



**Memorandum from the Office of the Inspector General**

March 2, 2009

Phillip L. Reynolds, LP 3A-C

**FINAL REPORT – INSPECTION 2007-11474 – REVIEW OF TVA'S WORKERS'  
COMPENSATION PROGRAM**

Attached is the subject final report for your review and action. Your written comments, which addressed your management decision and actions planned or taken, have been included in the report. Please notify us when final action is complete.

Information contained in this report may be subject to public disclosure. Please advise us of any sensitive information in this report that you recommend be withheld.

If you have any questions, please contact Michael A. Driver, Project Manager, at (423) 785-4813 or Gregory C. Jaynes, Deputy Assistant Inspector General, Inspections, at (423) 785-4810. We appreciate the courtesy and cooperation received from your staff during the inspection.

Robert E. Martin  
Assistant Inspector General  
(Audits and Inspections)  
ET 3C-K

MRP:BKA  
Attachment  
cc (Attachment):

Peyton T. Hairston, Jr., WT 7B-K  
Tom D. Kilgore, WT 7B-K  
John E. Long, Jr., WT 7B-K  
Richard W. Moore, ET 4C-K  
Emily J. Reynolds, OCP 1L-NST  
OIG File No. 2007-11474



Tennessee Valley Authority  
Office of the Inspector General

---

# *Inspection Report*

## **REVIEW OF TVA'S WORKERS' COMPENSATION PROGRAM**

---

Inspection Team  
Michael A. Driver  
Michael R. Patty

Inspection 2007-11474  
March 2, 2009

## **SYNOPSIS**

We conducted a review of the Tennessee Valley Authority's (TVA) Workers' Compensation (WC) program to determine whether TVA's WC program was (1) complying with applicable laws and regulations and (2) adequately supporting TVA organizations. In summary, we reviewed 30 claims and found that TVA's WC program was generally complying with applicable laws and regulations. However, we did note the following when reviewing claim documentation:

- Of the 30 claims, 12 were controverted,<sup>1</sup> and for 2 of 12, the controversion letter was not submitted within 30 days after the notice of injury as required by the Code of Federal Regulations (CFR) Title 20, Part 10, Section 221 (20 CFR 10.221).
- One claim did not include the supervisor's signature on form CA-2. Each CA-1 and CA-2 form contains a field for the supervisor's signature.
- There was one instance where the claim was not submitted to the Office of Workers' Compensation Programs (OWCP) within ten business days due to a supervisor not forwarding his/her completed portion of the form within the allotted eight days as required by CFR 10.110 and Benefits Practice 9 (BP9), respectively.

The prescribed services for TVA's WC department and assigned site personnel go beyond the Federal Employees' Compensation Act (FECA) WC requirements. However, when we interviewed selected managers, nurses, TVA site WC contacts, and other staff at seven TVA site locations, we were told the WC program support could be improved. Areas cited included:

- Increasing the expertise in the WC department, including the medical knowledge of personnel;
- Improving education and training for personnel responsible for facilitating the WC process at TVA sites;
- Enhancing communications from the WC department; and
- Addressing the abundance of hearing loss claims.

TVA management generally agreed with the inspection findings and has taken or plans to take corrective actions to address the recommendations.

## **BACKGROUND**

The FECA, as amended (5 U.S.C. 8101 et seq.), provides compensation for disability and medical care for civilian federal employees injured while in the performance of duty. FECA is administered by the United States Department of

