|--------------------------|
| H | 16 | \$337 |
| I | 8 | \$145 |
| J | 264 | \$5,883 |
| K | 40 | \$782 |
| L | 256 | \$5,344 |
| M | 16 | \$302 |
| TOTAL | 600 | \$12,793 |

Source: PICS and the Postal Service's Payroll System

Postal Service policy⁴² provides guidance for the ICCO to monitor the employees' appeal activity, update the HRIS, and use the HRIS call-up⁴³ to track follow-up actions. In addition, the CCR provides an up-to-date status of the claim. Policy⁴⁴ also states the senior ICS should track claim costs and forecast trends over specified periods of time by using the COP tracking logs, CCRs, and reports available via the injury compensation reporting systems. It also states accurate data are essential in order to provide facts on a particular case or information about the overall injury compensation

³⁹ Examples of activities associated with a claim are documenting the date the claim was submitted to the OWCP district office; sending the employee a letter notifying them their claim is being controverted and/or challenged; updating claim information in HRIS; and documenting the OWCP's date of acceptance or denial of the claim and/or COP.

⁴⁰ The DOL Form CA-2 claim was not in our sample. We found a copy of an email in a claim case file that was in our sample from the injury compensation specialist (ICS) to the employee's supervisor indicating the employee was not entitled to the COP payment.

⁴¹ Employees who file a DOL Form CA-2 claim are not entitled to COP.

⁴² Handbook EL-505, Section 8.6, Responding to OWCP Formal Decision, December 1995.

⁴³ A call-up is an electronic message available through the HRIS to provide a list of suspended items that require attention on a specific date.

⁴⁴ Handbook EL-505, Sections 12.4 and 12.6, Using Logs, Registers, and Reports, December 1995.

program. Policy further states the ICS should familiarize staff with aids that can assist them in the performance of their tasks. Policy⁴⁵ states if an employee elects COP and the claim is subsequently denied, any COP granted to the employee must be charged to sick or annual leave or considered an overpayment of pay at the employee's option. Policy⁴⁶ also provides guidance for the ICCO to track employee COP days used via the COP Tracking Log. Further, the TACS provides front-end monitoring of COP to allow the ICCO to timely convert COP to sick and/or annual leave when appropriate, thereby avoiding unnecessary payroll adjustments.

Our review of the OWCP decision letters for the 85 claims the OWCP accepted as meeting FECA eligibility requirements disclosed that 21 of them did not contain the CEs' rationale for denying the controversion and/or challenge. Also, in 92 of the 139 cases reviewed, the ICCO did not notify the employee in writing that the Postal Service controverted and/or challenged their claim.

The Code of Federal Regulations (CFR)⁴⁷ states when the OWCP denies a Postal Service controversion, it should explain to the employing agency and employee the basis for their decision.⁴⁸ Postal Service policy⁴⁹ states the ICCO should review the OWCP's rationale for denying the Postal Service's controversion or challenge to determine if it is based on valid reasons. In addition, Postal Service policy⁵⁰ states the ICCO should notify the employee in writing when they are controverting or challenging their claim. Postal Service policy⁵¹ also states the OWCP should furnish a written explanation for the basis of the controversion to the employee, employee beneficiary, or representative. The policy⁵² further states the area Human Resources office is responsible for implementing national Injury Compensation Program policies and directives and overseeing the area-wide program activities to ensure compliance with national policies and procedures.

These conditions also occurred because the Postal Service area and headquarters injury compensation managers did not provide sufficient oversight, and their focus was on other functions of the injury compensation process. Injury compensation managers did not establish adequate management oversight of the controverted and/or challenged case files to ensure sufficient tracking and monitoring; or did not continue claims management until the employee returned to full duty and finished medical care and the OWCP determined their disability was no longer job-related. Additionally, area and district ICCOs did not establish measures to track the success rate of their

⁴⁵ ELM 17.12, Section 543.41, Continuation of Regular Pay, September 2005.

⁴⁶ Handbook EL-505, Section 13.1, Tracking Time for COP, December 1995.

