

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Administration of the Workers' Compensation Program Claims Needs Improvement

December 2, 2024

Report Number: 2025-100-001

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Why TIGTA Did This Audit

The Federal Employees' Compensation Act provides benefits to federal employees who are injured in the performance of duty or develop occupational diseases or illnesses during the course of their employment.

This audit was initiated to assess the oversight of the IRS's Workers' Compensation Program's claim initiation, return-to-work monitoring, and accuracy of chargeback costs.

Impact on Tax Administration

The Workers' Compensation Branch within the Human Capital Office (hereafter referred to as the IRS HCO) provides guidance and assistance to employees and their managers when work-related injury claims are filed and is responsible for monitoring claims and controlling program costs. The Department of Labor's Office of Workers' Compensation Program adjudicates new claims, manages ongoing cases, and pays medical expenses and compensation benefits.

IRS supervisors are responsible for ensuring that their employees receive prompt medical care upon notification that an on-the-job injury or illness has occurred and that the appropriate workers' compensation forms are filed. They are also responsible for monitoring their employees' medical progress and duty status to return the employees back to work as quickly as possible. Employees are responsible for reporting all work-related injuries and illnesses to their supervisor as soon as possible.

What TIGTA Found

IRS managers and HCO personnel generally processed workers' compensation claims correctly. They reviewed claims for timeliness, determined whether the employee making the claim sustained their injury in the performance of their regular duties, and referred potentially fraudulent claims to TIGTA. In addition, IRS HCO personnel monitored medical progress and duty status for claimants who were out of work because of their illness or injury.

However, based on reviewing a statistically valid random sample of 122 out of the 821 IRS workers' compensation claims initiated from July 1, 2020, to June 30, 2023, we determined that for 5 (4 percent) claims that were filed more than 30 calendar days after the date of injury, there was no indication that the IRS manager or HCO personnel disputed the continuation of pay (COP), as required. Of the remaining 117 claims, 64 were filed timely, 7 were late filed and the COP was disputed, 29 did not include a request for the COP, and 17 were not eligible for the COP. Based on these results, we estimate that 34 (4 percent) of the 821 workers' compensation claims initiated from July 1, 2020, to June 30, 2023, included the COP that was not disputed, as required.

In addition, we reviewed a statistically valid random sample of 57 out of the 1,127 IRS workers' compensation claims included on the annual chargeback report for the period July 1, 2022, to June 30, 2023, and determined that the IRS HCO did not timely verify the accuracy of the chargeback costs, as required. We identified errors in 41 (72 percent) claims, and for the remaining 16 (28 percent) claims, the chargeback costs were accurate. Based on these results, we estimate that potential discrepancies exist in 811 (72 percent) of the 1,127 workers' compensation claims initiated from July 1, 2022, to June 30, 2023. In addition to our analysis, the IRS HCO manually evaluated the annual chargeback report for the period July 1, 2022, to June 30, 2023, and identified potential overbilling and underbilling of both compensation and medical costs on 348 claims, with a potential net underbilling of \$286,900.

What TIGTA Recommended

We recommended that the IRS Human Capital Officer: 1) update the claims processing procedures to ensure that managers or Workers' Compensation Branch personnel dispute the COP for claims that are filed more than 30 calendar days after the date of injury; 2) require that the Workers' Compensation Branch standardize the chargeback report review process; and 3) coordinate with the Department of the Treasury to resolve the potential discrepancies identified by the Workers' Compensation Branch on the annual chargeback report for the period July 1, 2022 to June 30, 2023.

The IRS agreed with all three recommendations and stated that it had updated its procedures during the audit. However, the IRS did not provide all supporting documentation, so we were unable to verify that two corrective actions were taken.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

December 2, 2024

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in cursive script, reading "Danny Verneuille".

FROM: Danny Verneuille
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Administration of the Workers’ Compensation
Program Claims Needs Improvement (Audit No.: 202310010)

This report presents the results of our review to assess the oversight of the Internal Revenue Service’s Workers’ Compensation Program’s claim initiation, return-to-work monitoring, and accuracy of chargeback costs. This review was part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Human Capital*.

Management’s complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Taxpayer Services and Operational Support).

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Background

The Federal Employees' Compensation Act (hereafter referred to as the Act) provides benefits to federal employees who are injured in the performance of their duties or develop occupational diseases or illnesses during the course of their employment.¹ Employees are covered if they are working at their official post of duty or at an approved telework site. The Act's benefits include medical care, wage loss replacement, and assistance in returning to work. The Act also provides death benefits for eligible dependents if the employee dies from a work-related injury or occupational disease.

The Department of Labor's (DOL) Office of Workers' Compensation Program (hereafter referred to as the DOL Program Office) administers the Act for the Internal Revenue Service (IRS). The DOL Program Office adjudicates new claims and manages ongoing cases, pays medical expenses and compensation benefits, and helps injured employees return to work. The DOL Program Office makes all benefit entitlement and payment decisions, not the IRS.

