



U.S. Department of Agriculture



Office of Inspector General
Inspections and Research

Inspection Report

Management Oversight of Federal Employees' Compensation Act Operations within the U.S. Department of Agriculture

Report No. 50901-02-IR
September 2009



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



September 4, 2009

REPLY TO

ATTN OF: 50901-02-IR

TO: Pearlle Reed
Assistant Secretary
Departmental Administration

FROM: Rod DeSmet /s/
Assistant Inspector General
for Inspections and Research

SUBJECT: Review of the Department of Agriculture's Implementation of
Departmental Regulation (DR) 4430-3--*USDA Workers' Compensation
Program*

The Office of Inspector General (OIG) conducted this inspection to determine whether the Department of Agriculture (USDA) has implemented Departmental Regulation (DR) 4430-3, titled *USDA Workers' Compensation Program* in accordance with the stated guidance. The DR sets forth USDA's policy defining USDA and agency responsibilities for performing Office of Workers' Compensation Programs (OWCP) case management activities. We also reviewed the status of recommendations from a prior OIG audit report titled, *Management Oversight of Federal Employees' Compensation Act Operations within the U.S. Department of Agriculture*, Report Number 50601-2-Hy, dated August 2005.

Your response to our draft, dated June 12, 2009, is included in its entirety in Exhibit B, and your followup response dated August 12, 2009, is included in its entirety in Exhibit C, with excerpts incorporated into the "Findings and Recommendations" section of the report. Based on your response, we accepted management decision on six of the report's seven recommendations. Please follow your internal agency procedures for reporting final action to the Chief Financial Officer.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the interim solution and timeframes for implementing Recommendation 3. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance and final action to be taken within 1 year of the date of management decision.

We appreciate the courtesies and cooperation extended to us during the inspection.

Executive Summary

Results in Brief

The Office of Inspector General (OIG) conducted this inspection to determine whether the Department of Agriculture (USDA) has implemented Departmental Regulation (DR) 4430-3, titled *USDA Workers' Compensation Programs*, in accordance with the stated guidance. The DR sets forth USDA's policy defining USDA and agency responsibilities for performing Office of Workers' Compensation Program (OWCP) case management activities. We also reviewed the status of recommendations from a prior OIG audit report titled, *Management Oversight of Federal Employee's Compensation Act Operations within the U.S. Department of Agriculture*, Report Number 50601-2-Hy, dated August 2005.

The Federal Employees' Compensation Act (FECA) provides compensation and medical benefits to employees of the Federal Government for personal injury or disease sustained while in the performance of duty.¹ FECA also provides benefits to an employee's dependents if the work-related injury or disease results in the employee's death. Additionally, employees sustaining a traumatic injury in the performance of duty are entitled to Continuation of Pay (COP) for up to 45 days while they recover from the injury. The program is administered by the Department of Labor (DOL) Employment Standards Administration, Office of Workers' Compensation Programs. The employing agency is responsible for the initiation of claims and much of the case management. *The USDA Fiscal Year (FY) 2008 Performance and Accountability Report*, page 184, reported that USDA's FY 2007 unfunded FECA liability totaled \$162 million.

The Department's Quality of Work Life Division² (QWD) is responsible for administering USDA's OWCP and overseeing each agency's OWCP activities. According to the current DR, QWD supports the Department and its agencies by providing:

- OWCP related policy guidance.
- Timely access to the cost and claim information necessary to manage agency programs.
- Technical assistance and consulting services.
- Periodic reviews of each agency's OWCP to ensure compliance.

¹ FECA is contained in Title 5 of the United States Code, Sections 8101-8193, and Title 20 Code of Federal Regulations, Part 1-25.

² QWD was formerly known as the Safety, Health, and Employee Welfare Division (SHEWD)

To review the implementation of the DR we conducted surveys of each USDA agency, interviewed the OWCP program manager for each agency, and interviewed the QWD staff responsible for OWCP activities at the Department level.

OIG found that QWD should take a more active role in managing the OWCP program. QWD needs to develop processes for providing oversight and guidance to agency OWCP program managers. Since QWD has limited resources, it should consider partnering with agency program managers to assist with its oversight activities. OIG found that routine group communication and information sharing would increase opportunities for teaming and sharing agency best practices of USDA OWCP program managers and QWD to improve program operations.