⁴⁷ 20 CFR, Parts 10 and 25, Vol. 63, No. 227, Section 10.119, What action will OWCP take with respect to information submitted by the employer?, November 25, 1998.

⁴⁸ *Postal Service Basic Injury Compensation Training Manual*, Course Number 19Q01-11, Controversion Definition, March 2005.

⁴⁹ Handbook EL 505, Section 8.6, Responding to OWCP Formal Decision, December 1995.

⁵⁰ Handbook EL 505, Section 8.5, Notifying the Employee of Controversion or Challenge – ICCO, December 1995.

⁵¹ ELM 17.12, Section 545.75 (e), Controversion Package, September 2005.

⁵² Handbook EL-505, Section 1, The Postal Service Injury Compensation Program, December 1995.

controversions and challenges, which could identify potential trends and problem areas related to the controversion and challenge process.

The inadequate oversight resulted in the Postal Service not converting \$12,793 in COP to employees' sick and/or annual leave as required by Postal Service policies and procedures. We projected that in CBY 2004 the Eastern, New York Metro, Northeast, Great Lakes, and Western Areas and the headquarters Injury Compensation Office paid at least \$108,289 in COP for denied claims. They did not recover those costs.

When the ICCOs do not obtain the OWCP CEs' rationale for denying the controversions and/or challenges, it does not allow the Postal Service the opportunity to determine if the CEs considered the controversions and/or challenges when determining whether to accept the employees' claims. In addition, it does not allow the ICCOs to determine if they should elevate claims to the area office based on their disagreement with the CEs' decision. Also, not notifying employees in writing that their claims were being controverted and/or challenged prolongs the adjudication process. Specifically, notifying employees the Postal Service is controverting and/or challenging their claims affords employees an opportunity to submit additional factual evidence to support their claims for FECA benefits so the OWCP can make a timely formal decision on the claims. For example, if the OWCP receives a claim without sufficient medical documentation, they will usually send the employee a development letter allowing them 30 days to submit additional documentation before making a formal decision on the claim.

Corrective Actions

Based on our work, Postal Service management initiated action to recover \$12,793 of COP costs paid to employees. The injury compensation managers notified the employees they were not entitled to the COP payments and afforded them the opportunity to convert the COP payments to either sick and/or annual leave.

Recommendations

We recommend the manager, Health and Resource Management, direct the injury compensation managers in the New York Metro, Northeast, Great Lakes, and Western Areas; and the headquarters manager, National Injury Compensation Program, to provide:

2. Sufficient oversight of their injury compensation control offices by including in their Area Program Reviews, steps to validate the proper tracking and monitoring of controverted and challenged claims in the Human Resource Information System and the Claim Control Register. These steps should include:
 - a. Updating controverted and/or challenged claims in their injury compensation tracking systems.

- b. Following up with employees to recover continuation of pay costs when the Office of Workers' Compensation Programs denies claims or pays employees continuation of pay to which they are not entitled.
- c. Requesting the claims examiners' rationale for denied controversions and/or challenges when an employee's claim acceptance letter does not provide it.
- d. Ensuring management properly notifies employees when their claims are being controverted and/or challenged.

We also recommend the manager, Health and Resource Management:

3. Establish a performance measurement tool for the area and district injury compensation managers to track the success rate of their controversion and challenge process. This tool should be used to assist headquarters and area management with identifying trends and problem areas for the purpose of improving the process.

Management's Comments

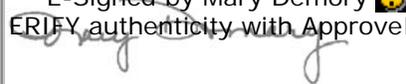
The manager, Health and Resource Management, agreed with the monetary findings and recommendations. He stated the Postal Service will include controversion and challenge tracking in the Human Capital Enterprise System. He also stated that area offices are currently identifying COP costs not recovered for denied claims occurring in fiscal years 2003 through 2006. This process will be completed by May 31, 2006, and recoveries will be initiated immediately thereafter. The manager stated that field offices will be instructed to request the CE's rationale for a denied controversion, as appropriate, and that employees are to be notified if their claims are controverted or challenged. He also stated that notices will be sent to the areas by June 16, 2006, reminding them of the need to ask for the rationale and employee notification and this process will be monitored by audits. In addition, the Postal Service will institute a performance report by June 16, 2006.