The Workers' Compensation Branch within the Human Capital Office (hereafter referred to as IRS HCO) administers the IRS's Workers' Compensation Program and serves as the official liaison between the IRS, the claimant, and the DOL Program Office. The IRS HCO provides guidance and assistance to employees and their managers when work-related injury claims are filed. It is responsible for controlling program costs through monitoring claims and ensuring the accuracy of the billings from the DOL Program Office.

IRS supervisors are responsible for ensuring that their employees receive prompt medical care upon notification that an on-the-job injury or illness has occurred and that the appropriate workers' compensation forms are filed. They are also responsible for monitoring their employee's medical progress and duty status to return the employee back to work as quickly as possible. Employees are responsible for reporting all work-related injuries and illnesses to their supervisor as soon as possible and to seek medical attention immediately, when necessary.

Initiating and submitting workers' compensation claims

A workers' compensation claim must meet the following five elements:



1. Time Limitations

Claims after September 7, 1974, must be filed within three years of injury to be eligible, with exceptions.



2. Civil Service Employee

The claimant must be a civilian Federal employee.



3. Fact of Injury

It must be established that the employee experienced an accident or event that resulted in an injury or disease.



4. Performance of Duty

The claimant must prove that they were performing agency work during working hours.



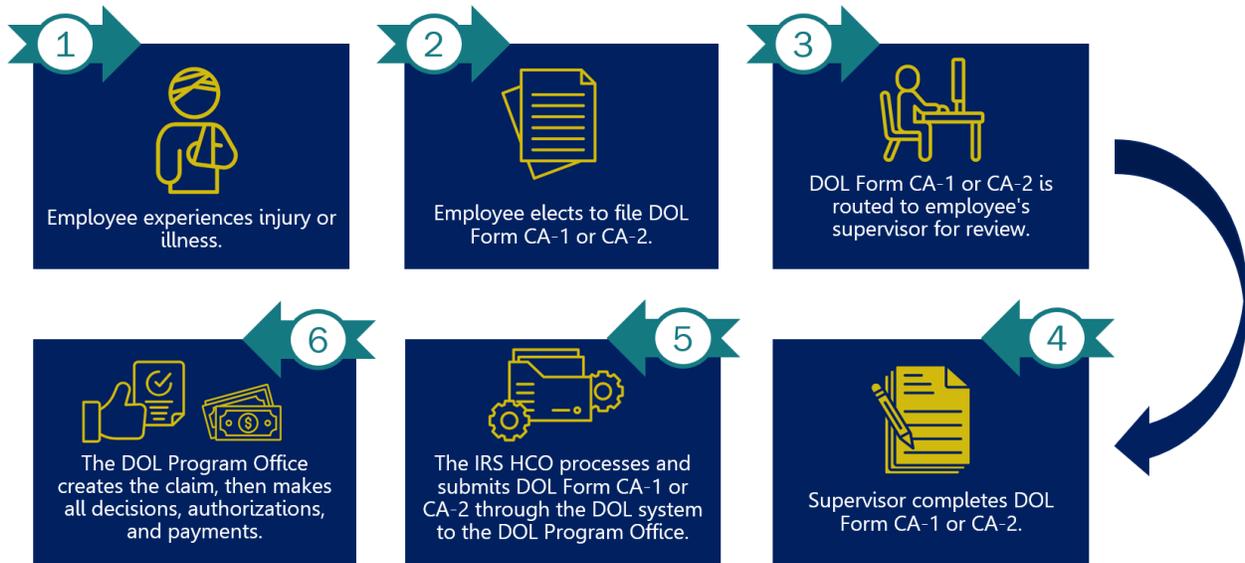
5. Causal Relationship

Medical evidence for treatment must establish a connection between the work injury and the diagnosed medical condition.

¹ 5 U.S.C. §§ 8101-8193.

In June 2018, the IRS began using the DOL's Employees' Compensation Operations and Management Portal (hereafter referred to as the DOL system) to initiate and submit workers' compensation claims.² To initiate a claim, an employee can elect to file the DOL's Form CA-1, *Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation*, for traumatic injury or Form CA-2, *Notice of Occupational Disease and Claim for Compensation*, for an occupational injury, using the DOL system. Figure 1 describes the Workers' Compensation claims process.

Figure 1: Workers' Compensation Claims Process



Source: IRS HCO training documents.

The three primary types of workers' compensation claims are traumatic injury, occupational disease, and recurrence.

- **Traumatic Injury** – Wounds or other conditions caused by a specific event in a single workday or shift, *e.g.*, muscle strain from lifting heavy objects.
- **Occupational Disease** – A condition produced in the work environment over a period longer than one workday or work shift, *e.g.*, data entry stress over days.
- **Recurrence** – A spontaneous return or increase of disability due to a previously accepted traumatic work injury or occupational disease.