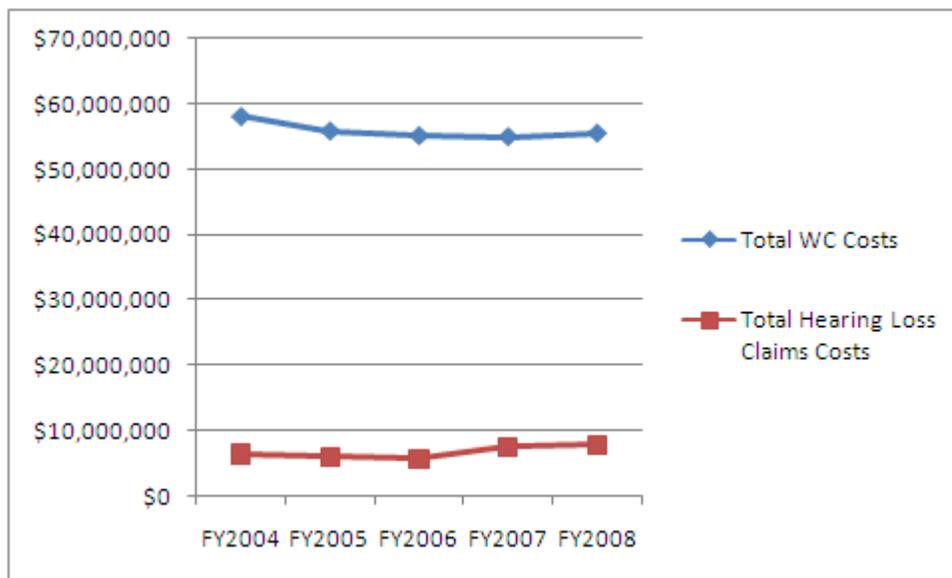
---

<sup>1</sup> If an agency has reason to dispute an employee's WC claim, that agency may write a controversion letter to dispute said claim.

Labor (DOL) OWCP. The OWCP reviews claims and determines entitlement to benefits under FECA and makes benefit payments to beneficiaries.<sup>2</sup> TVA does not make decisions on claims filed by its employees (i.e., TVA cannot accept or deny a claim). OWCP receives reimbursement for WC costs from the agency where the employee worked when the injury occurred. According to the WC department, for fiscal year (FY) 2007, TVA paid OWCP approximately \$56 million for WC benefits and fees, which included (1) claims payments for recently adjudicated cases, (2) disability compensation for those receiving scheduled payments from TVA due to an ongoing disability or condition, and (3) a 5.6 percent DOL administrative charge.

Included in TVA's total costs of WC charges per year are hearing loss claims. During our review, concerns were raised about the amount spent on hearing loss. Hearing loss claims are filed when an employee believes his/her hearing has been adversely affected by their employment at TVA. As seen in Figure 1 below, the costs of hearing loss claims represent a significant portion of TVA's total WC costs.

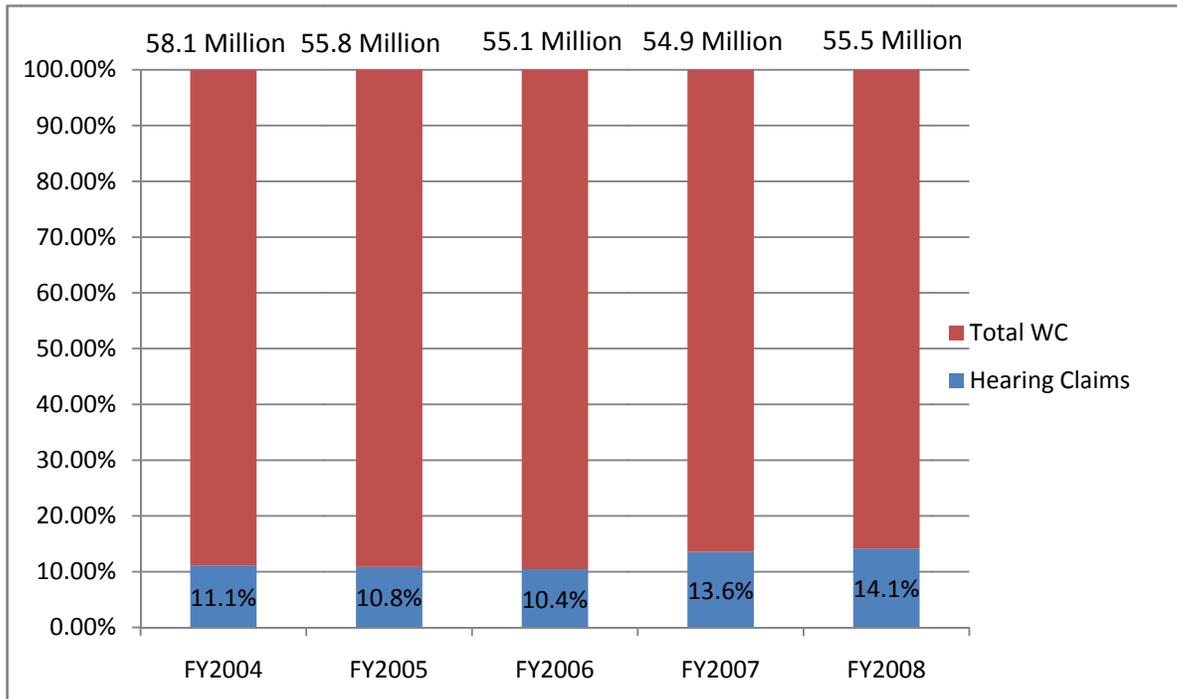
**Figure 1: Total WC Costs Compared to Hearing Loss Costs**



The percentage of total claims attributed to hearing loss can be seen in Figure 2 on the following page. For FYs 2007 and 2008, hearing loss claims averaged 13.86 percent of WC costs, about 20.38 percent higher than the 10.81 percent average for FYs 2004 through 2006.