Evaluation of Management's Comments

The manager's comments are responsive to the recommendations, and the planned actions should correct the issues identified in the finding.

The OIG considers recommendations 1, 2, and 3 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

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

E-Signed by Mary Demory 
VERIFY authenticity with Approve!


Mary W. Demory
Deputy Assistant Inspector General
for Headquarters Operations

Attachments

cc: Deborah Giannoni-Jackson
Mary Anne Gibbons
Kevin T. McGovern
Russ R. Bochain
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Jan K. Lonsdale
John P. O'Connor
Roy J. Stanley
Steven R. Phelps

APPENDIX A

ABBREVIATIONS

| | |
|------|--|
| CA | Compensation Act |
| CBY | Chargeback Year |
| CCR | Claim Control Register |
| CE | Claims Examiner |
| CFR | Code of Federal Regulations |
| COP | Continuation of Pay |
| DOL | Department of Labor |
| ECAB | Employees' Compensation Appeals Board |
| ELM | Employee and Labor Relations Manual |
| FECA | Federal Employees' Compensation Act |
| FOIA | Freedom of Information Act |
| HRIS | Human Resources Information System |
| ICCO | Injury Compensation Control Office |
| ICS | Injury Compensation Specialist |
| OIG | Office of Inspector General |
| OWCP | Office of Workers' Compensation Programs |
| PICS | Postal Injury Compensation System |
| TACS | Time and Attendance Collection System |

APPENDIX B

**SUMMARY OF MONETARY IMPACT TO THE POSTAL SERVICE FOR
CHARGEBACK YEAR 2004**

Table 3: Questioned Costs

| QUESTIONED COSTS⁵³ | | | | |
|---|--|--|------------------------------|------------------|
| | Unsupported/ Unrecoverable Costs⁵⁴ | Unsupported/ Recoverable Costs⁵⁵ | Recoverable Costs | TOTAL |
| Improperly Prepared Controverted and/or Challenged Claims (Actual Amounts) | | | | |
| Compensation Payments | \$22,640 | | | \$22,640 |
| Medical Payments | \$28,252 | | | \$28,252 |
| COP Payments | | \$4,099 | | \$4,099 |
| Administrative Fees | \$2,545 | | | \$2,545 |
| COP not Converted to Sick and/or Annual Leave | | | | |
| COP not Converted – Actual | | | \$302 | \$302 |
| COP not Converted – Projected | | | \$108,289 | \$108,289 |
| Total | \$53,437 | \$4,099 | \$108,591 | \$166,127 |

Notes:

Improperly Prepared Controverted and/or Challenged Claims

- In the sample of 139 claims, only 16 claims received compensation payments totaling at least \$181,108. Of the 16 claims that received compensation payments, seven were improperly controverted and/or challenged totaling \$22,640.
- In the sample of 139 claims, 92 claims received medical payments totaling at least \$235,433. Of the 92 claims with medical payments, seven were improperly controverted and/ or challenged totaling \$28,252.
- In the sample of 139 claims, 55 claims received COP totaling \$117,219. Of the 55 claims with COP, seven were improperly controverted and/or challenged totaling \$4,099.
- Administrative fees are 5 percent of the compensation and medical payment. The administrative fee assessed for the seven improperly controverted and/or challenged claims when paid is at least \$2,545 (or 5 percent of \$50,892).

COP not Converted to Sick and/or Annual Leave

- One claim outside of our sample received COP for a DOL Form CA-2 claim totaling \$302.
- In the sample of 55 claims receiving COP, the OWCP denied 10 and management should have converted the COP to the employee's sick and/or annual leave. Of these 10 claims, management did not convert five (as of January 20, 2006) totaling \$12,491.
- Based on the sample results of five claims totaling \$12,491, we project that in our universe at least \$108,289 in COP was paid to employees whose claim was denied and COP was not recovered.