IRS supervisors are responsible for completing the Supervisor's Report section of Form CA-1 or CA-2. Once a manager completes their portion, the DOL system automatically transmits the form to the IRS HCO. Supervisors of claimants are to review the submission and when necessary, investigate the validity of an employee's claim. For most employees who sustain a traumatic injury and file Form CA-1 within 30 calendar days of the date of injury, the Act provides that the employer must continue the employee's regular pay during any periods of resulting disability, up to a maximum of 45 calendar days. This is called continuation of pay (COP), and it is intended to avoid interruption in pay while the claim is adjudicated. The COP applies to traumatic injuries

² A web-based DOL Program Office application that provides federal agencies with an electronic system for recording workplace injuries and illnesses as well as processing claims.

only and is not authorized for occupational diseases. In addition, the IRS, not the DOL Program Office, pays the COP.

While continuing the employee's pay, the IRS may dispute the employee's COP entitlement pending a final determination by the DOL Program Office.³ The IRS must dispute the claim for the COP if no written claim was filed within 30 calendar days from the date of injury or the disability was not caused by a traumatic injury, among other reasons. The IRS is not required to pay the COP in these situations. Although the IRS HCO reviews the claims or disputes to ensure that proper support is provided, the final determination on entitlement to the COP rests with the DOL Program Office.

A dispute is the IRS's opportunity to notify the DOL Program Office of its disagreement to the claim. This constitutes the IRS's disagreement with an aspect of the claim or the validity of the entire claim. The IRS HCO is responsible for advising supervisors and injured employees of their workers' compensation responsibilities throughout the duration of the claim as well as ensuring that all initial claims are processed and submitted timely.

Earliest return-to-work determinations

The DOL Program Office administers, approves, and monitors workers' compensation claims, and the claimant's physician and the DOL Program Office claims examiner are responsible for making a timely and accurate determination of an employee's earliest return-to-work date based on the accepted medical evidence. The claimant's manager and the IRS HCO determine the appropriate start date for return to work, responsive to the claimant's physician and DOL Program Office recommendations. The employee's supervisor must issue the DOL's Form CA-17, *Duty Status Report*, to the employee for each medical visit. The physician completes side B of this form, which can be used to determine the type and extent of duties the employee may be able to perform. The employee must return their completed Form CA-17 and any medical evidence to their supervisor after the examination or at the start of the employee's next scheduled workday or shift. If the employee is totally disabled, they must send the form to the supervisor immediately.

As the employing agency, the IRS is responsible for accurately initiating the workers' compensation claims and monitoring an injured employee's return-to-work status. The Act requires a permanent employee who recovers within one year after beginning compensation to be restored to their former position or an equivalent position. Once the employee is medically released for full duty, the IRS HCO should notify the employee's supervisor, confirm with the supervisor that the injured employee returned to regular duty, and file the DOL's Form CA-3, *Report of Work Status*, in the DOL system to confirm the return-to-work date and status. The IRS is also responsible for identifying potential fraud and is required to alert the Treasury Inspector General for Tax Administration (TIGTA) of any claims or allegations of workers' compensation fraud.

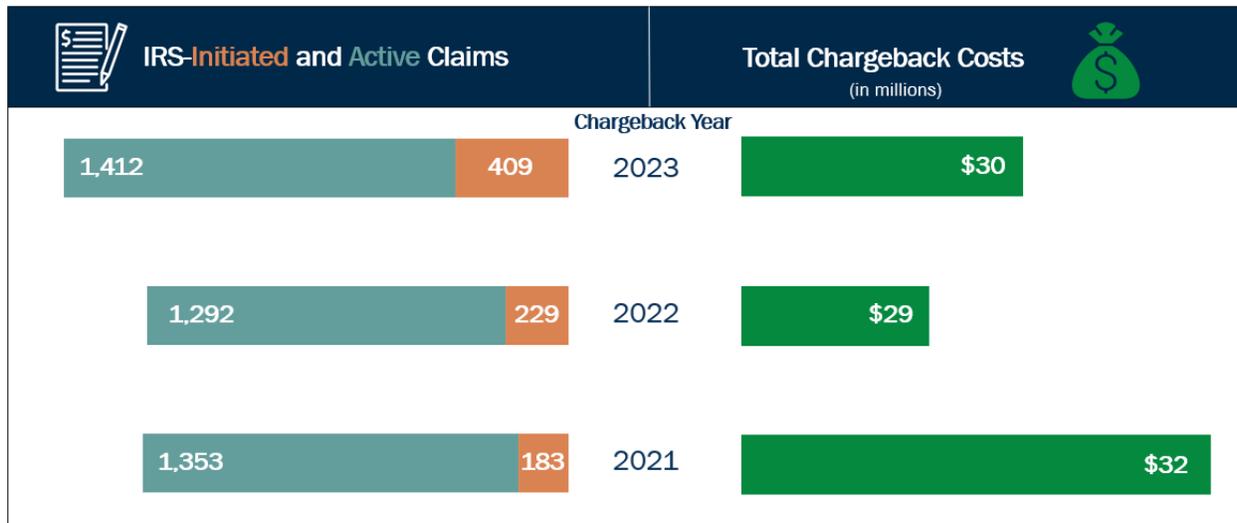
Funding the claims and validating the accuracy of chargebacks

Costs incurred under the Act for most injuries and deaths are billed to agencies on an annual basis through a mechanism known as chargeback. The amount charged for any case is the sum

