BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman, Senate Committee On Labor And Human Resources

Labor Inaccurately Paid Black Lung Benefits--Some Corrective Actions Taken But More Are Needed

From a sample of 286 claims, GAO found that the Department of Labor--which began administering a black lung program in 1973--had overpaid or underpaid an estimated 22,800 (26 percent) of the 88,000 beneficiaries who were receiving program benefits in January 1982. Although a large percentage of the case files had erroneous payments, indicating problems in the payment processes, the dollar value of the overpayments and underpayments was relatively small--about 3 percent of the almost $2 billion that the 88,000 beneficiaries had received from the time that their claims had been approved. GAO also estimated that Labor had identified about one-third of these payment errors before GAO initiated its case file review.

Many of these payment errors occurred because Labor did not have adequate procedures to ensure that payments were accurate. According to Labor officials, as the workload associated with the 1978 and 1981 black lung amendments increased, the automated and manual systems were not adequate to process payments accurately and effectively.

Labor had implemented, or is implementing, various procedures which should help identify existing payment errors and prevent new errors from occurring. GAO is making several recommendations to Labor to further improve black lung payment activities.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-199383

The Honorable Orrin G. Hatch
Chairman, Committee on Labor
and Human Resources
United States Senate

Dear Mr. Chairman:

In response to your September 11, 1981, request, this report addresses the reasons why the Department of Labor paid black lung beneficiaries inaccurately and Labor's efforts to improve its payment systems. It contains recommendations to the Secretary of Labor for making further improvements and for insuring that planned actions are effectively implemented.

We discussed the contents of this report with Labor officials and have incorporated their views where appropriate. As agreed with your office, unless the report's contents are publicly announced earlier, we plan no further distribution of the report until 30 days after issuance. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Philip A. Bernstein
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE CHAIRMAN,
SENATE COMMITTEE ON LABOR
AND HUMAN RESOURCES

LABOR INACCURATELY PAID BLACK LUNG BENEFITS--SOME CORRECTIVE ACTIONS TAKEN BUT MORE ARE NEEDED

D I G E S T

At the request of the Chairman, Senate Committee on Labor and Human Resources, GAO reviewed black lung payment systems administered by the Department of Labor's Division of Coal Mine Workers' Compensation, Office of Workers' Compensation Programs.

Under one of these systems, the Division paid monthly compensation benefits to miners or dependents whose claims were approved under the Federal Coal Mine Health and Safety Act, as amended. Under the other, the Division paid eligible miners' black lung-related medical expenses.

From 1973, when Labor started administering its black lung program, through June 1982, Labor had paid about $2.3 billion in monthly compensation benefits and about $100 million in black lung-related medical expenses.

MANY BLACK LUNG BENEFITS ERRONEOUSLY PAID

From a sample of 286 of the 88,000 beneficiaries paid in January 1982, GAO estimated that Labor had incorrectly paid 22,800 (26 percent) of them. Of about $1.9 billion that Labor paid to these 88,000 beneficiaries since their claims were approved, GAO estimated that overpayments and underpayments totaled $65 million (3.4 percent).

GAO also estimated that the Division had identified and corrected about $24 million of these errors by the time that GAO initiated its case file review. (See p. 8.) The reader should note that because of the relatively small size of GAO's sample, the difference between the estimate and actual dollar value of the amounts paid in error could be relatively large. (See p. 6 and apps. I and II for a more detailed discussion.)

In addition to payment errors identified in GAO's sample, the Division had identified from listings developed by GAO, the Division, and selected State workers' compensation offices other overpayments which totaled about $5 million. Most of these overpayments were of the type that would not have been identified in GAO's case file review. In these cases, beneficiaries were inappropriately receiving more than one black lung benefit from Labor, or a black lung benefit from Labor and another from the Social Security Administration or from a State workers' compensation program. (See p. 10.)

PAYMENT ERRORS OCCURRED FOR MANY REASONS

According to officials responsible for administering the black lung program, many payment errors were caused, at least indirectly, by the workloads created by the 1978 amendments, and to a lesser extent, the 1981 amendments to the black lung legislation. As the number of cases requiring adjudication increased, the Division did not have adequate controls in the manual or automated processing systems to ensure that the documents were processed correctly or that payments were accurate.

Claims examiners in the black lung offices concentrated on adjudicating claims and identifying responsible mine operators. Payment documents were often improperly processed or not processed, and other activities designed to prevent or detect payment errors were often not performed.

Examples of some of the specific problems that GAO identified included:

--Supervisory review and quality control procedures were either nonexistent or focused on eligibility determination activities rather than on benefit payment adjustments made after an initial claims decision. As a result, when claims examiners did not adjust beneficiaries' payments using available information, the errors were not discovered. (See p. 13.)

--Division procedures to identify beneficiaries who received black lung benefits from the Social Security Administration or a State workers' compensation program and a second payment from Labor were inadequate. The Division has recently improved some of these procedures and plans to periodically match its benefit rolls with those of the other organizations. These plans were being developed at the time GAO completed its review. (See p. 18.)

--The Division relied primarily on beneficiaries to voluntarily report events that affected their benefit payments. While the Division has recently established procedures to ensure that its information on beneficiaries was accurate, GAO identified implementation problems. For example, GAO found that (1) information contained on dependent monitoring system reports was not always followed up and (2) 27,000 postentitlement questionnaires in one district office had not been reviewed. (See p. 23.)

--Many overpayments were not being pursued at two of the black lung offices that GAO visited because accounts receivable records were not properly maintained. In addition, GAO found that responsible mine operators were not always billed for medical and interest expenses that they owed. In GAO's opinion, the Division's new data processing system and improved procedures should, if properly implemented, help in controlling and monitoring debt collection efforts. (See p. 27.)

--The Division did not have adequate controls to prevent paying some beneficiaries more than once when their payment authorization forms were not promptly processed. The Division's revised data processing procedures reduce most of these delays and therefore should help prevent many duplicate payments from occurring. (See p. 36.)

The Division recognized that many of these problems occurred and has generally initiated actions to reduce future errors. In addition to recommending ways in which some of the Division's new procedures can be improved, GAO recommends that the Secretary of Labor ensure that

the Division implements planned corrective actions. (See pp. 17, 22, 26, and 30.)

MEDICAL PAYMENTS: OFTEN INCORRECT OR UNSUPPORTED

GAO also reviewed Labor's Inspector General's reports on medical payments made through November 1980. One Inspector General report identified potential overpayments of $3.2 million by matching various automated listings related to medical payments. In another report, based on a random sample of almost 300 of about 167,000 medical case folders, the Inspector General estimated that $9.2 million in medical payments were unsupported. GAO sampled medical payments made after the Inspector General's review and found that many of the problems identified by the Inspector General still existed. (See p. 31.)

The Inspector General's reports contained many recommendations--with which GAO agrees--to improve the Division's system for paying medical benefits. In September 1982, the Division implemented its new system for paying medical bills which Division officials believe will address many of the Inspector General's recommendations. However, because this system had not been implemented at the time GAO completed its review, GAO did not evaluate this system. (See p. 33.)

In addition to the problems in paying medical bills, GAO found that the Division has not used fee schedules to ensure that payments for medical services were reasonable. At the time GAO completed its audit work, the Office of Workers' Compensation Programs was developing schedules of reasonable medical fees that it planned to implement in October 1983. (See p. 34.)

Regarding medical expenses, GAO recommends that the Secretary of Labor (1) monitor the development and implementation of reasonable fee schedules for black lung-related medical expenses and (2) request the Inspector General to evaluate the Division's new payment processing system. (See p. 35.)

Contents

ABBREVIATIONS

BLIS	Black Lung Information System
GAO	General Accounting Office
OIG	Office of Inspector General
OWCP	Office of Workers' Compensation Programs
SSA	Social Security Administration

CHAPTER 1

INTRODUCTION

At the request of the Chairman, Senate Committee on Labor and Human Resources, we reviewed the accuracy of payments made by the Department of Labor under provisions of the Federal Coal Mine Health and Safety Act, as amended (30 U.S.C. 801). This act provides for the payment of (1) monthly benefits to miners totally disabled by black lung and to their survivors and (2) eligible miners' medical bills for their black lung-related illnesses. This report discusses the correctness of these payments and the effects of recent changes to the payment processing systems to improve the accuracy of future black lung benefit payments.

LEGISLATIVE HISTORY HIGHLIGHTS

Since the act's enactment in 1969, it has been amended three times; each amendment has had a significant effect on the black lung program workload. The 1969 act authorized the Social Security Administration (SSA) to pay benefits from appropriated funds to miners who had worked in underground coal mines and who were totally disabled by black lung or to their surviving dependents. For claims filed after December 31, 1972, individual coal mine operators could be liable for paying eligible miners' black lung benefits. This act also provided for the shifting of claims processing and program administration responsibilities to the Department of Labor in 1973.

Through May 1972, SSA had approved less than 50 percent of the 365,000 claims that miners or their dependents had filed. Many claimants could not provide sufficient evidence to prove that they were totally disabled by black lung.

The 1972 amendments (P.L. 92-303) were enacted to make more individuals eligible for program benefits. In addition to easing the medical evidence requirements, these amendments provided benefits to additional dependents--orphans, parents, brothers, and sisters--and extended eligibility to surface coal miners and their dependents.

The March 1978 amendments (P.L. 95-239) further liberalized eligibility criteria by removing restrictive provisions in the law which had prevented some claimants from receiving black lung benefits. These amendments required Labor or SSA to reconsider all pending or previously denied claims, using this liberalized criteria. Claims reviewed and approved by SSA were forwarded to Labor for payment.

