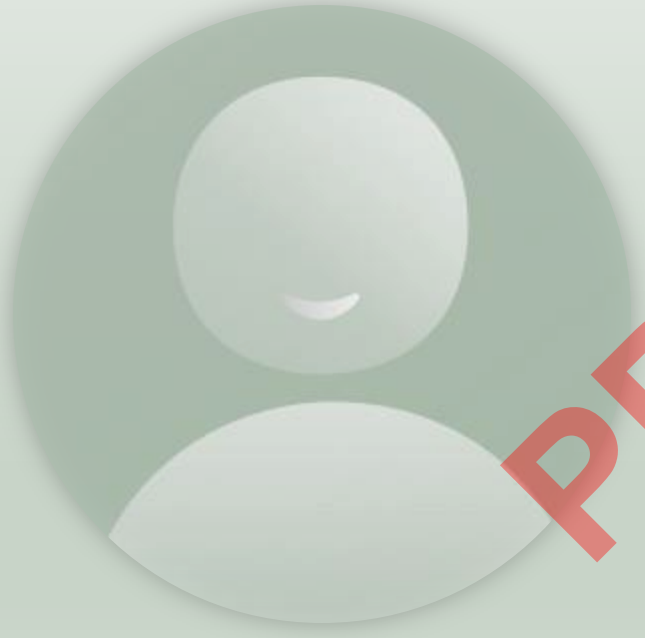
FRASCO® training

SPOT IT EARLY

FECA FRAUD AWARENESS

Training Objectives



01

Define & Recognize

Understand what WC fraud is and why it matters

02

Know Your Role

Identify your responsibilities in detecting potential fraud

03

Spot Red Flags

Recognize indicators and evaluate cases systematically

04

Refer & Follow Up

Understand how to refer cases and track outcomes

The Federal Employees' Compensation Act

An Essential Benefit

FECA entitles employees injured on the job to compensation and medical benefits during recovery.

The Fraud Reality

OIG data shows only **3–4% of claimants** commit program fraud — but the financial impact on agencies can be **significant.**

Statutory Penalties for FECA Fraud

Several statuses make it a crime to file a false or fraudulent claim under FECA, or to impede a FECA claim wrongfully. Enforcement falls under the **Department of Justice.**

Penalties are applied to the **individual**, not the agency.

Monetary Fine

Financial penalty levied against the individual offender.

Jail Time

Criminal imprisonment depending on the severity of the offense.

Fraud vs. Abuse: Intent is Everything

The Legal Definition of "Knowingly"

Per **20 CFR 10.5(n)**: acting *with knowledge, consciously, willfully, or intentionally.*

File must contain **positive evidence** of an omission — such as a claimant statement about earnings. Form **EN-CA1032** may be used to document this.

"The key difference between fraud and abuse is intent."

Abuse may not always be fraud, but fraud is always abuse.

FECA Fraud: What It Looks Like

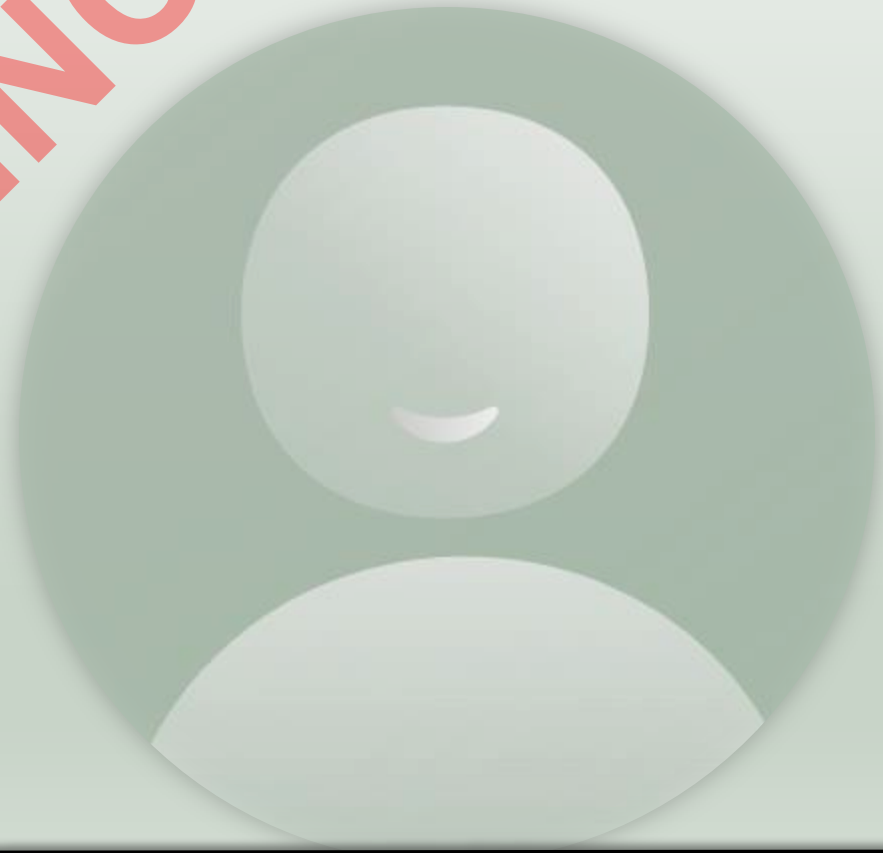
Fraud occurs when employees **deliberately** apply for FECA benefits they are not entitled to receive.