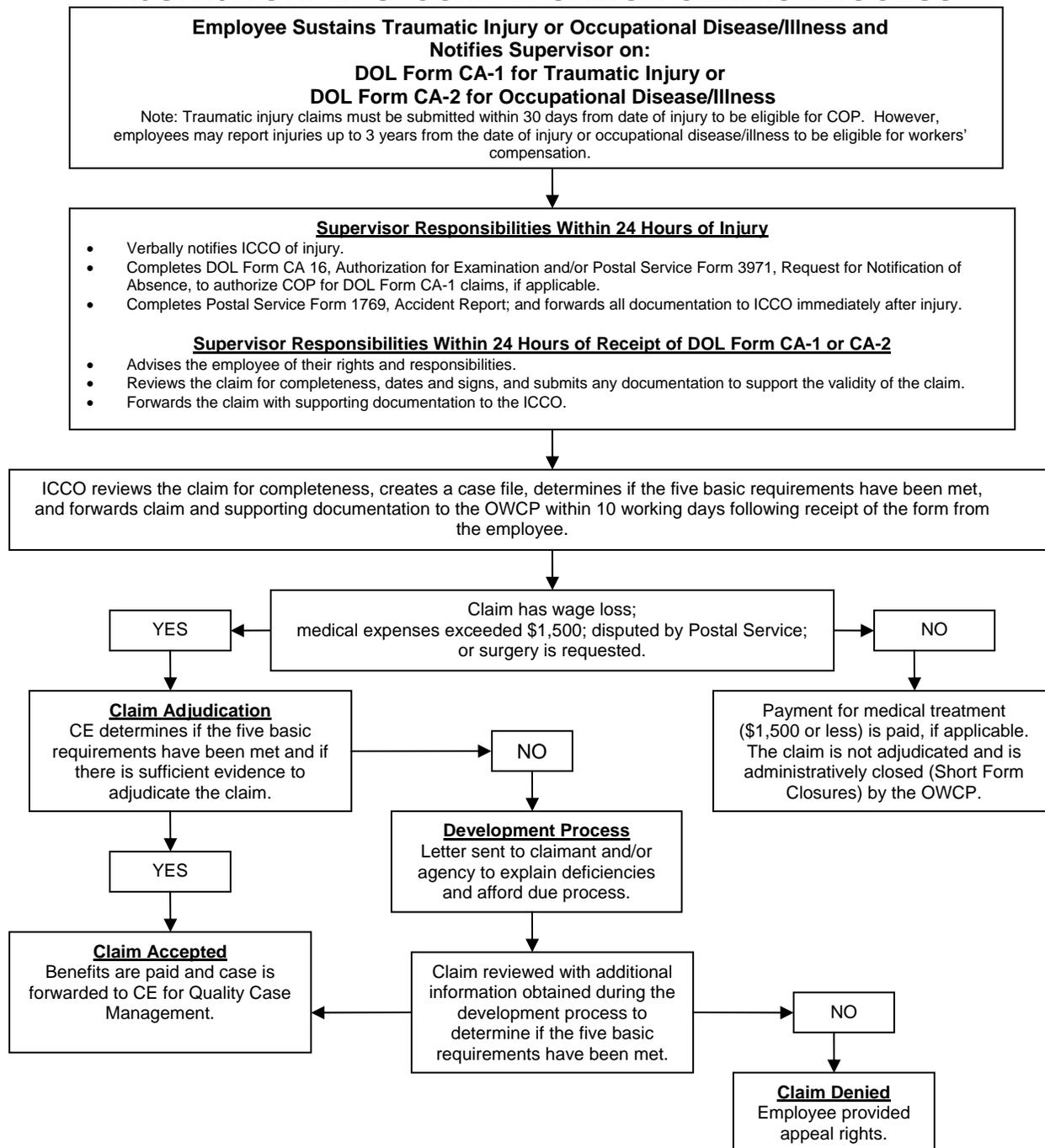
⁵³ Questioned costs because the OIG believes the cost is unnecessary and/or unsupported.