Companion legislation (P.L. 95-227) enacted in February 1978 changed the financing provisions of the black lung program by transferring responsibility for paying black lung benefits from the Federal Government to the coal mining industry. It created a federally administered Black Lung Disability Trust Fund to pay benefits (1) when an eligible miner's last coal mining employment was before January 1, 1970, (2) in cases where no responsible operator could be identified, or (3) during the period when a mine operator was contesting its liability for paying a claim. The legislation also authorized financing of the trust fund through a tax on coal sold by producers. Finally, it authorized Labor to pay black lung-related medical treatment expenses for miners who were receiving monthly benefits from SSA.

The December 1981 amendments (P.L. 97-119) sought to bring solvency to the trust fund by changing certain eligibility requirements so that fewer claims would be approved and by temporarily doubling the excise tax[1] on coal sold by producers. These amendments also transferred the costs of certain claims from coal mine operators to the trust fund. Labor estimated that this transfer would involve 11,500 claims that had been initially denied, but subsequently reopened and approved as a result of the March 1978 amendments.

BILLIONS IN BLACK LUNG BENEFITS PAID

Black lung benefits paid to eligible recipients equal 37-1/2 percent of the current pay of a Federal employee in grade GS-2, step 1. The monthly benefit amount is increased if the miner or survivor has dependents and when Federal salary levels change. During fiscal year 1982, benefit payments ranged from $293.20 a month for a beneficiary with no dependents to $586.40 a month for a beneficiary with three or more dependents.

From 1973, when Labor began administering its portion of the black lung program, through June 1982, Labor estimated that it paid monthly benefits of $2.3 billion to 123,000 miners or their dependents. During the same period, Labor estimated that it paid medical expenses of $100 million incurred by miners receiving black lung benefits from either Labor or SSA.

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[1]These amendments changed the tax on coal from $0.50 to $1.00 per ton for underground mined coal and from $0.25 to $0.50 per ton for surface mined coal limited to a maximum of 4 percent of the coal's sales price.

ORGANIZATIONAL INFORMATION

Labor administers the black lung program through its Employment Standards Administration's Office of Workers' Compensation Programs (OWCP). Within OWCP, the Division of Coal Mine Workers' Compensation (hereafter referred to as Division) has management responsibility for program operations and has custody of certain claims, such as those being contested and those that have been called in from the district offices for quality control review. In addition, there are eight district offices which were established to meet the increased workload resulting from the 1978 amendments. Johnstown, Pennsylvania, the largest district office, is responsible for all claims transferred to Labor from SSA following these amendments. The remaining seven district offices have jurisdiction for all other claims based on their specific geographic areas of responsibility.

LEGISLATIVE CHANGES HAVE AFFECTED PROGRAM WORKLOAD AND STAFFING

Amendments to the act have significantly increased Labor's workload. During an earlier review, we found that the large increase in claims was primarily attributable to the 1978 amendments.[2] These amendments required Labor or SSA to review, with new eligibility criteria, all pending or previously denied claims. More specifically, we found that the claims backlog had increased steadily after Labor assumed program responsibility in 1973 and that by January 1979 there was a backlog of over 241,000 claims which Labor had to process.

Division officials reported that by the end of 1981, the Division had virtually eliminated its backlog of cases resulting from the 1978 amendments and was changing program emphasis from claims processing to claims maintenance. As of July 1982, the Division reported a backlog of about 6,250 claims.

Subsequently, the 1981 amendments which took effect on January 1, 1982, transferred liability for many claims from individual mine operators to the trust fund. At the time of our review, OWCP was devoting considerable effort, both in the Division and in its district offices, to identifying the estimated 11,500 cases that met the transfer criteria.

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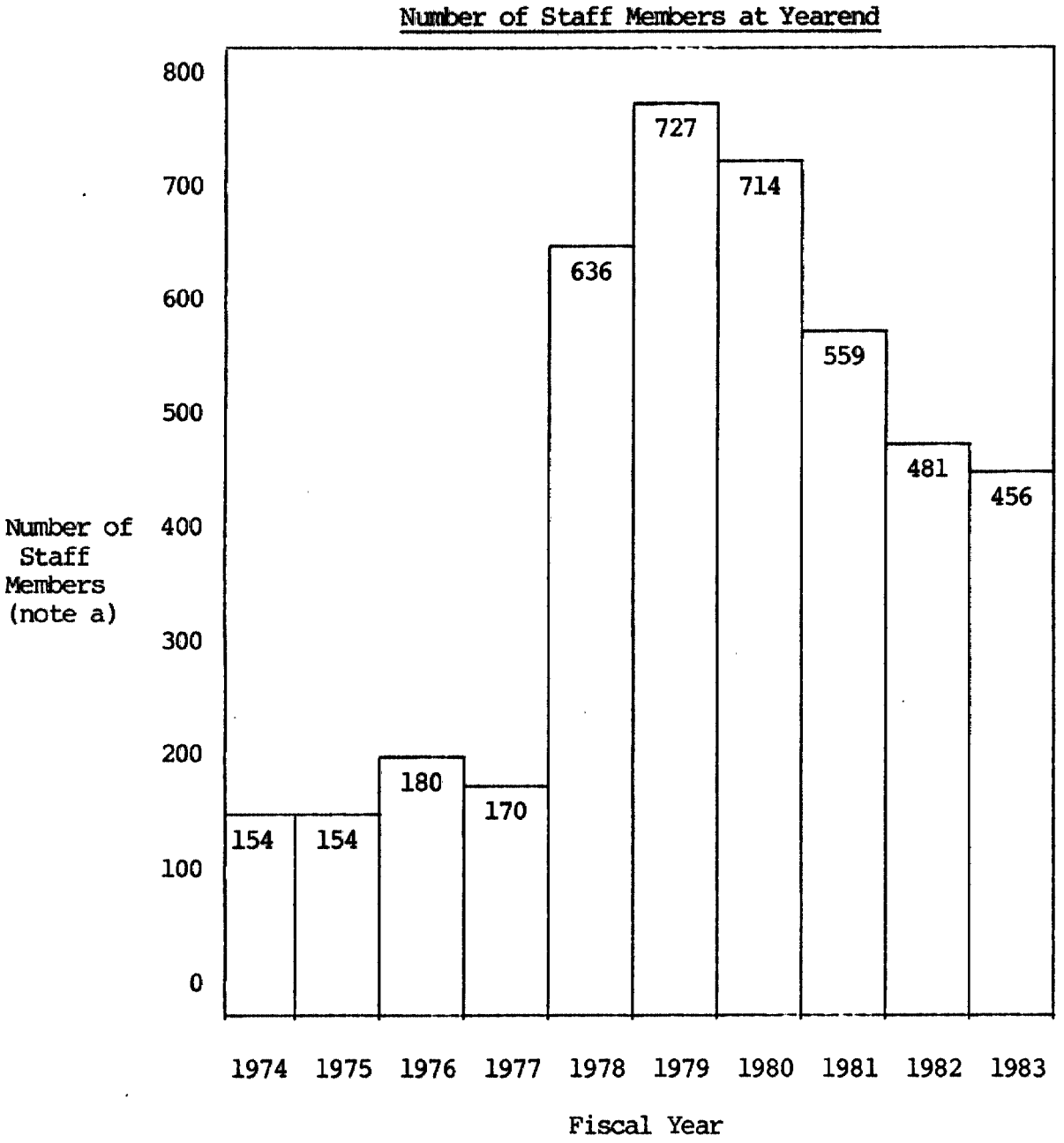
[2]"Followup on Department of Labor's Actions on GAO's July 1977 Report on Administration of Black Lung Benefits Program" (HRD-80-111, Sept. 15, 1980).

With the increases and decreases in claims processing activities as a result of the 1978 amendments and the subsequent processing of these claims, the Division staff has fluctuated over the years as shown by the following chart.



a/For fiscal years 1974-81, the staffing figures represent onboard employees as of the end of the fiscal year. Labor's staff allocations to the Division are shown for fiscal years 1982 and 1983.

SYSTEMS USED TO MANAGE THE PROGRAM

When we reviewed Labor's black lung payment systems, Labor was using three major automated data systems to administer the black lung program. These systems are (1) the Black Lung Information System (BLIS) which contained information on all claims received by Labor and on claims not initially approved by SSA, (2) the benefit payment system which was used to pay approved claimants' monthly or retroactive lump sum benefits, and (3) the service payment system which was used to pay eligible miners' medical bills. In September 1982, Labor started using a new consolidated system for keeping track of claims and for paying beneficiaries' compensation payments and medical bills.

Beginning in mid-1979, claims examiners had started to use data processing terminals in the district offices to enter claimant and dependent information and claim status data into BLIS. When Labor approved a claim, documents to initiate eligible claimants' benefit payments were sent to the Division. These documents were further processed in the Division before beneficiaries actually received benefits. Bills for medical diagnostic services (specific medical tests used to determine program eligibility) were approved by the district office and were sent to a contractor in the Washington, D.C., area for further processing before being paid. Medical treatment bills (cost incurred to treat eligible miners for black lung-related medical conditions) were sent directly to the contractor for approval and processing before they were paid.

Subsequently, in December 1981, Labor decentralized benefit payment activities to the district offices. Under this "interim" processing system, district office personnel could enter payment information and authorize benefit payments using their data processing terminals. At that time, BLIS and the monthly benefit payment system were also integrated to prevent payments in cases where the information in BLIS did not indicate a claim had been approved.

More recently, in March 1982, Labor awarded a contract to Electronic Data Systems, Inc., to consolidate and operate all of these automated payment systems. In September 1982, the Division started to use this newest system for processing compensation payments and medical bills.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed activities related to Labor's payment of monthly benefits and medical expenses as authorized by the black lung legislation. We assumed that each beneficiary was entitled to benefits (i.e., the decision to award benefits was correct).

