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Highlights

Highlights of GAO-13-386, a report to congressional requesters

April 2013

FEDERAL EMPLOYEES' COMPENSATION ACT

Case Examples Illustrate Vulnerabilities That Could Result in Improper Payments or Overlapping Benefits

Why GAO Did This Study

In fiscal year 2012, the FECA program made more than $2.1 billion in wage-loss compensation payments to claimants. FECA provides benefits to federal employees who sustained injuries or illnesses at work.

GAO was asked to examine whether examples of improper payments, potential fraud, or overlapping benefits could be found in the FECA program. This report identifies examples of these issues, what factors may contribute to these issues, and how, if at all, Labor could address them. GAO matched QW and unemployment files from five selected states with FECA payment files for the period of July 2009 to June 2010. GAO identified 530 individuals who received concurrent FECA compensation payments and wages of at least $5,000 between July 2009 and June 2010. GAO also identified 50 individuals who received concurrent FECA compensation and UI benefits of at least $5,000 each during the same period. GAO randomly selected up to seven recipients from each state for an in-depth review, for a total of 32 QW and 19 UI cases, respectively. These examples cannot be generalized beyond those presented. GAO also reviewed Labor's policies, guidelines, and procedures for managing claims.

What GAO Recommends

GAO recommends that the Secretary of Labor develop an effective mechanism to share FECA compensation information with states to help identify whether claimants are inappropriately receiving overlapping UI and FECA payments. In addition, Congress should consider granting Labor the additional authority it is seeking to access wage data to help verify claimants' reported income and help ensure the proper payment of benefits. Labor agreed to study the feasibility of sharing compensation information with the states.

View GAO-13-386. For more information, contact Stephen M. Lord at (202) 512-4379 or lords@gao.gov.

What GAO Found

GAO found examples of improper payments and indicators of potential fraud in the Federal Employees' Compensation Act (FECA) program, which could be attributed, in part, to oversight and data-access issues. GAO found examples of claimants' receiving overlapping FECA and unemployment insurance (UI) benefits, which may be allowable under certain circumstances, but could also be erroneous. GAO also found that FECA program requirements allow claimants to receive earnings, and earnings increases, without necessarily resulting in adjustment of FECA compensation. For example, of the 32 FECA case files reviewed, GAO found five instances where an individual's wage-earning capacity (WEC), which is used to determine FECA benefits, was not adjusted even though the individual earned substantially more than the wage that was originally used to calculate the WEC. In addition, two FECA claimants continued to receive private-employment salaries that were not subject to their WEC calculation. This is because, as currently written, program procedures allow claimants to receive increases in earnings, in certain circumstances, without adjustments to FECA compensation, and current law allows for claimants' earnings from dissimilar concurrent private employment at the time of injury to be exempt when determining FECA compensation. As discussed below, GAO identified challenges related to oversight and data access, which could result in improper payments or overlapping benefits.

GAO found that the Department of Labor (Labor) did not conduct a timely review of the medical activity reports of 4 of the 32 FECA claimants and did not complete a timely review of the employment activity reports of 2 claimants, which could potentially result in an improper payment or be an indicator of potential fraud in one case where a claimant did not respond to repeated Labor requests for the employment activity reports. Labor has taken some steps to enhance oversight of the program, such as developing measures to improve the periodic review of claimants' documentation.

- GAO found that 8 out of 32 claimants underreported employment wages in comparison to the state's quarterly wage (QW) reports. Labor does not have authority to directly access Social Security Administration (SSA) wage data to verify claimants' reported income; consequently, it relies on periodic self-reporting of income. GAO has previously identified this as a potential vulnerability that could increase the risk of claimants receiving benefits they are not entitled to. To address this, Labor proposed legislation allowing the agency to match SSA wage data with FECA files, but the proposal is still pending.
- GAO identified 19 cases where claimants were receiving overlapping UI and FECA benefits totaling over $1.3 million. Four of these 19 claimants received more income from combined UI and FECA benefits than they would have received from their federal salary alone. Four of the five selected states in our review require the offset of UI benefits against FECA compensation payments. Because Labor does not have a process to share necessary data with states to identify overlapping FECA and UI payments, a mechanism to share FECA information with the states would help provide reasonable assurance that payments are being made properly.