The DR requires QWD to conduct periodic reviews of agency OWCP activities and compliance with applicable regulations and guidance. Prior OIG audit 50601-2-Hy recommendation to perform agency reviews in compliance with the DR continues to need management attention. QWD is not conducting agency reviews unless a review is requested by the agency.

The DR requires that chargeback reports be reviewed quarterly to ensure that the recipients are properly assigned to the correct agency and that no cost discrepancies exist. OIG found that opportunities existed for QWD and some agencies to strengthen the monitoring and accuracy of quarterly chargeback reports. All 11 program managers stated that the chargeback reports are delinquent and are not received quarterly from the Department. Some agencies reported to OIG that they do not have the needed software to download and access the chargeback data once it is received. The Director of QWD stated that they are having difficulty getting their contractor to produce error free chargeback data.

OIG found that USDA's OWCP Website contains out-of-date information. The agency contact information is not correct and has been out-of-date for at least three years. To ensure quality customer service is provided to employees, claimants, and other interested stakeholders, actions need to be taken to better monitor the accuracy of the Website information.

OIG also found that a structured training program, including on-going refresher training, could improve and better standardize OWCP case management activities across agencies.

Recommendations In Brief

We recommend that QWD take the following actions:

- Comply with the DR by conducting periodic reviews of each agency's compliance with applicable regulations and guidelines. Due to

QWD's limited resources, it should consider partnering with agency program managers to conduct periodic reviews.

- Verify and document that all USDA agency program managers have the software necessary to review the quarterly chargeback reports, that the program managers are familiar with using the software, and that the software is working properly so that the data can be accessed and reviewed. Based on each agency's response, QWD will provide each agency with the information necessary so that the agency can acquire the needed software.
- Resolve the repeated errors in the chargeback reports submitted by the contractor. If discrepancies in the contractor-supplied data continue, then appropriate action regarding the contractor's performance needs to be taken by QWD. QWD needs accurate data from the contractor to ensure that the quarterly chargeback reports are delivered to the agency program managers in a timely manner.
- Provide guidance to each of the agencies so that reviews of chargeback data information are done consistently across USDA.
- Facilitate regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports, processing issues, return-to-work programs, and other functions. These sessions should also be used to share any best practices that are identified during the periodic reviews conducted by QWD.
- Ensure that the OWCP information posted on the USDA Website is correct and kept current.
- Provide a structured training program to program managers and caseworkers when they assume the responsibility for OWCP. Refresher training needs to be provided to ensure responsible staff members remain current with and understand program changes.

Agency Response QWD has agreed to implement the recommendations made in this report.

OIG Position Based on QWD's response, we were able to reach management decision on six of the report's seven recommendations. Management decision on Recommendation 3 can be reached once QWD provides us with the additional information outlined in the report section, "OIG Position."

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Abbreviations Used in This Report

COP	Continuation of Pay
DOL	Department of Labor
DR	Departmental Regulation
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
OHRM	Office of Human Resources Management
OIG	Office of Inspector General
OWCP	Office of Workers' Compensation Programs
PME	Personnel Management Evaluation
QWD	Quality of Work Life Division
QWLD	Quality Work Life Division
SHEWD	Safety, Health, and Employee Welfare Division
USDA	U.S. Department of Agriculture

Background and Objectives

Background Departmental Regulation (DR) 4430-3, titled *USDA Workers' Compensation Program*, dated January 8, 2001, established the authority and policy for providing and monitoring compensation and benefits to employees who sustain a traumatic injury or occupational condition while in the performance of duty. The authority for providing compensation for injuries and illnesses sustained in the performance of duty is contained in FECA. FECA provides compensation and medical benefits to employees of the Federal Government for personal injury or disease sustained while in the performance of duty. FECA also provides benefits to an employee's dependents if the work-related injury or disease results in the employee's death. The program is administered by DOL's Employment Standards Administration, Office of Workers' Compensation. The employing agency is responsible for the initiation of claims and much of the case management. The DR sets forth USDA's policy for USDA and agency responsibilities for performing OWCP case management activities.