<sup>2</sup> Benefits or compensation means the money OWCP pays to or on behalf of a beneficiary for lost wages, a loss of wage-earning capacity or a permanent physical impairment, as well as the money paid to beneficiaries for an employee's death.

**Figure 2: Percentage of Hearing Loss Claims Compared to Total WC Charges**



TVA's BP9, Workers' Compensation, states: "TVA provides claim and case management, and return to work services for employees who incur job-related injuries." These services include: (1) initial treatment by TVA or contract medical providers or assistance to obtain other treatment by the physician of the employee's choice; (2) helping employees submit WC claims correctly and obtain benefits through OWCP; (3) monitoring the medical recovery following job-related injuries; (4) facilitating prompt return to work through cooperative working relationships with employee and physician; and (5) an aggressive case management program to ensure timely, appropriate benefits and prevent unnecessary lost time. BP9 also states that TVA provides these services to:

- "Help employees file claims correctly and obtain benefits promptly.
- Facilitate recovery from work injuries.
- Prevent unnecessary time away from work.
- Prevent inappropriate benefits and unnecessary costs.
- Meet requirements of FECA and other applicable laws and regulations."

The CFRs and TVA BP9 prescribe specific requirements pertaining to the work injury management process.

### CFR Requirements

Different sections of CFR, Title 20, Part 10, prescribe specific requirements that the employer must adhere to in regard to its WC program. This includes:

- Filling out the employer portion of form CA-1<sup>3</sup> or CA-2<sup>4</sup> and submitting it to OWCP within ten working days of receipt of injury or disease notice from the employee. The employer must also complete the Receipt of Notice and give it to the employee along with copies of forms CA-1 or CA-2 (Section 110).
- Providing form CA-7<sup>5</sup> to an employee who is receiving continuation of pay (COP)<sup>6</sup> and is filing an initial claim for continuing compensation. This must be done by the thirtieth day of the COP period. Upon receipt of a CA-7 from the employee, the employer completes the appropriate employer sections and no more than five working days after receipt, forwards the completed CA-7 and any accompanying medical report to OWCP (Section 111).
- Providing another CA-7 if the employee claims continuing compensation due to disability for longer than the original period covered by the first CA-7. The employer must submit the CA-7 and medical information to OWCP within five business days of receipt from the employee (Section 112).
- Notifying OWCP and submitting form CA-6<sup>7</sup> within ten working days if an employee dies because of a work-related accident (Section 113).
- Controverting OWCP claims. The employer must submit a statement detailing why it disagrees with the employee and provide evidence to support their position. This must be submitted within 30 calendar days from the notice of injury/illness (Section 117).

### **BP9 Requirements**

BP9 states: "All major TVA plants and organizations should have an employee designated and trained to assist injured employees in processing workers' compensation claims." The supervisor/management designee is responsible for:

- Ensuring the employee obtains prompt medical care when needed and accompanying the employee to obtain treatment.<sup>8</sup>
- Notifying the physician that light-duty work will be made available, if necessary, to prevent work stoppage or hasten return to work.
- Ensuring the employee is assisted in completion of proper injury or illness reports (i.e., CA-1 for traumatic injury and CA-2 for occupational illness).
- Completing the supervisor's portion of CA-1 and CA-2 and submitting it to the WC department within eight working days of receipt from the employee.
- Ensuring that all work or illness claims are investigated to obtain an objective, factual record for use in improving safety, and managing OWCP claims.

---

<sup>3</sup> Form CA-1 – Federal Employee's Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation.

<sup>4</sup> Form CA-2 – Notice of Occupational Disease and Claim for Compensation.

<sup>5</sup> Form CA-7 – Claim for Compensation Due to Traumatic Injury or Occupational Disease.

<sup>6</sup> COP – FECA provides that the employer must continue the employee's pay during any period of resulting disability, up to a maximum of 45 calendar days. The employer, not OWCP, pays COP.

<sup>7</sup> Form CA-6 – Official Superior's Report of Employee's Death.

<sup>8</sup> The supervisor/management designee will accompany the employee to a medical care facility if the injury requires immediate medical attention.