We had previously discussed claimant eligibility determinations in our report entitled "Legislation Authorized Benefits Without Adequate Evidence of Black Lung or Disability" (HRD-82-26, Jan. 19, 1982).

To evaluate the accuracy of compensation payments, we reviewed 286 randomly selected claims that the Division paid in January 1982. Because of the small sample size and because the dollar value of the individual payment errors that we identified in our case file review varied considerably, the estimated total dollar values of the overpayments and underpayments are subject to relatively large sampling errors. (See apps. I and II for additional details on our estimates and sampling errors.) To significantly reduce the size of these sampling errors, we would have had to substantially increase the size of our sample.

The 286 claims that we reviewed were selected from the eight district offices and the Division. We also reviewed Labor's policies, procedures, and practices for conducting payment activities in the Division; the Johnstown and Greensburg, Pennsylvania, district offices; and the Columbus, Ohio, district office. We discussed, but did not test, payment procedures and practices with the district office staff in Pikeville, Kentucky. The four offices where we reviewed payment procedures handled about 74 percent of our sampled claims.

In addition to reviewing a random sample of cases, we matched lists of beneficiaries paid by Labor with (1) black lung beneficiaries paid by SSA and (2) recipients of black lung benefits paid under State workers' compensation programs to determine if potential overpayments were made. We also analyzed Labor's benefit rolls to determine if Labor was paying the same beneficiary two black lung benefits. In the above cases, the Division analyzed these matches and identified overpayments.

Our review of the accuracy of medical payments relied extensively on two reviews of medical payments conducted by Labor's Office of Inspector General (OIG). Because of these reviews, we limited our analysis to medical treatment payments made on behalf of 27 miners (from our sample of 286 claims discussed above) to confirm and update the OIG's findings. We also discussed selected issues related to the reasonableness of charges for medical services with Division staff.

Because the Division did not maintain centralized account receivable records, we could not use statistical sampling to evaluate its overall ability to follow up and collect debts. Instead, we sampled cases with indications of previous overpayments. Some of these cases came from our random sample of beneficiaries who were paid in January 1982; others came from

informal records of debts maintained at the district offices. We also reviewed collection efforts in cases where administrative law judges had recently decided contested claims.

Because the Division did not maintain summary records of total benefits paid to each beneficiary, we cannot be sure that we have identified all payment errors. The Division's records of the amounts paid to beneficiaries for the period before December 1981 are contained in numerous check registers. We would have had to spend an extensive amount of time manually reconstructing these records to verify the dollar value of benefits paid to all beneficiaries in our sample. However, in some cases where we identified payment errors, we manually reconstructed payment records to verify the errors. Moreover, in these and other cases where we identified payment errors we asked Labor to verify the error; Labor verified many of the errors and was verifying others at the time we completed our audit work.

We also reviewed provisions in the black lung legislation that related to payments, OIG's reports on black lung compensation and medical payments, OWCP's accountability review reports, and other pertinent documents and records related to payment activities. We interviewed claims examiners and their supervisors and other OWCP and Division officials responsible for payment activities.

Our review was performed at (1) OWCP's headquarters in Washington, D.C.; (2) Washington, D.C., area facilities of the contractor who is responsible for paying medical expenses; and (3) black lung district offices in Johnstown and Greensburg, Pennsylvania; Columbus, Ohio; and Pikeville, Kentucky. Our review was made in accordance with generally accepted government audit standards.

At the request of the office of the Chairman, Senate Committee on Labor and Human Resources, we did not obtain written comments from Labor on this report. However, we discussed the report's contents with OWCP and Employment Standards Administration officials and, where appropriate, incorporated their views into this report.

CHAPTER 2

LABOR MADE MANY INCORRECT BLACK LUNG BENEFIT PAYMENTS

Labor incorrectly paid many of the 88,000 beneficiaries who were receiving black lung benefits in January 1982. We estimated that Labor had improperly paid 22,800 (about 26 percent) of these beneficiaries. Further, of the $1.9 billion that these beneficiaries had received since their claims were approved, we estimated that Labor had made payment errors totaling $65 million (3.4 percent). Although Labor had identified many of these errors before we began our review of the case files, we estimated that 17,600 cases contained payment errors not previously identified by Labor totaling over $41 million.

Many of the payment errors occurred after the enactment of the 1978 black lung amendments when the principal emphasis was on making initial claims determination decisions. More recently, Labor has improved some of its procedures for obtaining better information on its beneficiaries and has started to use a new automated payment system for paying black lung benefits. In our opinion, these actions should help prevent many future payment errors from occurring. Regarding the identification of past payment errors, the Division plans--in fiscal years 1983 and 1984--to conduct payment reviews of every case in current benefit status. In our opinion, if properly implemented, these reviews should enable the Division to identify errors which were previously made. Chapters 3 to 8 discuss in detail (1) problems that Labor has had in ensuring that payments were accurate and (2) Labor's actions to prevent future payment errors.

SAMPLE INDICATES MILLIONS IN PAYMENT ERRORS

Our estimates of the number of cases in error and the dollar value of incorrect payments are shown in the following table.

Estimated Number of Cases in Error and Dollar Amount of Errors

(dollar amounts in millions)

Error identified by (note a)	Cases overpaid		Cases underpaid		All cases	
	Number (note b)	Amount	Number (note b)	Amount	Number (note b)	Amount
GAO	9,600	$34.8	9,200	$ 6.2	17,600	$41.0
Labor	4,900	9.8	6,200	14.3	9,200	24.1
Either	12,900	$44.6	13,200	$20.5	22,800	$65.1

a/Our estimates were based on a random sample of 286 of about 88,000 monthly benefit checks issued in January 1982. Our estimates of dollars paid in error were based on total payments of $1.9 billion paid to these beneficiaries through April 1982; the latest payment we reviewed.

b/Does not add because some cases contain both overpayment and underpayment errors; others contained errors identified by GAO as well as errors identified by Labor.

In the above table, the dollar values shown as being paid in error are subject to relatively large sampling errors. Additional information on these estimates and on the sampling errors is contained on page 6 and in appendixes I and II.

These estimates were developed based on a total of 74 cases with payment errors totaling over $236,000 which we identified in our random sample of 286 cases. Information on our sample is contained in appendix III.

Many of the payments in our sample were incorrect because claims examiners did not properly consider data which were included in the case file. Other types of payment errors included:

--Benefits were not reduced to reflect black lung benefits paid under SSA or State programs.

--Benefits were based on outdated information.

--Benefits were not paid or were paid twice because input documents were delayed or lost.

We also found that some debts, resulting from identified overpayments, were not quantified, properly recorded, or aggressively pursued.

OTHER PAYMENT ERRORS IDENTIFIED

In addition to the payment errors in our sample, other instances in which the Division apparently overpaid beneficiaries have been identified. In 1981 and 1982, our Office, the Division, and State workers' compensation offices identified potential overpayments to black lung beneficiaries by (1) matching Labor's benefit rolls with lists containing information on other black lung benefits that these individuals might be receiving or (2) analyzing information contained in the Division's automated data bases. As a result of the Division's analysis of matches from these lists, it removed a number of claimants from its black lung benefit rolls and collected or is currently collecting overpayments of over $5 million. The following table shows the results of these various matches.

Matches of Labor's
Black Lung Benefit Roll
and Other Compensation Rolls

External match with	Date Labor obtained roll	Number of beneficiaries matched (note a)	Overpayments		
			Total	Recovered	Out-standing
			(thousands)		
Pennsylvania	2/81	78	$ 421	$ 152	$ 269
SSA	4/81	233	1,929	1,022	907
Kentucky	9/81	125	590	241	349
SSA	3/82	60	1,225	212	1,013
Pennsylvania (note b)	4/82	329	N/A	N/A	N/A
Subtotal--external matches		825	4,165	1,627	2,538
Internal	12/81	58	481	56	425
Internal	2/82	69	375	139	236
Total		952	$5,021	$1,822	$3,199

a/Not all matches resulted in the identification of an overpayment.

b/Results of the Division's analysis were not available when we completed our review.

PLANNED EFFORTS TO IDENTIFY PAYMENT ERRORS

Program officials have recognized that many beneficiaries have not been accurately paid. Previous efforts to review beneficiaries' case folders for payment errors had been suspended, for the most part, because of higher priority work related to the 1981 black lung amendments. Subsequently, Labor's plans for fiscal years 1983 and 1984 call for a payment review of every case in current benefit status. This planned effort should enable the Division to identify many past payment errors and to ensure that it is making accurate payments to beneficiaries. However, the Division could implement its plans more effectively or efficiently if it consolidated numerous listings of potential problem cases identified as a result of OIG reviews of black lung payments.

In addition to the matches discussed on the previous page, Labor's OIG has provided the Division with numerous lists which identified about 60,000 cases with indications of potential payment problems. According to Division officials, claims examiners have only sampled about 10 percent of the claims from most of these lists and have had mixed results; some lists appear to identify more payment errors than others. Division officials also told us that many of these cases appear on more than one list and that only about 14,000 individual cases are affected.

Labor's OIG developed each of these lists, which contain cases with a particular type of potential payment error, by identifying inconsistencies in the Division's computer records. Examples of the types of cases that appeared on these lists included cases where (1) payments were apparently made to deceased beneficiaries, (2) individuals were apparently receiving black lung benefits from Labor after a responsible mine operator had agreed to make payments, (3) individuals were apparently receiving more than one payment from the black lung disability trust fund, and (4) beneficiaries were apparently receiving augmented benefits for dependents whose eligibility needed review. In our opinion, the Division should consolidate these various lists for its use during the forthcoming payment review effort. This consolidation should prevent specific claims from being reviewed several times for different potential payment problems.