QWD is responsible for administering USDA's OWCP and overseeing each agency's OWCP activities. According to the current DR, QWD supports the Department and its agencies by providing:

- OWCP-related policy guidance.
- Timely access to the chargeback reports containing agency cost and claim information necessary to manage its OWCP.
- Technical assistance and consulting services.
- Periodic reviews of each agency's OWCP to ensure compliance.

In 2005, OIG conducted an audit of the Department's compliance with the DR and found that the Department and its agencies were not in strict compliance. OIG recommended that the Department implement a schedule for performing reviews of agency compliance with Federal and Departmental requirements. Agency reviews were to ensure all agencies were providing adequate oversight of the timeliness of claims, employee health status, chargeback costs, and adequate training for their staff. The Department concurred with the recommendation, but interpreted the requirement to only apply if an agency requested such a review.

Objectives

The purpose of this inspection was to determine whether QWD has established sufficient controls to:

- Effectively communicate OWCP policy guidance.
- Provide agencies timely access to cost and claim information necessary to manage their OWCP.
- Support agencies needing technical assistance and consulting services.
- Conduct periodic reviews of each USDA agency's OWCP.

We also reviewed whether USDA took appropriate and timely actions to implement prior OIG audit recommendations.

Findings and Recommendations

Policy Compliance

Prior OIG audit 50601-2-Hy recommendation that QWD (formerly SHEWD) perform agency reviews in compliance with the DR continues to need management's attention.

The DR required QWD to conduct periodic reviews of agency OWCP activities and compliance with applicable regulations and guidance. The purpose of the program reviews was for QWD to examine agencies':

- Compliance with tracking claims.
- Management of new and long-term claims.
- Monitoring of OWCP employee status.
- Review of quarterly chargeback reports and monitoring cases to identify discrepancies.
- Implementation of training programs for OWCP staff.

Periodic Reviews of Agencies by QWD

This inspection found that routine reviews conducted by QWD would be useful to the Department in improving agency OWCP case management activities, internal controls, and communication. Interviews with the Director of QWD during this inspection confirmed routine agency reviews are still not conducted. The Director of QWD informed OIG that his division was not sufficiently staffed to provide routine agency reviews. QWD has a program manager for OWCP but the program manager also has collateral duties. The volume of work and the number of agencies within USDA has essentially limited QWD to providing "ad hoc" technical advice to program managers on a reactive basis. QWD currently conducts compliance reviews only if requested by an agency. The Director of QWD informed OIG that actions were taken to revise the DR to clarify requirements; however, the revision of the DR remains in draft. OIG concluded that periodic reviews would add value to the USDA OWCP process. Solutions necessary to achieve such quality assurances, whether by having QWD oversee a peer review process or conducting such activities, need to be addressed.

Recommendation 1

QWD needs to comply with the DR by conducting periodic reviews of each agency's compliance with applicable regulations and guidelines. This inspection found that periodic reviews conducted by QWD would be useful to the Department in improving the efficiency and effectiveness of agency OWCP activities. Due to QWD's limited resources, it should consider partnering with agency program managers to conduct periodic reviews.

QWD Response QWD plans to comply with the applicable DR by conducting compliance reviews as part of the Office of Human Resources Management's (OHRM) Personnel Management Evaluations (PME), and as deemed necessary by QWD and at the request of an agency. However, no OHRM PMEs have been conducted, QWD has not deemed any compliance reviews to be necessary, and no agencies have requested a review since the publication of DR 4430-003 on January 8, 2001. Partnering with agency program managers will definitely be considered for future reviews.

OIG Position We concur with the agency response for this recommendation and have reached management decision.

Processing of Chargeback Reports The DR requires that chargeback reports be reviewed quarterly to ensure that the recipients are properly assigned to the correct agency and that no cost discrepancies exist. OIG found that opportunities existed for QWD and some agencies to strengthen the monitoring and accuracy of quarterly chargeback reports.

Availability of Chargeback Report Software

Some agencies reported to OIG that they did not have the needed software to download and access the chargeback data once they are received. One agency reported that it was able to obtain an unofficial copy of the software to access the chargeback report data from another agency. Another agency reported it did not have the software to access the reports.