- Contacting TVA'S WC department immediately if an employee stops work or does not return to work following a work injury to initiate the case management process.
- Coordinating and identifying light-duty work and preparing a description of the work in cooperation with the return-to-work coordinator from TVA's WC department.

TVA's WC department's return-to-work coordinator provides case management services, including monitoring medical recovery and obtaining and expediting medical approvals for the employee's return to work. In addition, according to BP9, TVA's WC department also plans and ensures implementation of TVA's agency-wide WC program, including (1) providing nurse case management services as necessary for an effective return-to-work program, (2) maintaining data and providing statistical reports and information, (3) providing regulatory and procedural information assistance and training for line organizations, (4) responding to and resolving claim and program inquiries and issues, and (5) serving as liaison with OWCP.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objectives of our review were to determine whether TVA's WC program (1) was complying with applicable laws and regulations and (2) was adequately supporting TVA organizations. To achieve our objective, we:

- Reviewed applicable federal laws and regulations and TVA policies and procedures pertaining to TVA's WC program to determine program and control requirements.
- Interviewed key TVA personnel and performed a walkdown of TVA's OWCP processes and procedures to (1) determine if prescribed processes and procedures were being followed and (2) identify key control activities. To facilitate our review of the program, we prepared flowcharts of the TVA OWCP claims process, which included noting key control activities.
- Selected and reviewed a random sample of 30 from 227 TVA OWCP claims that were originated in FY 2007 to determine whether they were reviewed and processed in accordance with policies and procedures.
- Interviewed key personnel at TVA sites to identify any perceived support opportunities or needs.

This inspection was conducted in accordance with the "Quality Standards for Inspections."

## **FINDINGS**

### **TVA GENERALLY COMPLIES WITH APPLICABLE LAWS AND REGULATIONS**

Our review of 30 randomly selected OWCP cases found that TVA was generally complying with applicable laws, regulations, and TVA policies. However, we also found (1) for 2 of 12 controverted claims we reviewed, the controversion letters were not submitted within 30 days after the notice of injury; (2) there was one instance where a supervisor's signature was missing from a form CA-2; and (3) there was one instance where the claim was not submitted to OWCP within ten business days due to a supervisor not forwarding his/her completed portion of the form within the allotted eight days. In summary, based on our review of the case files, copies of completed forms, other supporting documentation, and interviews, we found:

- The employee filed the appropriate form CA-1 for a traumatic injury or CA-2 for an occupational illness in accordance with 20 CFR 10.110.
- There was one instance where the supervisor did not submit the employer's portion of a CA-2 within eight working days of receipt as required by BP9. Additionally, this caused TVA's WC department to not submit the CA-2 within ten working days as required by 20 CFR 10.110.
- TVA's WC department submitted 10 of the 12 controversion letters (1) with the notice of traumatic injury or death or (2) within 30 calendar days from the date notice of occupational disease or death was received from the claimant, as required by 20 CFR 10.117.
  - With the exception of one supervisor's signature missing from one CA-2, the OWCP-required forms were filled out completely with appropriate information and signatures. The CA-1 included such information as (1) employee data and (2) descriptions of the injury including place, date, time, cause, and nature. The supervisor's section of a CA-1 required the answers to different questions, including:
    - Was employee injured in performance of duty?
    - Was injury caused by employee's willful misconduct, intoxication, or intent to injure self or another?
    - Was injury caused by a third party?
    - Does your knowledge of the facts about this injury agree with statements of the employee and/or witnesses?
  - Information on a CA-2 included (1) employee data and (2) claim information such as nature of disease or illness. The employer's section required information on medical care received and the employee's reporting of the condition.

For 30 of the claims we reviewed, we found the cases had been adjudicated and handled in such a manner that a CA-7 requesting COP was not necessary.

## **TVA WORKERS' COMPENSATION PROGRAM SUPPORT COULD BE IMPROVED**

We found that in addition to performing the legal requirements laid out in the CFR, TVA's WC department was performing the roles specified in BP9, which go beyond the legal requirements in certain respects. Specifically, the WC department:

- Provided a nurse case manager.
- Maintained data and provided statistical reports and information.
- Provided regulatory and procedural information and training necessary to effectively manage work injury claims. While we found training was provided, according to site personnel, it has been provided on a sporadic and inconsistent basis.