Even if these reviews identify overpayments, it should be noted that regulations permit Labor to waive collections if the (1) claimant is without fault in creating the overpayment and (2) collection would either defeat the purpose of the act or be against equity and good conscience.

CONCLUSIONS

If properly implemented, the Division's current plans to conduct payment reviews of all claims in current benefit status should result in the identification of many of the estimated 17,600 cases containing undetected payment errors. We estimated that these cases contained overpayments totaling $35 million and underpayments totaling $6.9 million. Concerning the overpayments which are identified, we recognize that some of them may not be subject to collection because of Labor's waiver regulations.

Furthermore, as the Division takes steps to implement its payment review plans, it should consider consolidating OIG lists of potential problem cases to prevent some cases from being reviewed several times.

CHAPTER 3

MANY CLERICAL ERRORS NOT IDENTIFIED BY SUPERVISORY OR QUALITY CONTROL PRACTICES

Most of the payment errors we identified occurred because claims examiners had not established or adjusted benefit levels to reflect information in the case files. The reasons for the specific errors were often unclear. However, Labor officials believed that the automated and manual processing systems were not adequate to control the rapid increase in data and payments created by the 1978 and 1981 amendments to the act. As local officials tried to comply with Labor's emphasis on adjudicating claims, documents were frequently not considered and activities necessary to prevent or detect errors were often not performed. Specifically, we found that:

--Supervisors did not always ensure that adequate documentation supported a payment transaction.

--Two of the four district offices we visited had suspended quality control reviews because of staff shortages.

--The Employment Standards Administration's accountability reviews had focused on eligibility decisions and placed little emphasis on ensuring that payments were properly adjusted after initial authorization.

CLAIMS EXAMINERS DID NOT USE AVAILABLE DATA

About 19,400 or 85 percent of the 22,800 estimated payment errors occurred, at least in part, because claims examiners did not correctly use data which we found in the case file. These errors include instances where claims examiners did not (1) use available information to establish or adjust benefit levels, (2) follow up to clarify existing data which indicated that a payment change may be needed, and (3) accurately compute payments. For example:

--Labor overpaid three beneficiaries about $50,000 because claims examiners did not use data in the case file which indicated that black lung benefits were also paid by SSA.

--One beneficiary was overpaid $440 over a 3-month period because the claims examiner did not reduce the miner's benefits when the miner reported that his wife had died.

--One beneficiary was overpaid a total of $308 because the claims examiner, on two occasions, used the wrong fiscal year benefit rate to compute a retroactive lump sum payment.

--One beneficiary was underpaid almost $3,600 because the claims examiner did not include benefits for the miner's wife in his calculation of retroactive lump sum benefits. In this case, the wife had died before the payment was calculated, but the miner was entitled to benefits for the 2-1/2 years before her death.

Many of our sample cases were approved by SSA under the 1978 amendments and transferred to Labor for payment from the trust fund. According to Johnstown officials, Labor had to begin paying about 22,000 of these claims within 30 days after they were received and has never adequately reviewed most of them to ensure that the payments were accurate based on information in the files.

OFFICIALS BELIEVE STAFFING AND WORKLOAD CHANGES CONTRIBUTED TO ITS PAYMENT PROBLEMS

Although the reasons why a particular document was not processed are unclear, Division officials told us that the workload created by the 1978 and, to a lesser extent, the 1981 amendments to the act greatly affected the Division's ability to maintain beneficiaries' accounts. The 1978 amendments caused a backlog of over 240,000 claims which the Division had to adjudicate. For many of these claims, the Division had to reevaluate previous eligibility determinations. More recently, the 1981 amendments required the Division to manually review thousands of claims to identify those for which mine operators were no longer liable. Labor has acknowledged that, as the Division workload began to increase in 1978, its ability to adjudicate claims exceeded its ability to process payments and effectively maintain beneficiaries' accounts and that payments were processed without the necessary controls to manage the data.

District office officials with whom we discussed the payment errors and probable causes also noted that other priority work and a reduction in staff prevented claims examiners and supervisors from performing tasks needed to ensure that payments were accurate. For example, claims examiners or their supervisors frequently did not (1) use existing supporting documentation; (2) follow up or review annual postentitlement questionnaires or dependent monitoring system reports; or (3) identify, verify, or collect debts resulting from overpayments.

We did not determine if Labor's current staffing levels are adequate to effectively manage its benefit payment process because we did not evaluate the potential effect of reduced workloads, recent staff reductions, and the implementation of its new automated payment system. For instance, Labor estimates that the number of new applications for black lung benefits will remain low when compared with the number of applications that were reviewed as a result of the 1978 amendments. As such, Labor may be able to better concentrate its resources on identifying and correcting past payment errors and preventing future ones. However, the Division's staff was reduced from 714 in fiscal year 1981 to an authorized level of 456 in fiscal year 1983.

SUPERVISORY REVIEW PROCEDURES DID NOT DETECT ERRORS AS THEY OCCURRED

In any payment system, some clerical errors are likely to occur. In the workload and staffing environment described above, it is particularly important to have adequate control procedures to minimize these errors. However, we found that quality control procedures were often inadequate.

Supervisory review is a fundamental internal control which is commonly used to help assure that documents are processed correctly and in accordance with existing procedures. According to black lung program guidelines, deputy commissioners (officials in charge of district offices) or their designated supervisors are responsible for authorizing payment transactions by signing payment forms prepared by claims examiners.

Based on our sample of case files, we estimated that supervisors had not signed 16,600 or about 12 percent of the 138,400 payment transactions. Moreover, the supervisors at Johnstown, where over one-third of the claims in our sample were located, did not have time to routinely review supporting documentation to ensure that payment forms were accurate.

DISTRICT OFFICE QUALITY CONTROL ACTIVITIES WERE INADEQUATE

District offices are responsible for maintaining a quality control system which is aimed at assuring that adjudicated claims are decided using consistent techniques, quality evidence, and applicable laws and regulations.

Officials at both Johnstown and Greensburg told us that local quality control reviews had been suspended in August 1981 and early 1982, respectively, because of staff shortages. Also, the Deputy Commissioner at one of these locations told us that

these reviews, which had been required since January 1981, dealt primarily with the quality and development of evidence in determining initial eligibility. In our opinion, some payment errors, such as an incorrect entitlement date, could be detected by this type of review. However, payment changes to older approved claims were not subject to the local quality control review, thus providing little assurance that claims examiners correctly adjusted payments after a beneficiary began receiving benefits.

According to district office officials, claims examiner training had been targeted, in part, toward the eligibility determination process rather than ensuring that beneficiaries were correctly paid. OWCP personnel responsible for conducting accountability reviews subsequently told us that future training efforts should place greater emphasis on black lung payment activities.

LABOR'S ACCOUNTABILITY REVIEWS EMPHASIZE ELIGIBILITY DECISIONS RATHER THAN PAYMENTS

Accountability reviews are periodic assessments of how well the Division and district offices meet the Employment Standards Administration performance standards for quality, quantity, and timeliness. According to an OWCP official, except for reviewing the initial benefit computation, accountability review teams (whose first report was issued in September 1980) placed little emphasis on ensuring the accuracy of benefit payments.

The accountability review reports we reviewed primarily discussed the timeliness and accuracy of the initial eligibility determination and various administrative functions, such as mail handling, filing, and responses to congressional or other inquiries. According to the OWCP official responsible for these assessments, accountability reviews have generally not been used to ensure that claims examiners, supervisors, and local quality control teams are monitoring the accuracy of benefit payments after the initial eligibility decision is made. This official believed that because the number of new claims was expected to decline, the review teams would be able to place more emphasis on assessing the district offices' performance in ensuring that benefit payments were accurate.

CONCLUSIONS

Many of the payment errors we found could be identified by data which were in the case file. In some cases, claims examiners simply miscalculated benefits; in others, documents were placed in the case file, but apparently never properly

evaluated as Labor attempted to cope with the workloads created by the 1978 and 1981 amendments to the act. In addition, Labor has not adequately reviewed most of the 22,000 cases that SSA had approved and transferred to Labor for payment.

Regardless of the reason why a specific document was not considered, supervision and control procedures in some districts were inadequate to identify clerical errors as they occurred. In our opinion, supervisors should, at a minimum, sample the documents supporting payments to ensure there is adequate support. We also believe that local quality control reviews, which were suspended at at least two locations, should be reinstituted to help assure that payment documents are properly prepared and adequately supported and to identify procedural problems or training needs. Finally, OWCP's accountability and local quality control reviews, which had concentrated on the accuracy and quality of initial eligibility decisions in the past, should place more emphasis on payment transactions.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary direct OWCP to:

--Ensure that supervisors monitor each claims examiner's work by reviewing at least some of the source documents that form the basis for making payment decisions.

--Reestablish district office quality control reviews.

--Ensure that OWCP accountability reviews and district office quality control reviews address the accuracy of payment changes made after benefits begin.

CHAPTER 4

PROCEDURES FOR IDENTIFYING BENEFIT OFFSETS NEED FURTHER IMPROVEMENT TO PREVENT OVERPAYMENTS

Some beneficiaries who received black lung benefits from Labor also received black lung benefits under SSA or State workers' compensation programs. Because black lung benefits paid under Labor's program were not offset by benefits paid under these other programs, as required by Labor's regulations, some beneficiaries had received payments totaling about $4 million[1] to which they were not entitled. Many of these overpayments occurred when SSA or a State approved a claim subsequent to Labor's approval.

We attributed these overpayments to the following: (1) claimants did not inform Labor of approved or pending SSA or State workers' compensation claims for black lung benefits or notify Labor when these claims were adjudicated, (2) claims examiners did not always verify claimants' statements or allegations about their other black lung benefits, or (3) Labor's information on claims for SSA black lung benefits was out of date and incomplete.

