



Highlights of [GAO-08-284](#), a report to congressional committees

FEDERAL WORKERS' COMPENSATION

Better Data and Management Strategies Would Strengthen Efforts to Prevent and Address Improper Payments

Why GAO Did This Study

In fiscal year 2006, the Federal Employees' Compensation Act (FECA) program paid over \$1.8 billion in wage loss compensation to federal employees who were unable to work after being injured on the job. Under the Comptroller General's authority to conduct evaluations on his own initiative, GAO examined (1) how effectively the Department of Labor's (Labor) Office of Workers' Compensation Programs (OWCP) manages the risk of improper FECA compensation payments; (2) what vulnerabilities to improper payments, if any, exist in OWCP's procedures for making FECA wage loss payments; and (3) how well OWCP ensures the recovery of identified FECA overpayments. To address these issues, GAO reviewed OWCP documents, analyzed data obtained from OWCP, reviewed a random and projectable sample of FECA claims files, visited five OWCP district offices, and interviewed OWCP headquarters and district officials.

What GAO Recommends

The Secretary of Labor should direct OWCP to, among other things, develop a strategy to ensure that the agency's efforts to prevent and monitor improper payments are properly balanced with its other priorities, take steps to reduce the most common causes of improper payments, and focus more attention on the recovery of overpayments. In its comments, Labor disagreed with many of GAO's findings and conclusions, but described several actions being taken by OWCP that are consistent with the recommendations in the report.

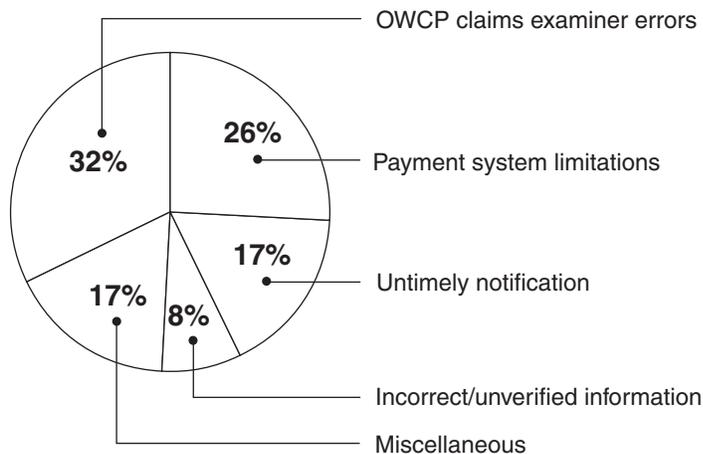
To view the full product, including the scope and methodology, click on [GAO-08-284](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

What GAO Found

OWCP has not established an effective strategy for managing improper payments in the FECA program. The agency does not sufficiently emphasize preventing, detecting, and recovering improper payments. None of the performance goals for the program addresses improper payments. Further, OWCP does not collect the information it needs to accurately assess the FECA program's risk of improper payments, such as information on their magnitude and causes. Without such data, it cannot focus on the most vulnerable areas.

The FECA program is vulnerable to improper payments for several reasons. First, OWCP relies on unverified, self-reported information from claimants that is not always timely or correct. From a review of a sample of claims files for overpayments identified by OWCP in 2006, GAO found that many occurred because claimants did not inform OWCP in a timely manner when they returned to work. Further, because OWCP generally does not require claimants' self-reported earnings to be verified and does not systemically match its data on FECA claimants with earnings data from other federal agencies, it may fail to identify cases of unreported earnings. An obstacle to conducting such matches, however, is that OWCP does not have the legal authority to access the database maintained by another federal agency with the most current earnings data. In addition, from GAO's file reviews, GAO found that both overpayments and underpayments were caused by OWCP errors and that many overpayments occurred when OWCP's payment-processing deadlines prevented payments from being quickly canceled when claimants returned to work or died.

Estimated Causes of Overpayments Identified by OWCP in 2006



Source: GAO analysis of a sample of FECA claims files.

Note: We could not make similar estimates for OWCP's 2006 underpayments due to data limitations.

Finally, OWCP does not ensure that overpayments are collected in a timely manner and misses some opportunities for recovering overpayments, such as deducting them from claimants' subsequent FECA payments.