⁵⁴ Costs questioned/unsupported non-recoverable because of missing or incomplete documentation or failure to follow required procedures. In addition, the costs should not have been incurred and are not recoverable.

⁵⁵ Costs questioned/unsupported recoverable because of missing or incomplete documentation, or failure to follow required procedures. In addition, the costs should not have been incurred; however, they are recoverable.

APPENDIX C

FLOWCHART OF THE POSTAL SERVICE AND THE DEPARTMENT OF LABOR OFFICE OF WORKERS' COMPENSATION PROGRAMS INITIAL INJURY/WORKERS' COMPENSATION CLAIMS PROCESS



APPENDIX D

FIVE BASIC REQUIREMENTS FOR FEDERAL EMPLOYEES' COMPENSATION ACT BENEFITS AND NINE REASONS TO REFUSE PAYMENT OF CONTINUATION OF PAY

The FECA and Postal Service Handbook EL-505 define the five basic requirements that a claim must meet in order to be compensable as follows:

1. **TIME**: Written notice of injury must be filed within 30 days after the injury (to be eligible for COP) or within 3 years after the occurrence of injury.
2. **CIVIL EMPLOYEE**: The injured employee or decedent must be or have been an employee of the Postal Service at the time of injury or exposure, regardless of the length of time on the job or the type of position held.
3. **FACT OF INJURY**: The employee or decedent must have sustained an injury as defined in the FECA.
4. **PERFORMANCE OF DUTY**: The injury, illness, or death must have resulted from an incident or circumstance occurring while the employee was performing official duties.
5. **CAUSAL RELATIONSHIP**: The injury, disability, or death must have been caused by conditions of employment. Causal relations are medical issues and must be supported by medical documentation provided by a recognized physician.

In addition, the DOL OWCP allows employing agencies to controvert COP for any reason; however, the employing agency may refuse to pay COP only if they base the controversion on one of the nine reasons given below:

1. The disability was not caused by a traumatic injury.
2. The employee is a volunteer working without pay or for nominal pay, or a member of the office staff of a former President.
3. The employee is not a citizen or a resident of the U.S. or Canada.
4. The injury occurred off the employing agency's premises and the employee was not involved in official "off premises" duties.
5. The injury was proximately caused by the employee's willful misconduct, intent to bring about injury or death to self or another person, or intoxication.

6. The injury was not reported on DOL Form CA-1 within 30 days following the injury.
7. Work stoppage first occurred 45 days or more following the injury.
8. The employee initially reported the injury after his or her employment was terminated.
9. The employee is in the Civil Air Patrol, Peace Corps, Youth Conservation Corps, a Work Study Program, or similar group.

APPENDIX E

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective⁵⁶ was to determine whether the Postal Service's controversions and challenges were effective in ensuring only eligible employees were placed on the periodic roll. To accomplish our objective, we reviewed and analyzed injury claims filed by Postal Service employees submitted during CBY 2004 to the Kansas City and New York OWCP District Offices.⁵⁷ The Kansas City and New York District Office jurisdiction includes the Postal Service's Eastern, New York Metro, Northeast, Great Lakes, and Western Areas; and the headquarters Injury Compensation Office. We reviewed Postal Service and OWCP policies and procedures and interviewed Postal Service management.

To determine whether the Postal Service's controversions and challenges were effective in ensuring only eligible employees were placed on the periodic roll, we used a statistical sample of CBY 2004 employees' controverted and/or challenged injury claims submitted by the Postal Service to the Kansas City and New York OWCP District Offices. This resulted in a universe of 1,973 cases,⁵⁸ and a sample size of 139 cases – 62 and 77 claims in the Kansas City and New York OWCP District Offices, respectively. We discuss the statistical sampling and projections in Appendix G.