In 1981, the Division revised several of its procedures for coordinating with SSA and State workers' compensation offices to prevent these types of overpayments and to identify beneficiaries that could be receiving other black lung benefits. However, to further prevent beneficiaries from being overpaid, the Division still needs to (1) provide its claims examiners with additional guidance for contacting State workers' compensation offices, (2) update its information on SSA black lung benefit cases, and (3) finalize its plans to periodically match its benefit rolls with SSA and, where feasible, develop procedures to compare benefit rolls with State workers' compensation rolls.

MORE SPECIFIC GUIDANCE NEEDED FOR CONTACTING STATE WORKERS' COMPENSATION OFFICES

Claimants are required to, but sometimes do not, inform Labor of approved or pending State workers' compensation claims

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[1]The table in chapter 2 shows overpayments that Labor identified from lists comparing SSA's or State workers' compensation benefit rolls with its rolls.

for black lung benefits and to update this information as claims are adjudicated. The Division's procedures state that claims examiners should not rely on a claimant's allegation that no other claim has been filed. However, they also state that examiners could minimize the number of cases in which information had to be requested if the examiner had a thorough knowledge of applicable State laws.

Based on discussions with district office officials and our review of sampled claims, claims examiners interpreted these procedures differently. For example, of the two district offices in Pennsylvania that we visited, we found that claims examiners in one office routinely contacted the State workers' compensation office to verify claimants' allegations that no other claims for black lung benefits were filed. According to the Deputy Commissioner at the other office, many claims examiners did not contact State workers' compensation offices even if information on a claimant's application indicated that a claim was pending. At a third district office in another State, an official told us that claims examiners did not routinely verify claimants' statements with the State workers' compensation offices because the State had approved very few claims of this type.

We also noted that the Division's procedures manual contained information on the workers' compensation programs for only 11 of the 25 States where coal is produced and that information on 6 of these 11 State programs was added to this manual in December 1981, long after the Division had decided many claims. We recognize that most beneficiaries on Labor rolls worked in the States for which the Division has developed information. In our opinion, however, claims examiners, who must decide when to verify claimants' statements, need information on the workers' compensation programs for the remaining coal-producing States and clearer instructions stating when they should contact State workers' compensation offices.

ACCURATE INFORMATION ON SSA CLAIMS NEEDED

Information that the Division has on the status of claims filed with SSA does not include information on claims approved by SSA before 1978. In addition, this information has not been updated since mid-1980. Claims examiners who were required by Division procedures to use this information to verify claimants' statements about SSA claims could not use these data to identify some SSA-approved black lung benefit claims. Accurate data on SSA cases are essential because claimants could apply for benefits and be approved under both programs. When this occurs, payments must be offset to avoid exceeding the maximum benefit authorized by the act.

Based on our March 1982 match of Labor's and SSA's benefit rolls, Labor identified 51 beneficiaries who were receiving both SSA and Labor black lung benefits. We found that in 20 of these cases the Division did not have information on the SSA-approved claim and, in 10 of these cases, the Division's information indicated that SSA had denied the claim. In these cases, the Division's data erroneously indicated that black lung benefits approved by Labor were not subject to offset.

In 1978, the Division obtained information from SSA on the status of all previously denied and pending SSA claims. Originally, the Division used these data to keep track of old SSA claims that were being reconsidered under the 1978 amendments. In March 1981, the Division instructed its claims examiners to use these data for verifying claimants' statements on SSA black lung benefit claims. Until the Division obtains accurate data on all SSA claims, it could continue to approve claims that have already been approved by SSA.

PROCEDURES FOR CONTINUED MONITORING FOR BENEFIT OFFSETS BEING ESTABLISHED

Labor properly approved some black lung benefit claims before either SSA or State workers' compensation claims for these benefits were approved. In these cases, preaward verification of claimants' statements or allegations with SSA or State workers' compensation offices may have indicated that a claim was pending, but would not have identified that a claim was later approved by those agencies. To identify cases where beneficiaries do not report on the status of these other claims, the Division is still establishing mechanisms for periodically matching Labor's benefit rolls with those of SSA and selected State workers' compensation offices.

Based on the Division's analysis of claims in which beneficiaries received dual black lung benefits, it identified cases where SSA or a State workers' compensation program had approved a claim after Labor had already started to pay black lung benefits. For example, the Division found that of the 78 beneficiaries who were receiving Pennsylvania workers' compensation benefits for black lung, 58 started receiving these benefits after Labor had approved the claim.

Recognizing that its procedures were inadequate, the Division had implemented or was implementing improvements in three areas. First, in December 1981, the Division and SSA developed procedures which called for SSA to notify the Division of appealed claims that were approved and to withhold from the SSA

benefit award the amount paid by Labor. A Division official told us that SSA expects to approve about 700 of the 1,000 or so claims that claimants have appealed.

Second, SSA and the Division plan to periodically match their benefit rolls to identify cases in which benefits should be offset, a procedure similar to the tests we conducted in April 1981 and March 1982. However, the Division and SSA had not completed negotiating the format of computer tapes that will be used to identify beneficiaries who are inappropriately receiving both SSA and Labor black lung benefits. Division officials told us that this delay occurred because the Division has, until recently, been involved in implementing its new automated payment system.

Finally, the Division is developing similar mechanisms to periodically match its rolls with State workers' compensation rolls. Following the methodology we used in our 1981 comparison of Labor and Pennsylvania benefit rolls, the Division has already identified beneficiaries in Pennsylvania and Kentucky who received a total of over $600,000 in benefits (see p. 9) that should have been offset. However, efforts to periodically match Labor's rolls with other States' workers' compensation rolls depend to a large extent on how these States' programs are structured and what type of information is maintained by their workers' compensation office. Unlike Pennsylvania and Kentucky, some States do not have automated systems or systems that can readily identify individuals receiving State workers' compensation benefits for black lung. Therefore, the Division will have to investigate other mechanisms for periodically comparing its benefit rolls with the compensation rolls of other States where coal is produced.

CONCLUSIONS

Some beneficiaries who concurrently received Labor black lung benefits and SSA or State workers' compensation benefits for black lung were overpaid. In 1981, the Division revised several of its procedures to (1) verify claimants' statements related to SSA and State workers' compensation black lung benefits and (2) identify beneficiaries who received other black lung benefits. However, further improvements are needed to prevent some claimants from inappropriately receiving dual black lung benefits or to identify additional miners receiving more than one black lung benefit. These improvements include: (1) clarifying claims examiners' responsibilities for verifying claimants' statements with State workers' compensation offices; (2) obtaining complete, up-to-date information on all claims decided by SSA; and (3) developing mechanisms for periodically

matching Labor's benefit rolls with those of SSA and, where feasible, with those of State workers' compensation programs. We recognize that Division efforts to develop mechanisms for matching its benefit rolls with those of some State workers' compensation offices depend, to a large extent, on the type of data maintained by the State.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary direct OWCP to:

--Clarify procedures as to when claims examiners should contact State workers' compensation offices to verify claimants' statements related to State black lung benefits.

--Obtain a complete, up-to-date list of all SSA claims decisions to identify when benefits should be offset.

--Periodically match Labor's benefit rolls with those of SSA to ensure that individuals are not receiving dual black lung benefits to which they are not entitled.

--Contact State workers' compensation offices and, where possible, establish mechanisms for periodically matching Labor's benefit rolls with State compensation rolls.

CHAPTER 5

MECHANISMS TO BETTER ENSURE THAT BENEFITS ARE BASED ON CURRENT DATA COULD BE MORE EFFECTIVE

Labor overpaid some beneficiaries because the Division, until recently, did not have mechanisms for ensuring that benefit payments were based on current information related to beneficiaries' or dependents' continued entitlement to benefits. Although regulations require beneficiaries to promptly report circumstances that affect their entitlement, some beneficiaries did not report such events as deaths, divorces, or changes in student status that should have resulted in adjustments to their benefits. In other cases, beneficiaries reported these events; however, the Division did not adjust benefits to reflect the reported information.

In 1981 and 1982, the Division initiated efforts to better ensure that its information on beneficiaries and dependents was current and that its payments to these individuals were correct. These efforts involved the use of (1) dependent monitoring system reports to identify dependents who were over 18 years old and whose continued eligibility needed to be reviewed and (2) an annual postentitlement questionnaire to obtain current information on each beneficiary. While these efforts have assisted the Division in identifying some beneficiaries whose payments needed adjusting, we found that:

--Division staff had not always followed up dependent monitoring system reports to identify and correct payment errors and to compute past overpayments.

--The Division routinely reduced some beneficiaries' payments based on a dependent monitoring system report without giving beneficiaries an opportunity to provide information to support their entitlement.

--Claims examiners in one district office had not reviewed about 27,000 postentitlement questionnaires returned by beneficiaries.

--The questionnaire was confusing and inadequately designed to obtain current information from beneficiaries. The Division recognized this problem and is redesigning the questionnaire.

MONITORING SYSTEM REPORTS NOT ALWAYS FOLLOWED UP; SOME BENEFIT OVERPAYMENTS UNIDENTIFIED, OTHER BENEFITS INAPPROPRIATELY TERMINATED

In March 1981, the Division began preparing dependent monitoring system reports that its claims examiners could use to identify dependents whose continued eligibility for black lung benefits needed to be reviewed. However, because the Division did not always follow up on this information to (1) verify dependents' eligibility or (2) determine when dependents' entitlements should cease, some beneficiaries continued to be overpaid. Subsequently, the Division compounded its followup problem when it reduced some beneficiaries' payments based solely on the information in a May 1982 dependent monitoring system report. In these cases, the Division either did not identify past overpayments or inappropriately reduced some beneficiaries' payments.