Recommendation 2 QWD needs to verify and document that all USDA agency program managers have the software necessary to review the quarterly chargeback reports, that the program managers are familiar with using the software, and that the software is working properly so that the data can be accessed and reviewed. Based on each agency's response, QWD will provide each agency with the information necessary so that the agency can acquire the needed software.

QWD Response Non concur. Following the publication of the discussion draft, the contractor which had been providing the quarterly workers' compensation cost and claim data necessary to review the quarterly chargeback reports suspended that optional service. As a result, QWD has no need to survey the agencies and agencies have no need to procure this software. QWD will pilot test the Forest Service "Delta-Core"

system as a possible enterprise solution Department-wide implementation phase-in to begin October 1, 2010.

OIG Position

We concur with the agency response for this recommendation and have reached management decision.

Quality and Timeliness of Chargeback Report Data

The Director of QWD stated that they are having difficulty getting their contractor to produce error free chargeback data. OIG did not validate the accuracy of the data supplied by the contractor during this review since QWD stated that the reports contained errors. However, this contract costs USDA \$16,000 annually, and to ensure the best use of funds, actions need to be taken to ensure contractor performance is adequate. Since the contractor had provided incorrect data, QWD staff had to spend time with the contractor reconciling the data, which contributed to the delays in issuing the reports to the agencies.

All 11 program managers stated that the chargeback reports are delinquent and are not received quarterly from the Department. In January and February 2008 agency program managers stated that the chargeback reports were between 6 months and 18 months delinquent. QWD staff told OIG that the contractor responsible for these reports had not been timely.

Recommendation 3

QWD needs to resolve the repeated errors in the chargeback reports submitted by the contractor. If discrepancies in the contractor-supplied data continue, then appropriate action regarding the contractor's performance needs to be taken by QWD. QWD needs accurate data from the contractor to ensure that the quarterly chargeback reports are delivered to the agency program managers in a timely manner.

QWD Response

Concur. Agencies need accurate data delivered in a timely manner. However, as the contractor has suspended that optional service there is currently no new quarterly data to match and provide to agencies. QWD will pilot test the Forest Service "Delta-Core" system as a possible enterprise solution Department-wide implementation phase-in to begin October 1, 2010.

OIG Position

We agree with the planned action; however, until the Delta-Core system is implemented in each of the agencies, QWD needs to establish an interim solution for providing chargeback information to agencies for their review. To reach management decision, timeframes for

implementing the interim solution with estimated completion dates need to be provided to us.

Agency Reviews of the Chargeback Reports

The DR requires reviews of the adequacy of tracking and monitoring controls over OWCP activities. Agency OWCP program managers were asked to answer a series of questions pertaining to monitoring the accuracy of chargeback data for their agency. The survey responses were clarified during interviews with the respective program managers and, in some cases, caseworkers and contractors assigned to the program. For

example, during the interviews we asked the 11 agency program managers to provide information concerning their reviews of their quarterly chargeback reports. We found that two of the program managers responsible for four agencies did not review the quarterly chargeback reports because the reports supplied by QWD have been delinquent this year. The other 9 program managers, with responsibilities for 13 agencies, conducted the quarterly reviews but were also receiving the chargeback reports late. Also, some agencies could not access the data in the chargeback reports once they received them because they did not have the required software.

OIG found that once these chargeback reports are received, agencies do not have a standardized approach for monitoring the validity of the information. Various procedures and processes are used by agencies to review billing submissions, such as pertinence to original injury and whether amounts match chargeback reports. The responsibilities for following up on cases also vary from agency to agency. For example, one respondent indicated that the agency reviews all forms and chargeback data for technical issues and forwards the information to DOL for adjudication. In some cases, contractors are totally responsible for these tasks and in other cases this is a shared responsibility between USDA staff members and their contractors.

Agency program managers do not have any assurance that all of the chargeback costs charged to their agencies are appropriate. Efforts to identify discrepancies are limited to random reviews or when a particular situation is brought to the agency's attention. This hinders the agency's ability to ensure people are brought back to work in a timely manner and that people remain eligible for continued OWCP benefits.

Recommendation 4 QWD needs to provide guidance to each of the agencies so that reviews of chargeback data information are done consistently across USDA.