Undisclosed Employment

Claiming total disability while performing paid self-employment — such as handyman work — without reporting income or ability to work.

False Dependent Claims

Claiming an adult child as a dependent to receive the higher 75% compensation rate. DOL only allows minor children unless enrolled full-time in school.



Abuse vs. Fraud

Abuse

- Excessive or wrongful use of FECA to gain additional benefits
- May not be provable — employee may genuinely believe they are entitled
- Contrary to legal intent, but not necessarily criminal

Fraud — Statute 18 USC 1920

- Knowingly and willfully falsifies, conceals, or covers up a material fact
- Makes a false, fictitious, or fraudulent statement in connection with a FECA application
- Punishable as a **felony or misdemeanor**: imprisonment, fines, and/or restitution

WC Program Staff Responsibilities

Inform & Educate

Notify supervisors, managers, and employees of their obligations under FECA.

Identify & Monitor

Evaluate new claims and monitor ongoing cases for signs of fraud or abuse.

Gather & Refer

Compile supporting evidence and refer cases to OIG for investigation.

Track & Follow Up

Monitor the status and outcomes of all referred cases.

Key Prevention Strategies

Notify Employees

Inform injured employees of their rights and obligations under FECA at the outset.

Educate Supervisors

Ensure managers understand their responsibilities and obligations under FECA.

Controvert Questionable Claims

Challenge and dispute claims that lack credibility or supporting documentation.

Facilitate Return to Work

Offer light or modified duty to help injured employees return as soon as medically possible.

Monitor & Review

Track medical status, billing, and transportation reimbursements against actual workdays.

Understanding Red Flag Indicators

Identify Potential Fraud

Red flags help pinpoint claims that require **additional scrutiny**

Not Always Present

Indicators may not appear in every fraudulent case — absence doesn't mean absence of fraud

Support — Not Proof

Many flags support challenging a claim but don't independently prove fraud

Guide Referral Decisions

Use indicators to determine whether a referral to OIG is warranted

Red Flag Indicators — Part 1

Address Issues

Out-of-state residence or PO Box as primary address.

Medical Inconsistencies

Diagnosis inconsistent with treatment; bills or reports that don't align.

Delayed Reporting

Failure to report injury in a timely manner.

Adverse Action Timing

Employee about to be terminated or facing a personnel action at time of claim.

Deceased Claimant

Continued compensation payments to a deceased claimant.

Cost Imbalance

High compensation costs with little or no associated medical costs.

Claim History

Multiple prior WCP claims, personal injury history, or pattern of subjective injuries.

Red Flag Indicators — Part 2

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Minor Injury, Long Disability

Small injuries resulting in disproportionately long-term disability claims.

Inconsistent Activity

Physical activities outside the home that contradict stated medical restrictions.

Leave History

Previously denied leave or established leave abuse issues prior to injury.

Seasonal/Temp Work

Claim filed just as temporary or seasonal employment is ending.

Tips & Social Media

Information from co-workers, local media, or social networking suggesting fraud.

Questionable Provider

Treating physician with history of excessive billing or multiple long-term disability claims.