According to black lung regulations, beneficiaries are entitled to increased benefits if their dependent children are (1) under 18 years old, (2) under 23 years old and are full-time students, or (3) totally disabled. Birth certificates, certificates of school attendance, or physicians' statements of total disability are required to support these circumstances. The beneficiary is required to report any changes which occur after benefits are approved.

Before March 1981, the Division relied primarily on beneficiaries to report changes in their dependents' status that had occurred after the Division had approved their claims. However, some changes were either not reported or reported, but not processed. The Division developed a dependent monitoring system to identify dependents whose eligibility needed to be reviewed by local examiners. Output from this system consisted of periodic listings of dependents who had reached or would soon reach ages 18 or 23 and were not specifically designated as full-time students or disabled.

The Division prepared its first dependent monitoring system report in March 1981. In analyzing this information, the Division identified beneficiaries--with ineligible dependents--who had been overpaid a total of about $1.8 million because their dependents no longer met eligibility requirements.

The Division subsequently prepared other dependent monitoring system reports that also listed dependents who did not appear to meet the eligibility criteria. However, because some claims examiners had higher priority work, they did not always follow up on these lists to either reduce benefits for ineligible recipients or update the computer records to show that the

dependent continued to be eligible for benefits. At one district office where eligibility information on some dependents was verified, the computerized records were not updated to reflect some dependents' current status. Thus, later lists continued to contain these dependents' names.

In an attempt to require followup, the Division in March 1982 prepared a dependent monitoring system report and advised the district offices that it planned to terminate dependents' benefits unless claims examiners obtained evidence of these dependents' continued eligibility. Two months later (May 1982), the Division carried out its plan and terminated about 2,100 dependents' benefits totaling about $900,000 annually. In addition, it identified about $1.3 million in potential overpayments related to these cases.

While we did not review each termination, we noted that (1) many of the dependents (61 of 102 reviewed) identified on the May 1982 dependent monitoring system report should have been listed on earlier reports; (2) claims examiners at three of the four locations we visited had not received the May 1982 list of beneficiaries whose payments were reduced and thus could not follow up to verify and collect the potential overpayments; and (3) in about 20 percent of the cases tested, the Division had to restore some benefits when beneficiaries provided evidence that supported their dependents' continued eligibility.

MANY POSTENTITLEMENT QUESTIONNAIRES WERE NOT REVIEWED

In February 1982, the Division's contractor mailed postentitlement questionnaires to 88,000 beneficiaries to better ensure that payments to beneficiaries were based on accurate, up-to-date information. Previously, the Division had primarily relied on beneficiaries and others to voluntarily report such events as deaths and divorces which affected benefit payment amounts. The impact of this mailing has been limited because many returned questionnaires were not reviewed and inadequacies in the design of the questionnaire limited the usefulness of the data obtained.

At one of the district offices we visited, we found over 27,000 returned questionnaires which had not been reviewed up to 5 months or more after they were received. District officials told us that claims examiners had not reviewed these questionnaires because they had other higher priority work related to requirements contained in the 1981 black lung amendments. It should be noted that mailing all the questionnaires at one time was contrary to the Division's procedures manual, which states that questionnaires should be sent on a staggered basis, such as on the anniversary of the beneficiary's claim approval.

In addition to the large number of unreviewed questionnaires, several district and Division officials told us that the questionnaire was confusing and inadequately designed to obtain the information needed. The questionnaire essentially asked that beneficiaries advise the Division of any changes in status that would affect payments. Beneficiaries had to assume what information was already in the Division's files. As such, beneficiaries did not know whether the information in the files needed updating or whether benefits had already been adjusted based on data that had been submitted earlier. Moreover, because the questionnaire did not include a request for such documents as marriage or death certificates needed to support benefit adjustments, claims examiners had to contact some beneficiaries to request evidence of reported changes.

Division officials recognized these problems and told us that they were revising the questionnaire and planning to stagger their next mailing of the questionnaire.

CONCLUSIONS

Labor should not have routinely reduced benefits based solely on an internal reporting system without advising beneficiaries of the reduction. This action has resulted in added work associated with restoring benefits to the beneficiaries who were inappropriately terminated. In other cases, where the termination of benefits was appropriate, the Division still needs to follow up to verify and collect previous overpayments in cases where dependents were not eligible for benefits received before the date they were terminated.

In addition, a properly designed questionnaire can provide current data to help ensure that payments are accurate.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary direct OWCP to:

--Follow up on dependent monitoring system reports to determine if documentation supporting continued eligibility is available. When such information is not available or is not provided by beneficiaries, ensure that past overpayments are identified and collection action initiated.

--Redesign the annual postentitlement questionnaire to clarify the information and documentation needed and review on a timely basis the questionnaire responses to identify when benefit levels should be adjusted.

CHAPTER 6

RECORDS DID NOT ADEQUATELY IDENTIFY MANY UNCOLLECTED DEBTS

Labor is responsible for collecting overpayments made to beneficiaries and other debts owed by mine operators to the black lung disability trust fund. However, we found that district office personnel did not uniformly record beneficiaries' debts as required and often did not prepare records of these debts until after they were collected. We also found that efforts to follow up and collect about 45 percent of the debts we reviewed were poor. For 28 of the 60 debts[1] that we reviewed at two locations, we found that claims examiners had not attempted to collect these debts for at least 3 months.

Further, we found that the Division's claims examiners had not billed responsible mine operators for interest penalties and medical expenses in 15 of the 27 cases in our sample of situations where an administrative law judge had determined that an operator was liable for paying an eligible claimant's black lung benefits.

In September 1982, the Division initiated a new automated payment system which, if properly implemented, should result in better control over accounts receivable. By recording all debts in a central location, this system should allow claims examiners and Division officials to better identify and monitor cases needing followup action.

COLLECTION OF OVERPAYMENTS HINDERED BY INADEQUATE RECORDS AND POOR FOLLOWUP

Government agencies should assure that accounts receivable are accurately and promptly recorded, periodically reviewed, and promptly collected. For Labor's black lung program, these responsibilities were shared by claims examiners and the Division's cash accounting section. Claims examiners had responsibility for (1) identifying and confirming that a beneficiary had received an overpayment, (2) preparing an account receivable record, (3) notifying the beneficiary of the amount owed and establishing a repayment schedule, and (4) sending a copy of the

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[1]Because centralized records were not maintained, our sample consisted of 12 debts identified in our random sample of 286 beneficiaries and 48 of about 2,100 informal debt records maintained at the Johnstown and Greensburg district offices.

receivable record to the cash accounting section. The cash accounting section had responsibility for recording payments and notifying claims examiners of payments that the accounting section received.

Many of the claims examiners in the offices we visited assumed responsibility for monitoring collections for the cases under their control. However, some officials in the Johnstown office believed that the Division was responsible for collecting debts. In any event, the required procedures were not always followed. Claims examiners did not always (1) notify beneficiaries of debts or (2) prepare accounts receivable records when a debt was identified, in which case no formal record of the debt existed. Instead, these examiners often prepared "receivable records" only when a beneficiary made a payment. In these types of cases, the cash accounting section would not be aware of the examiners' failure to notify the claimant of a debt or the status of actions taken to collect these debts. In cases where the cash accounting section had a record of the debts, this section did not attempt to follow up on uncollected debts because they believed it was the claims examiner's responsibility to do so.

At two locations, informal card or "tickler" files were maintained that claims examiners could have used to control debt collection efforts. At one of these offices, a district official told us that claims examiners were not currently following up on outstanding debts because of higher priority work. A claims examiner in the Division also used the same reason for not following up on debts which he had recorded in his informal records.

At two other locations informal receivable records were generally inadequate to control debt collections. At these locations, some claims examiners maintained informal records using various methods including desk calendars, card files, and schedules listing each debt. We also noted that some claims examiners either did not maintain any informal records, maintained records which were incomplete, or did not use these records to ensure that collections had been made. Moreover, these claims examiners told us that procedures did not exist to pass these records along when cases were transferred to other offices or other examiners.

For 27 of the 60 debts we reviewed, claims examiners had not taken any collection action for at least 3 months and, in 13 of these cases, examiners had not acted in over a year.

Subsequent to our tests, the Division significantly strengthened its procedures to improve collection efforts. On April 30, 1982, the Division directed the accounting section to maintain accounts receivable records. More importantly, in September 1982, the Division initiated its newest automated system which should, if properly implemented, result in better controls over receivables once they are identified. This system will contain an automated record of each debt and the amount collected or outstanding. These data should allow Division officials to identify and monitor cases needing followup action.

DELAYS IN BILLING RESPONSIBLE OPERATORS FOR INTEREST EXPENSES AND MEDICAL COSTS

Because some Division claims examiners had not followed up to identify the total amounts owed by responsible mine operators, these operators were not billed for interest and reimbursable medical costs. We noted that some operators were inaccurately billed for reimbursable monthly benefit payments. These debts were established as a result of the Division paying beneficiaries "interim benefits" from the black lung disability trust fund until the time an administrative law judge determined that a mine operator was legally liable for the miner's benefits. When this occurred the Division was supposed to have identified and billed the mine operator for all previous monthly benefit payments and medical expenses paid by the trust fund as well as interest on these amounts.

In 15 cases--or more than half of the 27 responsible mine operators' cases we reviewed at the Division--mine operators were not billed for reimbursable interest and medical costs. Although the Division had notified the operator that these costs would be billed in the future, no further collection action had been taken when we reviewed these cases at least 7 months later. Unbilled interest and medical expenses averaged over $1,400 in 7 of the 15 cases where we reconstructed the debt due. Additionally, in four cases, the Division also overbilled these operators a total of about $5,000 for the miners' monthly black lung benefits.

