



December 13, 2006

ELLIOT P. LEWIS
ASSISTANT INSPECTOR GENERAL,
DEPARTMENT OF LABOR

SUBJECT: Transmittal Letter – Postal Service’s Schedule Awards
Program in the New York Metro Area – Report II
(Report Number HM-AR-07-001)

This letter and attached report¹ present the results of our self-initiated review of the Department of Labor’s (DOL) Office of Workers’ Compensation Programs (OWCP) Schedule Awards Program in the U.S. Postal Service’s New York Metro Area (Project Number 06YG019HM001). Our objectives were to determine whether the Postal Service was over- or undercharged for schedule award payments and received credits due from the DOL OWCP for chargeback years (CBYs) 2004 and 2005.

In accordance with the DOL Office of Inspector General (OIG) *Protocol for OIG Audits, Inspections, Evaluations, and Investigations of the Federal Employees’ Compensation Act Program*, we would like the DOL OIG to address two issues we identified during our review with the OWCP. These issues were that (1) OWCP handbooks and course materials do not contain information on how OWCP participating agencies should calculate and verify schedule award payments, and (2) participating agencies do not receive notifications from the OWCP of “new” weekly or monthly schedule award payments resulting from cost-of-living adjustment (COLA) increases.² The first issue was a primary cause why Postal Service managers and injury compensation specialists did not know how to calculate or verify authorized schedule award amounts. The second issue affects how participating agencies monitor increases to schedule award payments.

¹ *Postal Service’s Schedule Awards Program in the New York Metro Area – Report I* (Report Number HM-AR-06-007, dated September 29, 2006).

² The COLA is an annual increase in benefits to cover increases associated with living expenses.

OWCP Course Materials Do Not Address Schedule Awards' Calculations

OWCP policy³ states quarterly chargeback reports can be used by participating agencies to identify and correct errors before the agency is billed for them. OWCP policy⁴ further states that agencies are responsible for informing the OWCP of incorrect entries appearing on the quarterly chargeback report. Postal Service policy⁵ further supports that it is required to monitor compensation payments via the chargeback summary and detail reports and immediately notify the OWCP district office of any overpayments.

Based on interviews with seven⁶ Postal Service district injury compensation managers, a primary reason employees were potentially over- and underpaid was because managers and injury compensation specialists did not know how to calculate or verify the authorized schedule award amounts.

The OWCP offers several courses to assist agencies in processing compensation claims.⁷ Materials for these courses, however, did not include information on how to calculate or verify a schedule award payment. Postal Service handbooks and training course materials related to claims management also did not address the calculation or verification of schedule awards payments. (See pages 6 through 10 in the attached report for additional information.)

Notifications to Employees and Agencies of COLAs

Employees approved by the OWCP for schedule award payments receive a schedule award of compensation letter outlining the:

- Number of weeks of compensation
- Weekly compensation
- Weekly pay rate
- Percentage of pay rate
- Period of award
- Degree and nature of impairment

The OWCP also sends a copy of the letter to the employing agency. However, the OWCP does not send agencies amended letters showing the “new” weekly or monthly payment amounts as a result of the COLA increase. Agencies are

³ Publication Compensation Act (CA)-810, *Injury Compensation for Federal Employees*, Section 9-5, Chargeback, (Part C) Quarterly Chargeback Reports.

⁴ Publication CA-810, *Injury Compensation for Federal Employees*, Section 9-5, Chargeback, (Part B) Errors.

⁵ Handbook Employee and Labor-505, *Injury Compensation*, Section 13.18, Recovering Compensation Overpayment, December 1995.

⁶ We interviewed the injury compensation managers in the Caribbean, Central New Jersey, Long Island, New York, Northern New Jersey, Triboro, and Westchester Districts.

⁷ Publication CA-810, *A Handbook for Agency Personnel*, February 1994, identifies the following four courses: the Federal Employees' Compensation Act (FECA) Seminar, the Basic Compensation Specialist Workshop, Advanced Compensation Specialist Training, and the FECA Supervisors' Workshop.

notified by letter of an upcoming COLA increase only if the COLA is known at the time the original schedule award of compensation letter is prepared.

According to OWCP's Deputy Director, Division of Federal Employees' Compensation, an employee receives notice of a COLA increase when they receive their schedule award payment. Regarding OWCP's notification to the agency, the Deputy Director said that when the COLA is applied each March 1, the agency is free to contact one of OWCP's offices to determine the amounts. He added that COLA information is also included in program bulletins that are posted to OWCP's Website, but stated there is a lag time before that happens. (See pages 10 through 11 in the attached report for additional information.)

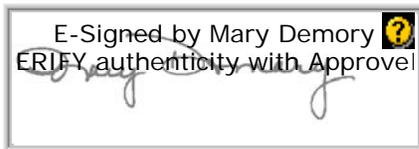
Because the OWCP has program responsibility for schedule awards, it should provide participating agencies with instructions on how to calculate and verify schedule award payments, and should advise agencies of COLA changes to employees' schedule awards payments. This would help the agencies monitor increases in schedule award payments to ensure they are correct and would enable agencies to identify and correct errors before they are billed by the OWCP.

We request the DOL OIG recommend the DOL OWCP:

1. Include in their handbooks and training course materials instructions to participating agencies on how to calculate and verify schedule award payments. This information should be provided to all participating agencies as soon as it is available.
2. Provide participating agencies with notifications of "new" weekly or monthly schedule award payments resulting from COLA increases.

These recommendations should help the Postal Service and other participating federal agencies verify schedule award payments to employees.

If you have any questions or need additional information, please contact Chris Nicoloff, Director, Human Capital, or me at (703) 248-2100.



E-Signed by Mary Demory 
VERIFY authenticity with Approve!
Mary Demory

Mary W. Demory
Deputy Assistant Inspector General
for Headquarters Operations

Attachment

cc: Deborah M. Giannoni-Jackson
Gordon Heddell
Ronald E. Henderson
Steven R. Phelps