³ The IRS may dispute workers' compensation by challenging the claim itself or controverting the COP. The term "controversion" applies specifically to the issue of the COP.

of compensation and medical payments made over the course of the chargeback year. The Act chargeback year begins on July 1 and ends on June 30 of the following year. By Aug. 15 of each year, the DOL Program Office is required to send agencies a statement and bill that summarizes its total costs for the prior chargeback year. According to IRS management, the DOL sends this chargeback report to the Department of the Treasury for all Treasury agencies and bureaus. The Department of the Treasury then divides the chargeback report by agency or bureau and, at that time, provides the IRS HCO with IRS-specific chargeback billing. The IRS must include the amount shown on the chargeback billing in its budget for the following fiscal year. A request for an adjustment to the yearly chargeback bill should be accompanied by documentation that the disputed charge was not for an IRS employee or by a complete explanation of the basis for the IRS's objection. Figure 2 presents IRS workers' compensation claims initiated during the last three chargeback years and the total chargeback costs during these periods for all active claims.

Figure 2: IRS Workers' Compensation Claims and Chargeback Costs



Source: Chargeback reports for the period June 1, 2020, to June 30, 2023.

Results of Review

Workers' Compensation Claims Were Generally Initiated Correctly, but Managers Did Not Always Dispute Late-Filed Claims

IRS managers and HCO personnel generally processed workers' compensation claims correctly. They reviewed claims for timeliness, determined whether the employee making the claim sustained their injury in the performance of their regular duties, and referred any potentially fraudulent claims to TIGTA. While IRS managers or HCO personnel did not dispute the COP in some claims that did not meet the timeliness standard for COP eligibility, the IRS did not pay the COP for any of those claims. IRS HCO personnel also monitored medical progress and duty status for claimants who were out of work because of their injury or illness.

New claims were generally initiated correctly

We reviewed a statistically valid random sample of 122 out of the 821 IRS workers' compensation claims initiated from July 1, 2020, to June 30, 2023, and determined that the IRS generally processed initiated claims correctly and disputed claims when necessary. All 122 claims met the timeliness requirement, as they were filed within 3 years of injury.

In addition, IRS management properly disputed 22 (18 percent) of the 122 workers' compensation claims reviewed because the claimed injuries did not occur in the performance of the employees' duties. For example, employees were away from their workstation, outside their tour of duty hours, or the manager was unable to confirm the details of the claim. However, in

[REDACTED] According to IRS guidance, supervisors and HCO personnel are responsible for validating and confirming the facts and circumstances to substantiate each claim.⁴ The remaining 99 (81 percent) claims were not disputed by the IRS or the DOL Program Office based on [REDACTED]

We also identified [REDACTED]

[REDACTED] The IRS HCO appropriately referred this claim to TIGTA. TIGTA completed its investigation, and the Assistant U.S. Attorney declined prosecution.

The COP was not always disputed on late-filed Form CA-1 claims

The IRS did not dispute the COP, as required, in 5 (4 percent) of the 122 workers' compensation claims in our sample. We determined that of the remaining 117 claims:

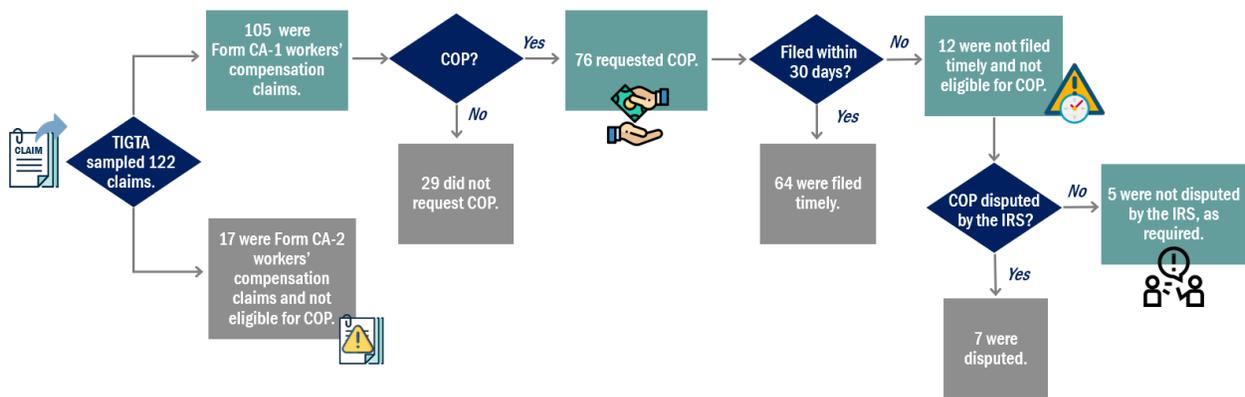
- 64 were filed timely.
- 7 were late filed and the COP was disputed.
- 29 did not include a request for the COP.
- 17 were not eligible for the COP.

