



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

MAR 20 1970



Dear Mr. Werts:

In January 1968, we transmitted for the Department of Labor's consideration and comments a draft of our proposed report on the procedures followed by the Bureau of Employees' Compensation in establishing disability ratings for Federal employees entitled to compensation because of permanent physical impairments sustained in the performance of duty. At the time of our review, the Bureau was making awards (schedule awards) totaling about \$7 million annually to an average of about 2,000 permanently disabled claimants. The awards are authorized by section 8107 of the Federal Employees' Compensation Act of 1916, as amended (5 U.S.C. 3101) which is administered by the Bureau.

Our examination of 551 schedule awards totaling about \$2 million, made by 4 of the Bureau's 10 district offices revealed that a number of the awards made to claimants were either not determined in accordance with the Bureau's prescribed standards and regulations or were not determined on a uniform basis by the Bureau's district offices. In a number of other cases, we could not ascertain whether the Bureau's prescribed standards had been followed because the files lacked information as to how the award was computed. We concluded there was a need for strengthening management controls to achieve conformity with prescribed standards and uniformity in the treatment of claimants.

Details of our findings are summarized below.

1. In 72 of the 551 cases which we examined, the claims examiners had accepted medical reports which did not contain the information required by Bureau regulations to make a determination of the percentage loss of use of an arm in accordance with the American Medical Association's (AMA) standards. Bureau regulations state that the evaluation of injury-related permanent disability is a medical question which must be resolved on the basis of medical evidence and that all evaluations of permanent disability must be made in accordance with AMA standards where such standards exist. We concluded that the claims examiners did not have on file sufficient data to make an adequate determination in the 72 cases.

We proposed that the Department re-emphasize to the claims examiners the need to obtain adequate support before approving claims

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and to provide for an independent review of schedule awards. By letter dated April 8, 1968, the Secretary of Labor agreed to adopt our proposal.

2. At two Bureau district offices we found that district officials had used three different methods for determining nine similar types of cases involving awards totaling \$50,000. The nine cases concerned injuries of two or more fingers of the same hand.

Our computations under each of three different methods produced three different award amounts for each of the same cases. For example, our computations in one case resulted in differences ranging from \$1,330 to \$3,990. For all nine cases, the aggregate amounts which could have been awarded depending on the method used ranged from \$47,000 to \$63,000; actual awards made totaled \$50,000.

We proposed that the Department establish a single method to be used in computing awards for the impairment of two or more fingers of the same hand. The Secretary of Labor agreed to adopt a standard method of computation.

3. The Bureau headquarters office had not issued instructions providing for a systematic review of claims to ensure that uniform procedures are applied by all district offices. Because procedures for processing cases varied at each of the four district offices, claims were not handled on a consistent basis.

At one district office, for example, the claims examiners referred each case to the District Medical Director who independently ascertained whether the percentage disability recommended was in accordance with AMA standards. At the other three district offices claims examiners referred only those cases to the District Medical Director which they considered questionable or difficult. Of the 551 cases which we reviewed at the four district offices, 364 had been reviewed by the District Medical Director before approval. Of the remaining 187 cases, we found that for 29 the amount awarded differed from the amount that would have been awarded if the AMA standards had been applied. Claims examiners were also computing awards using a higher percentage of impairment than that recommended by the District Medical Director.

We proposed that instructions be issued requiring claims examiners to refer all schedule award cases to the District Medical Director for review, and where applicable for comparison with AMA standards, prior to approval of the award. The Secretary of Labor agreed to issue instructions which will require the approval by the Assistant Deputy Commissioners in the district offices of claims where the claims examiner disagrees with any aspect of the recommendations of the District Medical Director.

We believe that the corrective actions indicated by the Secretary of Labor should result in greater consistency and uniformity in the evaluation and treatment of claimants of the schedule awards cases.

With regard to the other matters discussed in our draft report, we have reconsidered our conclusions in light of the Secretary's comments of April 8, 1968, and we plan no further work or reporting at this time.

We appreciate the cooperation given to our representatives during this review and we invite your comments as to any additional actions planned on the matters discussed in this report.

We are furnishing a copy of this report today to the Secretary of Labor, the Assistant Secretary of Labor for Wage and Labor Standards, to the Director, Bureau of Employees' Compensation and to the Associate Assistant Secretary of Labor for Administration.

Sincerely yours,

Henry Eschwege

Henry Eschwege
Associate Director

The Honorable Leo R. Werts
Assistant Secretary for Administration
Department of Labor

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