We reviewed and analyzed each case file in our sample to determine whether the Postal Service notified the OWCP they were controverting the COP and/or challenging the claim. We reviewed the claims to determine whether the Postal Service followed policies and procedures when preparing the controversion and/or challenge packages. We also reviewed the total amount of compensation and medical paid for claims accepted by the OWCP, in which the Postal Service improperly controverted and/or challenged the claim. In addition, we obtained the total COP hours and payments made to the employees from the Postal Service's Payroll System.⁵⁹

To determine whether the Postal Service recovered COP paid to employees when they were not entitled to the payments, we reviewed data from the Postal Service's Payroll System. We also reviewed the data to determine if the Postal Service made pay adjustments to convert COP to sick leave, annual leave or leave without pay when the

⁵⁶ Our original objective was to determine whether the OWCP and the Postal Service were in compliance with the claims adjudication policies and procedures and thus ensuring only eligible employees were placed on the periodic roll for new claims filed in CBY 2004. The audit objective related to the OWCP's compliance with claims adjudication procedures was closed due to the DOL's refusal to allow the OIG access to OWCP files and personnel to audit this function.

⁵⁷ The Postal Service Headquarters manager, Health and Resource Management, recommended we review the Kansas City and New York OWCP District Offices.

⁵⁸ The universe total of 1,973 includes 1,501 and 472 claims the Postal Service controverted and/or challenged and submitted to the New York and Kansas City OWCP District Offices, respectively.

⁵⁹ The data was extracted from the Postal Service's Payroll System and provided to us by the OIG Computer Assisted Assessment Techniques staff.

OWCP determined the employee was not entitled to COP payments. We discussed our findings with Postal Service management and provided them a copy of our fieldwork findings for their comments.

This audit was conducted from September 2005 through May 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances.

Data Reliability Testing

For the case files reviewed, we tested the data to determine whether the records were reliable. We compared data for specific fields extracted from PICS (DOL case number, employee's name, date of injury, social security number) to the information on the OWCP decision letter and the employee's Injury Compensation Program Analysis System report. All of the case files obtained through our sample were available for our review and the data did match in all 139 case files. Based on our data reliability testing, we concluded the data was sufficiently reliable to meet the objective.

APPENDIX F

PRIOR AUDIT COVERAGE

We identified the following prior audit relative to the objective of this audit.

Northern Virginia District's Process for Submitting, Controverting, and Challenging Injury Claims (Report Number HC-AR-99-001, dated September 29, 1999). The audit concluded the Northern Virginia District's ICCO could improve its processes for timely submissions, controversions, and challenges of claims. Specifically, supervisors and ICSs did not always timely process injury claims, which caused delays in the OWCP's processing of Postal Service employees' injury claims. Also, the Postal Service's ICSs did not always properly controvert and challenge injury claims causing submission of incomplete information for adjudication to the OWCP. Furthermore, the Postal Service's injury compensation manager did not establish adequate management controls over injury claims to ensure that Postal Service and FECA policies and procedures were followed.

APPENDIX G

STATISTICAL SAMPLING AND PROJECTIONS FOR REVIEW OF THE CONTROVERSION AND CHALLENGE PROCESS FOR POSTAL SERVICE EMPLOYEES

Purpose of the Sampling

The objective of this audit was to determine whether the Postal Service's controversions and/or challenges to injury compensation claims were effective in ensuring only eligible employees were placed on the periodic roll.

In support of this objective, the audit team employed a stratified sample to select cases for review. The sample design allows statistical projections for several attributes related to compliance with controversion and/or challenge submission policies and claims management policies. An example of the first attribute category is whether the Postal Service filled out forms properly. An example of the second category is whether the Postal Service gave the affected employees notification of the controversion and/or challenge. We also projected the value of COP payments the Postal Service should have recovered from employees when the OWCP denied their claims.

Definition of the Audit Universe

The audit universe consists of 1,973 cases involving claims the Postal Service controverted and/or challenged and submitted to the Kansas City and New York OWCP District Offices in CBY 2004. The OIG's Computer Assisted Assessment Techniques staff extracted the audit universe from the PICS database. The universe does not include cases for which there was no controversion indicator in the database. Employees filed two types of claims: traumatic injury and occupational disease.