Claimants requested the COP for 76 of the 105 Form CA-1 workers' compensation claims reviewed. The remaining 17 claims were filed on Form CA-2 and were not eligible for the COP. Of the 76 Form CA-1 claims in which the COP was requested, 12 were filed more than 30 calendar days after the date of injury and therefore, the claimants were not eligible for the COP. While the COP was not disputed on five of the untimely claims, the DOL Program Office issued letters to four of the claimants denying their COP claims, and no COP was paid on any of these claims. Based on these results, we estimate that 34 (4 percent) of the 821 workers' compensation claims have the COP that was not disputed, as required.⁵ Figure 3 presents the COP requests and eligibility determinations from our sample.

⁴ Internal Revenue Manual 6.800.1.1.3, *Roles and Responsibilities* (Sept. 13, 2022).

⁵ Our sample was selected using a 95 percent confidence interval, a 9 percent expected error rate, and a ± 5 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 13 and 73 cases.

Figure 3: COP Requests and Eligibility Determinations



Source: TIGTA's analysis of the COP in initiated claim case files for the period July 1, 2020, to June 30, 2023.

To be eligible for the COP, the claimant must file Form CA-1 within 30 calendar days of being injured and elect the COP. If an IRS manager or HCO specialist disputes the COP, they should document the reason for the dispute in the supervisor's report on the same form. Although IRS procedures specify where on Form CA-1 the COP should be disputed, neither IRS managers nor HCO personnel completed the supervisors report for the five cases we identified or documented their dispute of the COP anywhere else on the form.⁶ While the DOL Program Office denied the COP for each of these claims, or the COP was not paid, claimants could have received benefits to which they were not entitled if the DOL Program Office had not intervened.

Progress was monitored for out of work employees

We determined that 13 (11 percent) of the 122 claimants in our sample of workers' compensation claims initiated from July 1, 2020, to June 30, 2023, were out of work because of their injury or illness. The remaining 109 (89 percent) claimants were not out of work. We identified claimants who were out of work by identifying those who received compensation payments from the DOL.

Of the 13 out-of-work claimants, 10 eventually returned to work in their original or an equivalent position, and the remaining 3 employees were totally disabled, resigned, or otherwise separated. In all 13 cases, the IRS manager or the HCO assisted the claimant employee by helping with the claims process or identifying modified jobs or work assignments compatible with the employee's medical limitations, if applicable. Finally, in 8 of the 10 cases in which the employee returned to work, the IRS HCO filed Form CA-3 in the DOL system to confirm the return-to-work date and status. For the remaining two cases, the IRS tracked and transmitted the return-to-work date to the DOL Program Office using the DOL's Form CA-7, *Claim for Compensation Due to Traumatic Injury or Occupational Disease*.

According to IRS guidance, HCO personnel are responsible for monitoring approved claims and medical evidence to determine an employee's earliest return-to-work date.⁷ Claimants can return to work in full-time, part-time, or light duty positions based on their injury status and

⁶ *Workers' Compensation Center Internal Procedures Manual* (May 2022).

⁷ Internal Revenue Manual 6.800.1.1.3.1, *Roles and Responsibilities of the IRS Workers' Compensation Center* (Sept. 13, 2022).

medical limitations. In addition, the Act requires that agencies make all reasonable efforts to restore a permanent employee to their former position or an equivalent position if they recover within one year after beginning compensation. IRS managers are responsible for providing employees with Form CA-17 before each doctor's visit and monitoring the employees' medical progress and duty status. Employee claimants have the responsibility to return their completed form immediately to management after each visit or immediately upon receipt from the physician. Once the employee is medically released for full duty, the IRS HCO should notify the employee's supervisor, confirm with them that the injured employee returned to regular duty, and file Form CA-3 in the DOL system to confirm the return-to-work date and status.

Recommendation 1: The IRS Human Capital Officer should update the claims processing procedures to ensure that managers or Workers' Compensation Branch personnel dispute the COP on Form CA-1 for claims filed more than 30 calendar days after the date of injury.

Management's Response: The IRS agreed with this recommendation. The IRS stated that during the audit it updated existing claims processing procedures to ensure that managers or Workers' Compensation Branch personnel dispute COP requests on Form CA-1 for claims filed more than 30 days after the date of injury.

Office of Audit Comment: The IRS did not provide TIGTA with any documentation to support that it updated the claims processing procedures during our fieldwork; therefore, we were unable to verify that the corrective action was taken.

Workers' Compensation Costs Were Not Reviewed Timely, Resulting in Potential Errors

We reviewed supporting documentation from the DOL system for a statistically valid random sample of 57 out of the 1,127 IRS employee-filed workers' compensation claims included on the DOL Program Office's annual chargeback report for the period July 1, 2022, to June 30, 2023, and determined that the IRS HCO did not timely verify the accuracy of the chargeback costs.⁸ We identified errors in 41 (72 percent) of the 57 claims reviewed. This included 30 claims in which the chargeback report was higher than the respective claims' cost in the DOL system, and 11 claims in which the chargeback report was lower than the respective claims' cost in the DOL system. For the remaining 16 (28 percent) claims, the chargeback costs were accurate. Based on these results, we estimate that potential discrepancies exist in 811 (72 percent) of the 1,127 IRS workers' compensation claims.⁹