The claims examiner responsible for recording the Division's initial bills to responsible mine operators and following up on cases retained at the Division told us that medical expenses and interest would eventually be identified and billed. However, at the time we discussed this situation with him, he had neither the time nor the staff to accomplish this task. Moreover, he told us that he did not have time to verify that the amounts which were billed to mine operators or beneficiaries were collected.

Claims examiners could not quickly or accurately bill mine operators because the Division did not maintain a readily available record of payments made on behalf of each beneficiary. The claims examiner could obtain accurate payment data from numerous benefit payment check registers, a separate record of medical payments, and other records maintained by the Division. In more than half of the cases we tested, these data were either not developed or developed incorrectly.

For the 20-month period ended in June 1982, Labor had collected almost $25 million--including monthly compensation, medical expenses, and interest--from responsible operators. As of September 1982, a Division official estimated that there were over 6,000 cases for which responsible mine operators were potentially liable for the miners' benefits. Based on the incorrect or delayed billings in our sample cases and the amount of past collections, the debts owed by responsible mine operators to the trust fund for monthly compensation, medical expenses, and interest could be substantial.

CONCLUSIONS

Labor has not maintained adequate controls to assure that debts are repaid promptly. Informal local "tickler" files and various informal methods used by individual claims examiners frequently did not identify when collection actions were needed and did not provide an adequate basis for management to monitor collection efforts. The Division's new automated system, if adequately implemented, should provide these controls for new and existing debts as local records, including records maintained by local claims examiners, are incorporated into the new system.

Additionally, the Division did not bill over half of the coal mine operators cases we reviewed for interest and reimbursable medical expenses. We did not determine the extent that this problem occurred in other coal mine operator cases.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary direct OWCP to ensure that

--the new automated system is used to record and monitor collection efforts for new and existing debts and

--interest and medical expenses are identified and billed to coal mine operators.

CHAPTER 7

ACTIONS TO IMPROVE MEDICAL PAYMENT SYSTEMS BEING IMPLEMENTED

Before September 1982, the Division had not corrected problems with its process for paying medical expenses for diagnosing and treating miners' black lung disease. In two studies of medical payments, Labor's OIG identified $3.2 million in actual or potential overpayments from its analysis of available computerized records and an estimated $9.2 million in unsupported payments from its analysis of beneficiaries' case files. OIG had generally identified problems related to duplicate payments, overpayments and underpayments, unsupported payments, medical folders that did not contain required information, and automated files that contained invalid or conflicting information.

According to the Division's responses to OIG reports, the Division's new automated medical payment system, which was implemented in September 1982, addresses many of OIG's recommendations to correct the above problems. Actions on other OIG recommendations will depend, to a large extent, on the availability of resources to review individual miners' medical case folders to identify and correct past medical payment errors.

Because of OIG's work in the medical payments area, we limited our review to the medical expenses of 27 miners whose compensation payments were also selected for review. Our review of these cases confirmed that many of the problems on which OIG reported were, for the most part, still occurring when we completed our review in August 1982. In addition to these problems, we found that OWCP had not established schedules of reasonable fees for black lung-related medical treatment services. However, OWCP was developing these schedules when we completed our fieldwork.

RECENT ACTIONS ON SOME OIG RECOMMENDATIONS

According to Division officials, before September 1982, the Division had not implemented most of the recommendations contained in two OIG reports on the Division's medical payment systems. In April 1981, OIG had transmitted to the Division a draft report on its review of monthly compensation benefits and medical expenses paid by the Division. This report discussed findings based primarily on data contained in the Division's computer records. In December 1981, OIG transmitted to the Division another draft report which discussed findings based on a random sample of 292 of about 167,000 individual miners'

medical case folders. These reports covered medical payments--diagnostic, treatment, and other related expenses--which we estimated totaled about $54 million for fiscal year 1973 through November 1980.

The principal findings discussed in these reports included:

--$3.2 million in actual or potential overpayments based on automated matches of computerized records.

--$9.2 million[1] in estimated unsupported payments which included duplicate payments, overpayments and underpayments, and payments which were not completely supported in accordance with the Division's procedures.

--Medical folders that contained some, but not all, data required by black lung procedures although enough data existed to show the bill was correctly paid.

These draft reports contained recommendations which included: (1) reviewing each miner's medical case folder to identify and correct payment errors and to organize the folder's contents, (2) redesigning claims forms to save time and reduce computation errors, (3) periodically verifying that medical payments were authorized and confirming with miners that medical services were rendered, (4) recording in the automated data base a complete record of transactions to post to individual miners' accounts and to identify total medical payments, (5) establishing edits to prevent the automated system from making payments in cases where the Division's data bases contain certain inconsistent or invalid data, and (6) establishing procedures to reimburse SSA for black lung-related medical expenses paid by Medicare.

In addition, the Division--for followup reasons--requested that OIG provide it with listings of potential erroneous medical payments. OIG had identified these potential errors during its review of data in the Division's computerized records. These listings contained information on more than 49,000 cases with potential payment errors.

In June 1981 and March 1982, the Division commented on OIG's draft reports. Although it took exception to the dollar value of payment errors, it generally agreed with each of the

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[1]At the 95.4-percent confidence level, OIG estimated that from $4.5 million to $13.9 million in medical payments were unsupported.

above recommendations. The Division commented that it would correct many of the problems addressed by these recommendations when it implemented its automated medical payment system. Actions to correct the other problems, such as identifying past payment errors, redesigning forms, following up on the lists of potential erroneous medical payments, and establishing reimbursement procedures, were already planned or underway.

At the time we completed our audit work related to medical payments (mid-August 1982), the Division was still conducting "acceptability tests" on the new automated medical payment system, and by September 1982, the Division began implementing this system. Regarding its review of medical files to identify past payment problems, the Division had reviewed two of seven OIG listings of potential erroneous payments. Division officials told us that several additional employees were hired in October 1982 to review the remaining OIG lists.

Because of OIG's work, we sampled a limited number of medical payments to determine their accuracy. In these cases, we looked at payments made subsequent to OIG's reviews and found many problems that were similar to those found by OIG at least 6 months earlier. For example:

--Some case folders could not be located and many other folders did not contain adequate documentation to support medical payments.

--Payment errors including duplicate payments, overpayments, and underpayments were identified.

--Medical folders were unorganized, incomplete, and included unpaid bills that should have been identified when subsequent bills were processed.

--Occasionally, Medicare or insurance carriers paid a portion of the medical bill for what appeared to be a black lung-related medical expense.

Most of the problems that OIG identified still existed when we completed our review, and most of OIG's recommendations still appeared to be valid. According to the Division's response to the OIG report, the Division planned to implement many of the OIG recommendations when its new automated medical payment system became operational. The Division has asked OIG to review this system which was implemented in September 1982, shortly after we completed our review. Division officials told us that additional staff was hired in October 1982 to analyze the remaining cases on OIG's lists of potential payment problem cases.

Further, the official responsible for monitoring the processing of medical bills believed that payment errors had recently decreased because of reductions in the backlog of unpaid bills from 4 to 2 weeks; with the smaller backlog, "pressure" on the payment clerks decreased and bills were being more accurately processed.

OWCP IS DEVELOPING CRITERIA TO ENSURE THAT MEDICAL PAYMENTS ARE REASONABLE

Since the Division began paying black lung medical expenses, it has not had a fee schedule of reasonable charges for treatment services. In 1981, medical payments totaled about $35.3 million; of this total the Division paid $28.6 million for treating miners' black lung disease and $6.7 million for diagnosing claimants' medical condition. Treatment included miners' visits to doctors' offices, hospital stays, prescription drugs, laboratory work, and miners' travel expenses to medical facilities.

According to OWCP officials, reasonable fees for black lung treatment services are being developed as part of a more comprehensive fee schedule that will be used by the Federal employees' compensation program. Some medical procedures are common to both programs, and the officials told us that they also plan to test proposed fees for specific black lung-related medical services to ensure their reasonableness. OWCP had planned to implement its schedules of reasonable fees in the autumn of 1982. However, a field test did not begin until February 1983 and implementation has been delayed until October 1983.

Where fee schedules existed for diagnostic services, they were not always followed and the reasons for paying fees which exceeded these schedules (about 8 percent of the time) were not documented. While the fees paid for individual diagnostic services exceeded the schedules by relatively small amounts, we are concerned that a similar problem could reduce the potential effectiveness of the proposed fee schedules for treatment services. In our opinion, when payments exceeded the fee schedule, records should be maintained to justify each authorization and identify those providers who received these fees.

CONCLUSIONS

In many cases, the Division erroneously paid miners' diagnostic and treatment medical expenses. Our review of a sample of medical bills paid after June 1981 confirmed the results of

earlier OIG reviews of these payments. Division actions to correct many of the problems identified by OIG are being implemented. Division officials believe that the new automated system for paying medical bills will result in better controls over the payment of these bills in the future. Additionally, the Division has hired additional staff to review the potential problem cases identified by OIG.

Because the Division's corrective actions occurred after the completion of our review, we did not evaluate their effectiveness. However, OWCP had asked OIG to review the new processing system (which includes both medical and compensation payments) once it was implemented. In view of the problems identified in OIG's prior reviews, we agree that such a review is necessary.

OWCP is developing fee schedules to help ensure that black lung-related medical treatment expenses are reasonable. However, these schedules may not be fully effective because the Division has not always documented the reasons for exceeding the limited fee schedules which do exist. These efforts should be monitored closely, with adequate testing, to ensure that only reasonable medical costs for treating miners are approved.

RECOMMENDATIONS TO THE SECRETARY OF LABOR

We recommend that the Secretary:

--Request OIG to evaluate the Division's new processing system to determine whether it effectively implements OIG's previous recommendations.