Sample Design and Modifications

We chose a stratified sample design because we did not have prior knowledge regarding potential claim management differences between New York and Kansas City cases or between the traumatic injury and occupational disease claims. Within each stratum, we used a simple random selection, without replacing cases. We defined the strata as the combination of the two OWCP districts (Kansas City and New York) and the two claim types (traumatic injury and occupational disease).

We found 472 traumatic injury claims in the Kansas City data and 1,492 claims in the New York data. We found nine occupational disease claims in the New York OWCP district. There were no occupational disease claims in the Kansas City OWCP District.

We sized the sample based on testing compliance with various controls (attribute tests). To size the sample, we assumed an expected deviation rate of about 10 percent based on the OWCP standard that 90 percent of cases should meet the 45-day processing time.⁶⁰ We calculated the sample size for a two-sided 90 percent confidence interval with about +/- 4 precision. We determined that, for these parameters, we needed to sample approximately 140 cases. We allocated the sample to three strata: 62 traumatic injury cases for the Kansas City OWCP District and 68 traumatic injury cases and nine occupational disease cases for the New York OWCP District (139 cases total in sample).

We made all case selections for the sample using the "randbetween" function in Excel to assign random numbers to the cases in the universe listing.

Statistical Projections of the Sample Data

Methodology

For each attribute condition evaluated, we calculated the point estimate of the total number of deviations — as well as the associated confidence interval — for a stratified sample, as described in Chapter 3 of *Model Assisted Survey Sampling*, Särndal, Swensson, and Wretman, 1991.

We also projected one variable: recoverable cost from COP paid to an employee for a claim the OWCP ultimately denied. We applied the group ratio model to improve the precision compared to that obtained by direct projection. The group ratio model is described in Chapter 7 of *Model Assisted Survey Sampling*, Särndal, Swensson, and Wretman, 1991. For an analysis of the recoverable cost from COP, we used the ratio of the recoverable COP amount for claims denied (primary variable) to the number of claims denied for which COP had been paid (auxiliary variable). The achieved precision was still poor with the ratio model, so we report only the lower (conservative) bound of the confidence interval for this projection.

Results

Based on the sample of 139 controverted and/or challenged claims, we projected the following results to the audit universe of 1,973 controverted and/or challenged claims in CBY 2004 for the Kansas City and New York OWCP District Offices. We based all confidence interval bounds on a 90 percent confidence level. When achieved precision was insufficient to discriminate between acceptable and unacceptable conditions, we report only the conservative (lower) bound.

⁶⁰ A standard of 90 percent processed within 45 days came from the table of Standard Adjudication and Administrative Actions Timeframes from the *OWCP Procedure Manual*, Section 0-0100-5, Standards for Traumatic Injury Cases. One of the original measures was to be timeliness of case processing.

Controversions and Challenges Were Effective But Process Needs Improvement

1. Based on the sample results, we project that at least 32 (1.6 percent) Postal Service controversion or challenge submissions did not include the required cover letter.
 - a. The sample included seven claims for which the Postal Service controversion and/or challenge submission did not have cover letter information. The dollar amount associated with those claims was \$57,536. We are unable to project this amount to the audit universe because of extremely poor precision in the calculated confidence interval.
2. Based on the sample results, we project that the number of claims with an invalid reason for being controverted and/or challenged is between 335 and 605 (17.0 to 30.7 percent). Our unbiased point estimate is that 470 claims (23.8 percent) have an invalid reason for controverting and/or challenging the claim written on DOL Form CA-1.
3. Based on the sample results, we project that the number of claims with missing information lies between 338 and 608 (17.2 and 30.8 percent). Our unbiased point estimate is that 473 claims (24.0 percent) were missing information required by Postal Service policies and procedures and OWCP instructions.
4. Based on the sample results, we project that the number of claims that meets at least one of the above three conditions is between 800 and 1,102 (40.6 and 55.8 percent). Our unbiased point estimate is 951 claims (48.2 percent).