In addition to our analysis, the IRS HCO manually evaluated the DOL Program Office's annual chargeback report for the period July 1, 2022, to June 30, 2023, and identified potential overbilling and underbilling of both compensation and medical costs on 348 claims.¹⁰ In April and May of 2024, the IRS HCO sent the lists of potential discrepancies to the Department of the

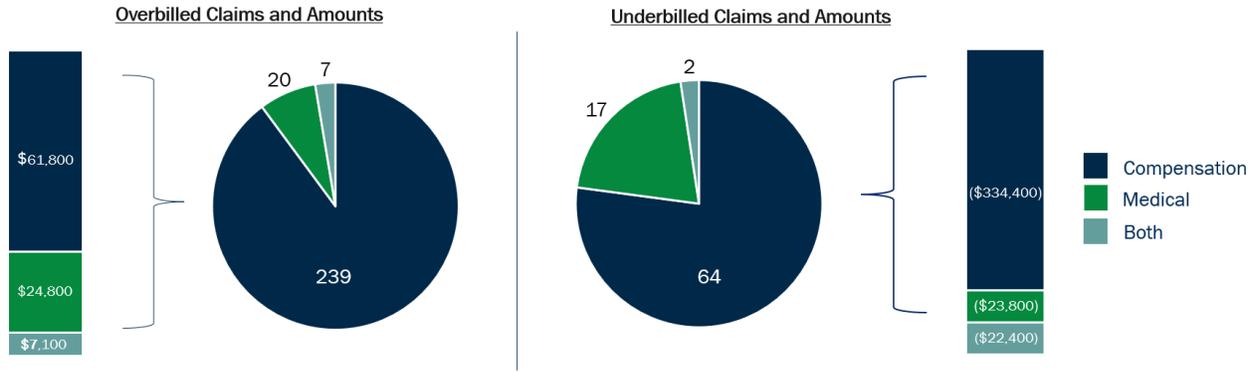
⁸ The 1,127 claims were included on the chargeback report and had a claim amount other than \$0.

⁹ Our sample was selected using a 95 percent confidence interval, a 9 percent expected error rate, and a ± 8 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 663 and 932 cases.

¹⁰ TIGTA did not assess the individual discrepancies identified by the IRS HCO.

Treasury, which included a potential net underbilling from the DOL Program Office of \$286,900. Figure 4 presents a summary of the potential chargeback discrepancies identified by the IRS HCO for the period July 1, 2022, to June 30, 2023.

Figure 4: Summary of the Potential Annual Chargeback Report Discrepancies Identified by the IRS HCO



266 claims were **overbilled** totaling \$93,700.

83 claims were **underbilled** totaling \$380,600.

Source: The IRS HCO's analysis of the July 1, 2022, to June 30, 2023, chargeback report.¹¹

In addition to the annual chargeback billing, the DOL Program Office provides the Department of the Treasury with quarterly reports showing a breakdown of cases and costs that will appear on that year's chargeback bill. The Department of the Treasury disseminates the quarterly reports from the DOL Program Office to the IRS. Agencies are supposed to use these reports to identify potential errors at the earliest possible time. IRS guidance requires the HCO to monitor quarterly chargeback billings to ensure that payment is made for only claim-related expenses.¹² However, IRS HCO management stated that the HCO elected to review chargeback reports for errors during only the fourth quarter because the chargeback reports are cumulative.

IRS HCO management also stated that HCO personnel manually review the cost in the DOL system for each claim and confirmed there is no established process to verify the accuracy of the chargeback costs. In addition, while the IRS HCO manager does transmit all potential discrepancies via email to the Department of the Treasury, the HCO does not maintain documentation of this manual review outside of this email. In addition, IRS HCO personnel stated that no changes have been made based on the previous discrepancies they have communicated to the Department of the Treasury, and the DOL Program Office has not communicated the results.

To ensure that chargeback data are accurate, the DOL Program Office encourages agencies to identify potential errors as early as possible. Agencies should make requests for changes based on review of the quarterly chargeback report within 90 calendar days of receipt of the report. Although the IRS HCO did not receive the July 1, 2022, to June 30, 2023, chargeback report from the Department of the Treasury until October 2023, the potential discrepancies provided in April and May of 2024 were past 90 calendar days. Agencies use active monitoring of chargeback information to control compensation costs and evaluate the effectiveness of the compensation program. In addition, in July 2024, DOL Program Office management confirmed that the DOL

¹¹ One claim included a potential overbilling of compensation costs and a potential underbilling of medical costs. Therefore, there were a total of 348 claims with discrepancies.

¹² Internal Revenue Manual 6.800.1.1.3.1(1)(h) (Sept. 13, 2022).

will review potential discrepancies and make an adjustment if it determines that an actual discrepancy does exist. Any such adjustment would occur on the next chargeback bill. Failure to timely monitor the accuracy of quarterly and annual chargeback reports and the lack of a standardized review process may result in the IRS HCO missing potential chargeback errors that could result in incorrect payment amounts. In addition, if IRS HCO management does not follow-up with the Department of the Treasury to determine whether the discrepancies were resolved, they will not know whether their current chargeback review process is effective.