QWD Response Concur. QWD has drafted an extremely detailed revision of DR 4430-003, Workers' Compensation Program. This revision provides the basis for review of chargeback data across the Department when that data becomes available. We expect publication by December 31, 2010.

OIG Position We concur with the agency response for this recommendation and have reached management decision.

Communication and Information Dissemination OIG found that agency program managers keep current on OWCP policy updates and procedural changes issued by DOL and will contact QWD when necessary. All program managers stated that they made an effort to remain current on policies but could benefit from periodic meetings with other agency OWCP managers to discuss processes and best practices. Routine group communication and information sharing would increase opportunities for teaming and leveraging agency best practices to improve program operations.

Multiple agencies reported best practices to OIG during the inspection that may have been beneficial to other attendees if shared at such a gathering. One program manager had developed an employee/supervisor OWCP package for all employees. The package contained information such as an OWCP bifold brochure, OWCP injury claim forms, contact information, and health and safety instructions. Employees in the agency frequently traveled and having the packet readily available facilitated the timely submission of claims.

Another best practice was identified where the agency shares the injury log information with the safety officer who in turn conducts safety inspections to address hazardous conditions. This agency is sponsoring a "workshop" that focuses on health management and the workplace. The agency informed OIG that it would invite other USDA program managers to attend the workshop.

Innovations such as these could be shared during periodic meetings facilitated by QWD among OWCP program managers.

Recommendation 5 QWD needs to facilitate regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports, processing issues, return-to-work programs, and other functions. These sessions should also be used to share any best practices that are identified during the periodic reviews conducted by QWD.

QWD Response Concur. QWD will hold regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports,

processing issues, return-to-work programs, and other functions. These sessions will share best practices identified during the periodic reviews conducted by QWD. These sessions will be every six months at a minimum with the first session scheduled no later than September 30, 2009.

OIG Position

We concur with the agency response for this recommendation and have reached management decision.

OWCP Internet Website

OIG also found that QWD has not kept USDA's OWCP Website up-to-date with current and correct information. The agency contact information is not correct and has been out-of-date for at least three years. In some cases program managers had left their agency several years ago or were no longer assigned as OWCP program managers. As a consequence, some employees and other interested individuals seeking OWCP guidance from the USDA Website are provided incorrect contact information. To ensure quality customer service is provided to employees, claimants, and other interested stakeholders, actions need to be taken to better monitor the accuracy of the contact information.

Recommendation 6

QWD needs to review the OWCP information posted on the USDA Website to ensure that it is correct and is kept current.

QWD Response

Concur. QWD has reviewed and updated OWCP information on the USDA website. We will continue to make these reviews on a quarterly basis.

OIG Position

We concur with the agency response for this recommendation and have reached management decision.

Experience and Structured Training

OIG found that structured training could improve and better standardize OWCP case management activities across agencies. Each respondent was asked to answer various survey questions pertaining to experience and training. The questionnaire responses showed that the program managers fulfilled their training needs differently.

Many respondents stated they were self-taught and obtained information from the DOL Website, CFR 20, CA-10 instructions, human resources personnel, and DOL contacts. Some program managers came to USDA with extensive experience and training from other Government agencies

and Departments. One respondent indicated there is no formal training provided and little support is provided from QWD. Other respondents seek out OWCP conferences and training opportunities. All respondents agreed that employee training requirements are not generally tracked and that little formal training or refresher training is provided to caseworkers. This includes training on case management activities and training pertaining to the identification of fraud or abuse.

All respondents concurred that formal training is necessary and desired

by agency caseworkers. Respondents commented that training should be offered or made available at least biannually to keep abreast of changes. This training would provide current information allowing agency program managers the ability to disseminate up-to-date information in a timely manner.

Recommendation 7 QWD needs to provide a structured training program to program managers and caseworkers when they assume the responsibility for OWCP. Refresher training needs to be provided to ensure responsible staff members remain current and understand program changes.