Insufficient Claims Management

1. Based on the sample results, we project that the number of claims that did not have proper tracking and monitoring lies between 929 and 1,234 (47.1 to 62.5 percent). Specifically, they were not updated in the HRIS, the CCR, and COP Tracking Log. Our unbiased point estimate is that 1,081 claims (54.8 percent) did not have proper tracking and monitoring.
2. Based on the sample results, we project that the number of claims accepted by the OWCP but missing the CE's rationale for denying the controversion and/or challenge lies between 281 and 541 (14.2 to 27.4 percent). Our unbiased point estimate is that the universe contains 411 accepted claims (20.8 percent) that are missing this rationale.
3. Based on the sample results, we project that the number of claims for which the employee was not notified of a controversion and/or challenge lies between 1,147 and 1,438 (58.1 to 72.9 percent). Our unbiased point estimate is that in

1,292 claims (65.5 percent) the Postal Service did not notify the employee they were controverting and/or challenging the claim.

4. Based on the sample results, we project that the number of claims that meets at least one of the above three conditions is between 1,419 and 1,669 (71.9 and 84.6 percent). Our unbiased point estimate is 1,544 claims (78.3 percent).

Other Measures

1. Based on the sample results, we project that at least 67 claims (3.4 percent) involved a COP payment for a claim the OWCP denied.
2. Based on the sample results, we project the Postal Service paid at least \$108,289 in COP to employees whose claims were denied. The amount was not recovered.

APPENDIX H. MANAGEMENT'S COMMENTS

MANAGER
HEALTH & RESOURCE MANAGEMENT



May 8, 2006

Kim H. Stroud
Director of Audit Reporting
1735 North Lynn Street
Arlington VA. 22209-2020

SUBJECT: Draft Audit Report – Postal Service's Injury Compensation Programs'
Controversion and Challenge Process in Selected Areas
(Report Number HM-AR-06-DRAFT)

This memorandum responds to the subject audit report dated April 19, 2006. The audit report represents a well documented and detailed understanding of the injury compensation controversion and challenge process with the department of Labor. The Postal Service reviewed several of the referenced cases, and in at least one instance, disagrees that a claim was improperly prepared for controversion.

Claims Incorrectly Identified As Improperly Controverted and/or Challenged Table 1, Page 9

1. On page 9, Table 1 example E, an injury claim was controverted on the basis of a medical diagnosis of "pain" which meets the criteria for controversion – **Fact of Injury**. Pain as a diagnosis does not demonstrate a connection between the pain, the injury claim and the employers' liability. The OWCP responded to this controversion by sending a development letter to the claimant indicating the evidence was not sufficient and requested specific documentation within 30 days. The claim was eventually accepted by OWCP, however only medical expenses were paid and the employee did not receive continuation of pay or compensation payments.

Recommendations

1. The postal service will ensure that program audits will contain a section on proper controversion and challenge management. This audit change will be completed by June 16, 2006 and will be used as part of a standardized program review for every postal service district office.
2. The postal service will include controversion/challenge tracking in the HCES program. Also, COP costs not recovered for denied claims occurring in FY 03-06 are currently being identified by every area office. This process will be completed by May 31, 2006 and recoveries initiated immediately thereafter. The field will be instructed to request CE's rationale for a denied controversion as appropriate and that employees are notified if their claim is controverted and or challenged. Notice will be sent by June 16, 2006 to the areas reminding them of the need to ask for the rationale and employee notification and it will be monitored in the audit process.

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- 2 -

3. The postal service will institute a performance report by June 16, 2006.

Sincerely,



Ronald E. Henderson

cc: Deborah Giannoni-Jackson
Mary Anne Gibbons
Russ R. Bochain
James R. Cahall, Jr.
Jan K. Lonsdale
John P. O'Connor
Roy J. Stanley
Steven R. Phelps