The IRS Human Capital Officer should:

Recommendation 2: Require that the Workers' Compensation Branch standardize the chargeback report review process, retain documentation of completed reviews, and establish a required time frame to review chargeback billings for accuracy.

Management's Response: The IRS agreed with this recommendation. The IRS stated that during the audit the Workers' Compensation Branch standardized its existing chargeback report review procedures to include retaining documentation of completed reviews and establishing time frames for reviewing chargeback billings for accuracy.

Office of Audit Comment: The IRS did not provide TIGTA with any documentation to support that it updated the chargeback report review procedures during our fieldwork; therefore, we were unable to verify that the corrective action was taken.

Recommendation 3: Coordinate with the Department of the Treasury to resolve the potential discrepancies identified by the Workers' Compensation Branch on the annual chargeback report for the period July 1, 2022, to June 30, 2023.

Management's Response: The IRS agreed with this recommendation. Consistent with existing procedures, the IRS reported potential discrepancies identified by the Workers' Compensation Branch on the annual chargeback report for the period of July 1, 2022 to June 30, 2023, to the Department of Treasury.

Office of Audit Comment: While TIGTA was provided with documentation to support that the discrepancies were sent to the Department of the Treasury in April and May of 2024, the IRS did not provide any documentation that these discrepancies were resolved.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess the oversight of the IRS's Workers' Compensation Program's claim initiation, return-to-work monitoring, and accuracy of chargeback costs. To accomplish our objective, we:

- Identified and evaluated the guidance used to administer the IRS's Workers' Compensation Program.
- Reviewed a statistically valid random sample of 122 claims from a population of 821 IRS workers' compensation claims that were initiated from July 1, 2020, to June 30, 2023, to determine whether they complied with 5 U.S.C. §§ 8101-8193, and if not, were disputed.¹ We used statistically valid sampling because we planned to project to the population. TIGTA's contracted statistician assisted with developing the sampling plan and projections.
- Determined whether employee return-to-work determinations were timely and accurate based on medical evidence, and whether permanent employees were restored to their former positions, if applicable.
- Reviewed a statistically valid random sample of 57 claims from a population of 1,127 IRS workers' compensation claims that were listed on the chargeback report from July 1, 2022, to June 30, 2023, to determine the IRS HCO's effectiveness in monitoring quarterly/annual chargeback reports for accuracy and claims-related costs.² We used statistically valid sampling because we planned to project to the population. TIGTA's contracted statistician assisted with developing the sampling plan and projections.
- Assessed the effectiveness of the IRS HCO's processes to report potentially fraudulent claims to TIGTA.

Performance of This Review

This review was performed with information obtained from the IRS HCO located in Washington, D.C., and at the Workers' Compensation Branch office located in Richmond, Virginia, during the period October 2023 through August 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

¹ Our sample was selected using a 95 percent confidence interval, a 9 percent expected error rate, and a ± 5 percent precision factor.

² Our sample was selected using a 95 percent confidence interval, a 9 percent expected error rate, and a ± 8 percent precision factor.

Major contributors to the report were Bryce Kisler, Assistant Inspector General for Audit (Taxpayer Services and Operational Support); Glen J. Rhoades, Director; Melinda H. Dowdy, Audit Manager; Michael S. Russell, Acting Audit Manager; Rick J. Choksi, Lead Auditor; Zachary P. Orrico, Lead Auditor; Euneke L. Coutts, Auditor; Yanira L. Mares, Auditor; and Sara Syed, Auditor.

Data Validation Methodology

We performed tests to assess the reliability of data from the DOL system and chargeback report data provided by the IRS. We evaluated the data by 1) physically observing the IRS pull the data from the DOL system, 2) comparing the claims listed in the DOL system and chargeback reports, 3) performing electronic testing of required data elements, 4) reviewing existing information about the data and the system that produced them, and 5) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: 5 U.S.C. §§ 8101-8193, IRS policies and procedures, and DOL guidance related to processing IRS workers' compensation claims. We evaluated these controls by reviewing source documentation for a statistically valid random sample of workers' compensation claims, interviewing Workers' Compensation Branch officials, and making an on-site visit to Richmond, Virginia, to conduct a walkthrough and observe how the IRS processes its workers' compensation claims.

Appendix II

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 811 workers' compensation claims with potential discrepancies between the chargeback report and the respective DOL system claims cost (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We reviewed a statistically valid random sample of 57 claims from a population of 1,127 IRS workers' compensation claims that were listed on the chargeback report from July 1, 2022, to June 30, 2023, and compared them to the respective claims costs listed in the DOL system. During our review, we identified 41 claims with potential discrepancies between the chargeback report and the respective DOL system claims costs. Based on these results, we estimate that potential discrepancies exist in 811 (72 percent) of the 1,127 employee filed workers' compensation claims in the sample population.¹

¹ Our sample was selected using a 95 percent confidence interval, a 9 percent expected error rate, and a ± 8 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the actual total amount is between 663 and 932 cases.