However, opportunities exist to improve support at TVA facilities. When we interviewed selected managers, nurses, site WC contacts, and other staff at seven TVA site locations, we were told the WC program support could be improved in certain areas. Specifically, interviewees shared with us the following similar concerns:

- The level of the WC department expertise needs improvement.
  - According to those interviewed, there was turnover in the WC department due to retirements, and the new employees are not as knowledgeable about WC and OWCP, which results in confusion in the WC process.
  - In addition, many nurses stated there was a significant lack of medical knowledge within the WC department, which unfairly put much of the burden of case management on them. This includes setting up appointments and performing follow-up to ensure timely return to work.
- There is a lack of education and training provided to individuals responsible for facilitating the WC process at the sites.
  - Interviewees stated it has been a number of years since they have had on-site training.
- There is a perceived lack of communication from the WC department.
  - Many interviewees expressed concern that once the paperwork was submitted, there was no communication or follow-up until the OWCP decision. Additionally, some plant managers stated they did not receive adequate reports regarding claims filed and charges incurred.
- There is an abundance of hearing loss claims that need to be addressed.

- Many interviewees stated there is an excessive amount of hearing loss claims being submitted. Furthermore, they expressed concern that employees view hearing loss awards as an entitlement and a "lottery" to be won.

We also found that TVA's Office of the General Counsel (OGC) is not integrated into the WC process. {REDACTED}

## **RECOMMENDATIONS**

We recommend that the Vice President (VP) of Human Resources (HR):

- Reassess WC site needs to identify support improvement opportunities, including the need for (1) training updates which should address the issues noted when reviewing the claims and (2) OGC's input on all controversion letters.

**Management's Response** – The VP, HR, provided comments on a draft of this report. The VP, HR, agreed to implement our recommendations regarding:

- Updating training to address the issues noted when reviewing the claims.
- The need for OGC's input on all controversion letters.

In response to our recommendations, management plans to (1) review and update training modules to ensure content is accurate with respect to employee rights identified under FECA, timelines associated with filing claims and controversions, and roles and responsibilities for all involved in the claims process; (2) conduct training sessions for managers, supervisors, compensation contacts, employees, and organizations in FY 2009; (3) reach out, via a letter from the WC department, to each organization's executive informing them of available training and requesting their assistance in extending this training to their management teams; and (4) update training modules to remind supervisors/managers that OGC may be a resource to them when controverting a claim.

(The complete text of the comments provided by the VP, HR, is provided in the Appendix.)

**Auditor's Comments** – We concur with TVA management's actions or planned actions with regard to updating the training manuals, providing training sessions, and informing organizations of training opportunities and requesting their assistance in extending training to their management teams.

To address our recommendation that WC reassess site needs to identify support opportunities, including the need for OGC's input on all controversion letters, management plans to update the training modules to remind supervisors/managers that OGC may be a resource to them when controverting a claim.

While we agree with this action, we believe requiring OGC's input on all controverted claims would strengthen the claims process.

February 6, 2009

Robert E. Martin, ET 3C-K

REQUEST FOR COMMENTS – DRAFT INSPECTION 2007-11474 – REVIEW OF TVA'S  
WORKERS' COMPENSATION PROGRAM

Thank you for your recommendations regarding TVA's Workers' Compensation Program. We offer the following in response to the recommendations made by the Office of the Inspector General:

Office of the Inspector General's Recommendations

Reassess Workers' Compensation site needs to identify support improvement opportunities, including the need for (1) training updates which should address the issues noted when reviewing the claims and (2) Office of the General Counsel's input on all controversion letters.

Workers' Compensation Department's Responses

- Training modules will be reviewed and updated as appropriate to ensure content is accurate with respect to employee rights identified under the Federal Employee's Compensation Act, timelines associated with filing claims and controversions, and roles and responsibilities for all involved in the claims process
- Training modules will be updated to remind supervisors/managers that the Office of the General Counsel may be a resource to them when controverting a claim
- Training sessions for managers, supervisors, compensation contacts, employees and organizations will continue to be conducted in Fiscal Year 2009
- The Workers' Compensation Department will reach out to organizations via a letter to each organization's Executive informing them of available training and requesting their assistance in extending this training to their management teams.

We appreciate the efforts of the OIG on this audit. If you have any further questions, please contact me at 751-3185 in Chattanooga.



Phillip L. Reynolds  
Vice President  
Human Resources  
LP 3A-C

SWT:LAT

Attachment

cc: Ralph E. Dudley, BR 3D-C  
John E. Long, Jr., WT 7B-K  
Scott W. Tiemeyer, BR 3D-C  
EDMS, WT CA-K