QWD Response Concur. Currently the Departmental Workers' Compensation Program Manager meets individually with newly assigned agency program managers. This training and education experience will be expanded and formalized by incorporating learning opportunities into the regularly scheduled meetings. (See Management Response to Recommendation #5). Possible opportunities include providing speakers from Department of Labor, Office of Workers' Compensation Programs, and presentations by USDA agencies using contractors to manage claims, best practices in other Federal agencies, etc.

OIG Position We concur with the agency response for this recommendation and have reached management decision.

Conclusions OIG found that QWD should take a more active role in managing the OWCP program. QWD needs to develop processes for providing oversight and guidance to agency OWCP program managers. Since QWD has limited resources, it should consider partnering with agency program managers to assist with its oversight activities.

OIG found that routine group communication and information sharing would increase opportunities for teaming and leveraging agency best practices to improve program operations. OIG found examples of best

practices when interviewing agency OWCP program managers that would be beneficial to other program managers in USDA. QWD needs to facilitate regularly scheduled meetings with program managers to discuss current OWCP issues and to share best practices.

Scope and Methodology

OIG reviewed the relevant regulations and authorities for providing compensation and benefits to employees who sustain a traumatic injury or occupational condition while in the performance of duty. The inspection consisted of questionnaires and followup interviews with key Department and agency program managers and staff. This review covered the following areas:

- QWD oversight of agency OWCP.
- Communication among agencies and QWD.
- Receipt and monitoring of reports to manage cases and verify chargeback costs.
- Formal and on-the-job OWCP training.
- Contracting for OWCP-related services.
- Identifying and reporting suspected fraud and abuse.

OIG provided questionnaires to 11 program managers overseeing OWCP activities for each of USDA's agencies and received responses from each. The questionnaire was designed to survey the adequacy of tracking and monitoring controls; monitoring of chargeback reports, policy guidance, and communications; and training of applicable staff assigned OWCP case management responsibilities. Questionnaires were provided to OWCP program managers and staffs representing the Risk Management Agency; Foreign Agricultural Service; Farm Service Agency; Agricultural Research Service; Cooperative State Research, Education and Extension Service; Economic Research Service; National Agriculture Statistics Service; Forest Service; Office of Inspector General; Agricultural Marketing Service; Animal and Plant Health Inspection Service; Food Safety and Inspection Service; Grain Inspection, Packers and Stockyards Administration; Rural Development; Natural Resources Conservation Service; Food and Nutrition Service; and Departmental Administration. Eleven interviews were conducted to clarify responses and obtain other pertinent data and information for these 17 agencies. Three program managers have OWCP responsibilities for multiple agencies, thus 17 agencies are covered by 11 interviews. Exhibit A presents the relationship between the program managers interviewed and the number of agencies for which they are responsible.

This inspection also followed up on the implementation of corrective action associated with a prior OIG audit report titled, *Management Oversight of Federal Employee's Compensation Act Operations within the U.S. Department of Agriculture*, Report Number 50601-2-Hy, dated August 2005.

This inspection was conducted in 2008. OIG followed guidance provided in the President's Counsel on Integrity and Efficiency, *Quality Standards for Inspections*, dated January 2005.

Exhibit A – Agency OWCP Responsibilities

Exhibit A-Page 1 of 1

Eight of the program managers interviewed are responsible for single agencies:

- Forest Service (FS)
- Office of Inspector General (OIG)
- Food Safety and Inspection Service (FSIS)
- Grain Inspection, Packers, and Stockyards Administration (GIPSA)
- Rural Development (RD)
- Natural Resources Conservation Service (NRCS)
- Food and Nutrition Service (FNS)
- Departmental Administration (DA)

Three of the program managers interviewed are responsible for two, three, and four agencies or an additional nine agencies:

- Agricultural Marketing Service (AMS)
- Animal and Plant Health Inspection Service (APHIS)

- Risk Management Agency (RMA)
- Foreign Agricultural Service (FAS)
- Farm Service Agency (FSA)

- Agricultural Research Service (ARS)
- Cooperative State Research, Education, and Extension Service (CSREES)
- Economic Research Service (ERS)
- National Agriculture Statistics Service (NASS)

Exhibit B



**United States
Department of
Agriculture**

**Office of the
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for Administration**

1400 Independence
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Washington, DC
20250-0103

June 12, 2009

TO: Rod DeSmet
Assistant Inspector General
for Inspections and Research

ATTN: 50901-02-IR

FROM: Phyllis Holmes 
DA Compliance/FOIA Officer

SUBJECT: Departmental Oversight of USDA's Workers' Compensation Program Based on
Departmental Regulation 4430-3 -- (Management Response)

Departmental Administration has reviewed the draft report on Departmental Oversight of USDA's Worker's Compensation Program Based on Departmental Regulation 4430-3 and provided the following responses to the recommendations.