Management's Response to the Draft Report



HUMAN CAPITAL OFFICE

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

November 4, 2024

MEMORANDUM FOR DANNY R. VERNEUILLE
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Traci M. DiMartini Traci M. DiMartini
IRS Human Capital Officer DiMartini

Digitally signed by Traci M. DiMartini
Date: 2024.11.04 08:34:41 -05'00'

SUBJECT: Draft Audit Report – TIGTA Audit 202310010 Administration of the Workers' Compensation Program Claims Needs Improvement

Thank you for the opportunity to review the draft audit report, Administration of the Workers' Compensation Program Claims Needs Improvement (Audit #202310010). The IRS is committed to accurately initiating and consistently monitoring claims to ensure program costs are properly controlled.

The Treasury Inspector General for Tax Administration (TIGTA) acknowledges that workers' compensation claims initiated during the audit period were generally processed correctly, disputed when necessary, and met timeliness requirements. TIGTA further acknowledges the IRS Workers' Compensation Branch (WCB) monitored medical progress and duty status for claimants, and appropriately referred potentially fraudulent claims to TIGTA for investigation. While TIGTA did find that Continuation of Pay (COP) was not disputed in four percent of claims reviewed, it is important to note that the IRS did not pay COP in any of these claims. Furthermore, consistent with existing claims processing procedures, the IRS WCB regularly monitors chargeback reports and shares discrepancies with the Department of the Treasury (Treasury) and Department of Labor (DOL), as required. The IRS WCB also ensures all challenges are submitted to Treasury by the end of the following chargeback year. The DOL has the final authority for discrepancy adjustment determinations, corrections, and all benefit entitlement and payment decisions. The IRS will continue to remain engaged with Treasury and DOL throughout the claims process, including chargeback reviews.

To strengthen internal controls, the IRS agrees with TIGTA's recommendations and outcome measure for this audit. Attached is a detailed response outlining the corrective action(s) the IRS Human Capital Officer has taken to address TIGTA's recommendations.

If you have questions, please contact me at Traci.M.DiMartini@irs.gov, or a member of your staff may contact Gerald Larkins, Director, Labor/Employee Relations and Negotiations, at Gerald.Larkins@irs.gov.

Attachment

Attachment

CORRECTIVE ACTIONS: TIGTA Audit 202310010

RECOMMENDATION 1: The IRS Human Capital Officer should update the claims processing procedures to ensure that managers or Workers' Compensation Branch (WCB) personnel dispute Continuation of Pay (COP) on Form CA-1 for claims filed more than 30 days after the date of injury.

- **CORRECTIVE ACTIONS:** Agree. During this audit, the IRS updated existing claims processing procedures to ensure that managers and/or WCB personnel dispute COP requests on Form CA-1 for claims filed more than 30 days after the date of injury.
- **IMPLEMENTATION DATE:** July 26, 2024
- **RESPONSIBLE OFFICIAL(S):** Director, Labor/Employee Relations and Negotiations
- **CORRECTIVE ACTION(S) MONITORING PLAN:** The IRS will enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES), monitor progress towards completion on a monthly basis, and upload supporting documentation into JAMES with Form 13872 Planned Corrective Action (PCA) Status Update for TIGTA/GAO/MW/SD/TAS/REM.

RECOMMENDATION 2: The IRS Human Capital Officer should require the WCB to standardize the chargeback report review process, retain documentation of completed reviews, and establish a required timeframe for reviewing chargeback billings for accuracy.

- **CORRECTIVE ACTIONS:** Agree. During this audit, WCB standardized its existing chargeback report review procedures, to include retaining documentation of completed reviews, and establishing timeframes for reviewing chargeback billings for accuracy.
- **IMPLEMENTATION DATE:** May 28, 2024
- **RESPONSIBLE OFFICIAL(S):** Director, Labor/Employee Relations and Negotiations
- **CORRECTIVE ACTION(S) MONITORING PLAN:** The IRS will enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES), monitor progress towards completion on a monthly basis, and upload supporting documentation into JAMES with Form 13872 Planned Corrective Action (PCA) Status Update for TIGTA/GAO/MW/SD/TAS/REM.

RECOMMENDATION 3: The IRS Human Capital Officer should coordinate with the Department of the Treasury to resolve the potential discrepancies identified by the WCB on the annual chargeback report for the period July 1, 2022, to June 30, 2023.

- **CORRECTIVE ACTIONS:** Agree. Consistent with existing procedures, the IRS reported potential discrepancies identified by WCB on the annual chargeback report for the period of July 1, 2022 to June 30, 2023, to the Department of Treasury.
- **IMPLEMENTATION DATE:** May 10, 2024
- **RESPONSIBLE OFFICIAL(S):** Director, Labor/Employee Relations and Negotiations
- **CORRECTIVE ACTION(S) MONITORING PLAN:** The IRS will enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES), monitor progress towards completion on a monthly basis, and upload supporting documentation into JAMES with Form 13872 Planned Corrective Action (PCA) Status Update for TIGTA/GAO/MW/SD/TAS/REM.

Appendix IV

Abbreviations

COP	Continuation of Pay
DOL	Department of Labor
HCO	Human Capital Office
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web
at <https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.