--Monitor the development and implementation of OWCP's fee schedules to ensure that future black lung-related treatment costs are reasonable and that the Division appropriately documents payments which exceed these schedules.

CHAPTER 8

PAYMENT SYSTEM IMPROVEMENTS SHOULD REDUCE PROCESSING ERRORS

Many of the payment errors that we identified were made before December 1981. At that time, the Division implemented an "interim" payment system that featured "on-line processing" of data related to the payment of benefits. This feature, which enabled the Division to start paying an eligible claimant's benefits much sooner than the system previously used, and other features should prevent at least some of the payment errors which occurred because of lost or delayed processing of computer input documents.

In September 1982, shortly after we completed our fieldwork, the Division implemented a new system for paying black lung benefits. This system incorporated many interim system features and combined monthly benefit and medical payments into one system. It also included features that should, if properly implemented, help resolve several problems related to the payment of medical benefits and result in the Division having better, more accessible information on beneficiaries.

INTERIM SYSTEM REDUCED DELAYS AND HELPED PREVENT DUPLICATE PAYMENTS

In December 1981, the Division implemented an interim payment processing system which integrated a claims tracking[1] and the monthly benefits payment systems. Under the payment system the Division used before December 1981, long delays in processing payment documents resulted in numerous payment errors and contributed to some beneficiaries receiving duplicate payments. The interim system--which permitted the district offices to directly update beneficiaries' pay records, included better data edits (automated analysis of data entered into the computer) to prevent duplicate payments, and provided more security in entering information into the system--should eliminate many payment errors we found, particularly many of the errors caused by delays in processing payment input documents.

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[1]The claims tracking system used by the Division is most often referred to as BLIS--Black Lung Information System. The Division used this system to record and track eligibility data before awarding benefits.

Reduced processing times should prevent many underpayments

Under the payment system used before December 1981, many payment errors occurred because the Division often took 3 months or more after a claim was approved to begin payments. Payment input forms were prepared in the district offices; mailed to the central accounting section for review; and at different locations, keypunched, edited, corrected, updated, and processed for payment. Division staff normally adjusted a newly approved beneficiary's first payment or issued a supplemental payment to pay a beneficiary for benefits missed because of the delays in processing payment input documents.

The Division underpaid 15 of the 286 beneficiaries in our sample a total of $6,500 because it failed to adjust their payment rate to reflect processing delays; 13 of these beneficiaries did not receive their first monthly benefit payment, and 2 beneficiaries received the wrong benefit amount for up to 12 months. We estimated that the Division underpaid over 4,300 active beneficiaries.

Under the interim system, Division and district office officials estimated that the time to initiate beneficiaries' payments was reduced from about 3 months or more to 3 weeks or less. District office staff authorized, entered, and corrected payment data from local data processing terminals, and the payment authorization forms remained in the district office, where the staff that updated and corrected these documents were assigned. This process reduced processing time and the potential for lost payment documents that the district office staffs used to send to the Division.

Internal system checks help prevent duplicate payments

Because the Division's payment system used before December 1981 did not include sufficient automated checks (data edits) to ensure that beneficiaries had not received two or more checks for the same period, some beneficiaries received benefits to which they were not entitled. We identified 69 beneficiaries who apparently received duplicate monthly benefit checks when payment authorization forms with different social security numbers were processed. Based on this list, the Division had verified that 28 of these beneficiaries had been overpaid $375,000 and was quantifying overpayments to 30 others. In a second test, the Division identified another 49 beneficiaries who received multiple retroactive lump-sum payments totaling about $480,000.

According to program officials, when payment input forms were lost during processing, district office staff prepared duplicate input forms. Before December 1981, the Division's processing system prevented both of these forms from being processed only when specific data, including the social security number, were identical. Therefore, when this information was not the same--for example, whenever the social security number was improperly transcribed on the input document or improperly typed into the computer--the system processed both forms and duplicate payments resulted.

According to Division officials, the interim system helped prevent these types of overpayments. Under this system, the Division took less time to process payment documents and these documents stayed at one location. As a result, Division staff had less chance of losing or misplacing these documents. The interim system also provided data edits which should help prevent duplicate payments. For example, it matched information on payment forms against previous eligibility data already included in the automated payment system. Since no match would occur if the input forms were inadvertently prepared or keypunched with the wrong social security number, the system would reject the document. The previous system would reject the payment only if it could identify that a payment was already being made to the beneficiary. Thus, if no match was found because the identifying data were incorrect, the system accepted the payment data and incorrectly paid the beneficiary twice.

Data entry made more difficult

Under the old payment system, many people handled payment input forms. Because these individuals could initiate or change payment input forms that originated in the district offices and ended up being entered into the payment system, some opportunities for fraudulent payments existed. In addition, unauthorized changes to payment input forms might not have been detected because the original payment input form was neither returned to the originating district office nor reconciled with copies of payment input forms originally submitted.

According to Division officials, after benefit payments have been authorized, only a limited number of people in each district office can enter them into the interim system. The Division developed individualized user identification codes to identify who entered each payment transaction and to restrict access to the data terminals. Moreover, Deputy Commissioners received listings of each transaction and compared the list to the original input document to ensure that all changes were

properly authorized and correctly entered into the payment system. These procedures reduced the potential for unauthorized individuals to enter unauthorized data into the payment system.

NEW PAYMENT PROCESSING SYSTEM SHOULD RESOLVE OTHER PROBLEMS

In addition to the improvements resulting from the interim payment system, the Division's new payment system (implemented in September 1982) also contains additional features to further prevent payment errors. This system combines, under a single contract, the claims tracking and benefit payment functions of the interim system and the medical payments system.

We did not evaluate this system because it was not in operation when we completed our fieldwork. However, we obtained information on this system's anticipated capabilities from officials and the Division's March 16, 1982, contract which discusses the proposed features of this system. OWCP has asked OIG to review this new system after it is implemented.

Some features in this system that will address problems we discussed in this report include:

- --An automated suspense record which will help to identify claims requiring special attention. For example, this record will identify (1) beneficiaries who have not responded to the postentitlement questionnaire and (2) medical bills that the Division has not paid.

- --An automated accounts receivable system that the Division can use to follow up and collect debts.

- --A record of future payments received by each beneficiary and medical payments made on their behalf.

- --Other medical payment system improvements including controls to (1) help ensure that medical services were received by eligible miners, (2) ensure that fees charged are authorized and reasonable, and (3) prevent medical bills from being paid twice.

In addition, this system should allow Division staff to spend more time on other priority tasks because it will substantially reduce the time needed to access information contained in the Division automated files.

CONCLUSIONS

As a result of automated payment system improvements, beneficiaries are more likely to receive the benefits to which they are entitled. In addition, if the newest system is properly implemented, the Division should have quicker access and better information on each beneficiary. These improvements should help prevent some future payment errors from occurring.

ESTIMATED NUMBER AND PERCENTAGE OF CASES WITH IMPROPER PAYMENTS AND RELATED SAMPLING ERRORS

Category of error	Number of cases in error (note a)		Percent of cases (note a)	
	Number	Sampling error (±) (note b)	Number	Sampling error (±) (note b)
Identified by GAO:				
Overpayments	9,600	3,200	10.8	3.6
Underpayments	9,200	3,100	10.5	3.5
Either type	17,600	4,100	19.9	4.6
Identified by Labor:				
Overpayments	4,900	2,300	5.6	2.7
Underpayments	6,200	2,600	7.0	2.9
Either type	9,200	3,100	10.5	3.5
Identified by either agency:				
Overpayments	12,900	3,600	14.6	4.1
Underpayments	13,200	3,600	15.0	4.1
Either type	22,800	4,500	25.8	5.1

a/Totals do not add because some cases contain both overpayment and underpayment errors while others contain errors identified by GAO and errors identified by Labor.

b/Sampling errors are stated at the 95-percent confidence level. This means that the chances are 19 out of 20 that the estimates obtained from the sample would differ by less than the sampling error from the results of a review of payments to all active cases. The size of the sampling error is inversely related to the square root of the sample size. To reduce the sampling error by half it would be necessary to quadruple the sample size.

ESTIMATED DOLLAR AMOUNT OF IMPROPER PAYMENTS AND RELATED SAMPLING ERRORS

Category of error	Estimated dollars in error	
	Amount	Sampling error (±) (note a)
	(millions)	
Identified by GAO:		
Overpayments	$34.8	$27.9
Underpayments	6.2	3.7
Either type	$41.0	28.1
Identified by Labor:		
Overpayments	$ 9.8	13.5
Underpayments	14.3	13.1
Either type	$24.1	18.8
Identified by either agency:		
Overpayments	$44.6	31.1
Underpayments	20.5	13.6
Either type	$65.1	35.4

a/Totals do not add because each category is an independent projection. Sampling errors are stated at the 95-percent confidence level. This means that the chances are 19 out of 20 that the estimates obtained from the sample would differ by less than the sampling error from the result of a review of payments to all active cases. The size of the sampling error is inversely related to the square root of the sample size. To reduce the sampling error by half it would be necessary to quadruple the sample size. Because the above estimates are subject to relatively large sampling errors, care should be exercised in drawing conclusions from the estimates.

NUMBER OF CASES AND DOLLAR AMOUNT OF IMPROPER PAYMENTS FOUND IN 286 SELECTED CASES

	Cases overpaid		Cases underpaid		Either type	
	Number (note a)	Amount	Number (note a)	Amount	Number (note a)	Amount
Identified by GAO	31	$126,271	30	$22,347	57	$148,618
Identified by Labor	16	35,471	20	52,020	30	87,491
Total	42	$161,742	43	$74,367	74	$236,108

a/Totals do not add because some cases contain both overpayment and underpayment errors while others contained errors identified by GAO and errors identified by Labor.

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