Recommendation 1

QWD needs to comply with the DR by conducting periodic reviews of each agency's compliance with applicable regulations and guidelines. This inspection found that periodic reviews conducted by QWD would be useful to the Department in improving the efficiency and effectiveness of agency OWCP activities. Due to QWD's limited resources, it should consider partnering with agency program managers to conduct periodic reviews.

Management Response

The Quality of Work Life Division (QWD) plans to comply with the applicable Departmental Regulation by conducting compliance reviews as part of the Office of Human Resources Management's (OHRM) Personnel Management Evaluations (PME's), and as deemed necessary by QWD and at the request of an agency. However, no OHRM PME's have been conducted. QWD has not deemed any compliance reviews to be necessary, and no agencies have requested a review since the publication of Departmental Regulation 4430-003 on January 8, 2001. Partnering with agency program managers will definitely be considered for future reviews.

Recommendation 2

QWD needs to verify and document that all USDA agency program managers have the software necessary to review the quarterly chargeback reports, that the program managers are familiar with using the software, and that the software is working properly so that the data can be accessed and reviewed. Based on each agency's response, QWD will provide each agency with the information necessary so that the agency can acquire the needed software.

Management Response

Concur. QWD will survey all agency program managers to determine that they have the software necessary to review the quarterly chargeback reports, they are familiar with using the software, and the software is working properly so the data can be accessed and reviewed. QWD will follow up individually with each agency to provide them with the information necessary to acquire the needed software as needed. Survey and follow ups to be completed by April 30, 2009.

Recommendation 3

QWD needs to resolve the repeated errors in the chargeback reports submitted by the contractor. If discrepancies in the contractor-supplied data continue, then appropriate action regarding the contractor's performance needs to be taken by QWD. QWD needs accurate data from the contractor to ensure that the quarterly chargeback reports are delivered to the agency program managers in a timely manner.

Management Response

Concur. QWD recently purchased software, which enables us to do a one hundred percent complete match of the end of year chargeback reports from the contractor. We expect this accuracy to continue throughout 2009.

Recommendation 4

QWD needs to provide guidance to each of the agencies so that reviews of chargeback data information are done consistently across USDA.

Management Response

Concur. QWD has drafted an extremely detailed revision of DR 4430-003, Workers' Compensation Program. This revision provides the basis for review of chargeback data information across the Department. We expect publication in the second quarter of Fiscal Year 2009.

Recommendation 5

QWD needs to facilitate regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports, processing issues, return-to-work programs, and other functions. These sessions should also be used to share any best practices that are identified during the periodic reviews conducted by QWD.

Management Response

Concur. QWD will hold regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports, processing issues, return-to-work programs, and other functions. These sessions will share best practices identified during the periodic reviews conducted by QWD. These sessions will be every six months at a minimum with the first session scheduled in May 2009, the subject of which will be the results of the equipment survey and training needs.

Recommendation 6

QWD needs to review the OWCP information posted on the USDA Web site to ensure that it is correct and is kept current.

Management Response

Concur. QWD will review OWCP information on the USDA web site. The purpose of the review is to ensure the information is accurate, and kept current. First review and update to be completed by March 31, 2009, with subsequent reviews on a quarterly basis.

Recommendation 7

QWD needs to provide a structured training program to program managers and caseworkers when they assume the responsibility for OWCP. Refresher training needs to be provided to ensure responsible staff members remain current and understand program changes.

Management Response

Concur. Currently the Departmental Workers' Compensation Program Manager meets individually with newly assigned agency program managers. This training and education experience will be expanded and formalized by incorporating learning opportunities into the regularly scheduled meetings. (See Management Response to Recommendation #5). Possible opportunities include providing speakers from Department of Labor, Office of Workers' Compensation Programs; presentations by USDA agencies using contractors to manage claims, best practices in other Federal agencies, etc.

Exhibit C

Exhibit B – Page 1 of 3



United States
Department of
Agriculture

Office of the
Assistant Secretary
for Administration

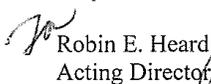
Office of
Human Capital
Management

1400 Independence
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TO: Robert W. Young
Assistant Inspector General
for Audit

THROUGH: Evan J. Segal
Chief Financial Officer

THROUGH: Phyllis Holmes
Compliance Review Officer
Departmental Administration

FROM:  Robin E. Heard
Acting Director
Office of Human Capital Management

AUG 12 2009

SUBJECT: Discussion Draft, Departmental Oversight of USDA's Workers
Compensation Program Based on Departmental Regulation 4430-3
(Report No. 50901-02-IR)

Prior to publication of the final audit report, we are proposing to modify our June 12, 2009, preliminary management response to this discussion draft. Many of the recommendations of the discussion draft concerned the review and distribution of the quarterly cost and claim data received by the Office of Human Capital Management (OHCM) via contract. Our preliminary responses to those recommendations also related to the use of this data. However, the contractor who had been providing the quarterly workers' compensation cost and claim data necessary to review the quarterly chargeback reports suspended that optional service on July 1, 2009. Therefore, no new quarterly claim or cost data will be available to review or to distribute to agencies. As a result, our responses to recommendations 2, 3, 4, 5 and 6 are no longer valid.

In response to these recommendations, OHCM now plans to pilot test the Forest Service workers' compensation claim and cost management system in the first quarter Fiscal Year 2009. The system to be tested is commercially available from "Delta-Core". It will have many advantages over our previous system in that it will utilize bi-weekly data direct from the Department of Labor (DOL) rather than quarterly data provided via contract. In addition, employees will have the ability to directly enter claims into the system.

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This system has the potential to become the enterprise workers' compensation case management solution for the Department of Agriculture (USDA) and the single USDA portal for electronic transmission of forms CA-1 and CA-2 to DOL. Several Department of Agriculture agencies (Animal Plant and Health Inspection Service, Food Safety and Inspection Service and Agricultural Research Service) have expressed interest in this system and the pilot test.

Thank you for considering our proposed changes.

Recommendation 1.

No Change.

Recommendation 2.

Change Management Response to read:

Non concur. Following the publication of this discussion draft, the contractor which had been providing the quarterly workers' compensation cost and claim data necessary to review the quarterly chargeback reports suspended that optional service. As a result, Quality Work Life Division (QWLD) has no need to survey the agencies and agencies have no need to procure this software.

Recommendation 3.

Change Management Response to read:

Concur. Agencies need accurate data delivered in a timely manner. However, as the contractor has suspended that optional service there is currently no new quarterly data to match and provide to agencies. QWLD will pilot test the Forest Service "Delta-Core" system as a possible enterprise solution for the Department. Proposed timeline:

- Complete pilot test of Forest Service system – March 1, 2010,
- Review test results and make corrections – May 31, 2010,
- Request Enterprise Architecture Review Board Review/Approval – July 30, 2010,
- Department-wide implementation phase-in to begin October 1, 2010

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Recommendation 4.

Change Management Response delivery date from second quarter Fiscal Year 2009 to:
Concur. QWLD has drafted an extremely detailed revision of DR 4430-003, Workers' Compensation Program. This revision will provide the basis for review of chargeback data across the Department when that data becomes available. We expect publication by December 31, 2010.

Recommendation 5.

Change Management Response initial meeting date from May 2009 to:

Concur. QWLD will hold regularly scheduled meetings with agency program managers to discuss policy updates, chargeback reports, processing issues, return-to-work programs, and other functions. These sessions will share best practices identified during the periodic reviews by QWLD. These sessions will be held every six months at a minimum with the first session scheduled no later than September 30, 2009.

Recommendation 6.

Change Management Response to show that the website has been updated:

Concur. QWLD has reviewed and updated OWCP information on the USDA website. We will continue to make these reviews on a quarterly basis.

Recommendation 7.

No change.