Outside Employment

Evidence of employment elsewhere while receiving total disability compensation.

Unwitnessed Accident

No witnesses and conflicting accounts of how the injury occurred.

Take Immediate Red Flag Action

When You Spot a Red Flag — Act Now

- **Document** the indicator in the case file immediately
- **Do not alert** the claimant — maintain confidentiality
- **Consult** your supervisor before taking further action
- **Complete** the Fraud Characteristics Checklist promptly

Be Strategic in Claims Conversations & File Review

Inconsistencies

Conflicting accounts of the injury event or recovery progress

Undisclosed Activity

References to hobbies, travel, or side work incompatible with claimed restrictions

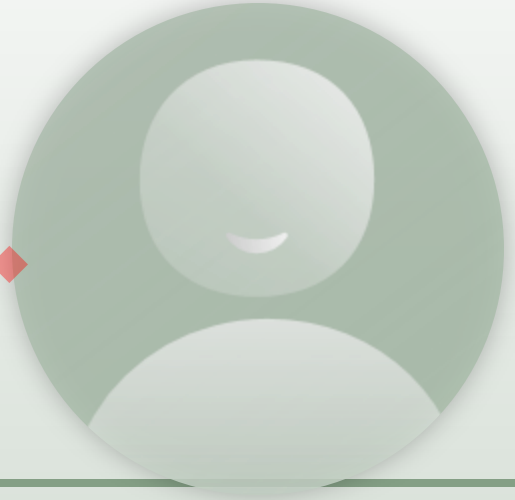
Unverifiable Details

Vague or changing information about employment, dependents, or medical status

Fraud Characteristics Checklist

Compiled from the **VA OIG report**, this checklist streamlines fraud evaluation for WC personnel — making it more efficient to identify cases warranting further action.

Once completed, the checklist must be reviewed by **higher-level staff** to determine whether to challenge the claim or initiate an investigation.



How It Works

01

Complete for **each new case** at claim initiation

02

Review **periodically** throughout the life of the WC case

03

3 or more items checked may warrant OIG referral

Checklist Best Practices

Complete at Initiation

Fill out for every new case — do not wait for red flags to emerge

Review Periodically

Revisit throughout the life of the WC case as new information surfaces

Internal Use Only

Do not include in the official WC case file — this is a **confidential internal document**

Three or More

Three or more items checked generally supports a claim challenge or OIG referral

Fraud Characteristics Checklist

The checklist includes 14 questions drawn from the VA OIG Referral process, each tied to source documents such as CA-1, CA-2, Medical Reports, and Personnel files.

Claimant Name: _____ Date of Injury: _____ OWCP Case Number: _____

Nature of Injury: _____ Person Completing Checklist: _____ Date Started: _____

ID	QUESTION	SOURCE DATA	RESPONSE	COMMENTS
1	The injury occurs prior to or just after a job termination, completion of temporary work assignment, or end of seasonal work.	Correspondence from HRM and personnel file.	☐ Yes ☐ No ☐ N/A	
2	Employee reports an alleged injury immediately following disciplinary action, notice of probation, demotion, or being passed over for promotion.	Correspondence from HRM and personnel file.	☐ Yes ☐ No ☐ N/A	
3	Employee has a history of personal injury, workers' compensation claims, and/or of reporting subjective injuries.	Medical Reports, CA-1032s, etc.	☐ Yes ☐ No ☐ N/A	
4	There are no witnesses to the accident or witness's version of the accident conflict with the employee's version or with one another.	CA-1, CA-2, and VA Form 2162 Accident Record	☐ Yes ☐ No ☐ N/A	
5	Employee fails to report the injury in a timely manner or employee's version of the accident has inconsistencies.	CA-1, CA-2, and VA Form 2162 Accident Record	☐ Yes ☐ No ☐ N/A	
6	The alleged injury relates to a preexisting injury or health problem.	CA-1, CA-2, Medical Reports, etc.	☐ Yes ☐ No ☐ N/A	
7	Employee uses addresses of friends, family, or post office boxes; has no known permanent address and moves frequently.	Changes of address records, correspondence to and from claimant, etc.	☐ Yes ☐ No ☐ N/A	
8	Employee frequently changes physicians, or does so after being released to return to work.	Medical Reports, Election of Treating Physician, Requests to change providers	☐ Yes ☐ No ☐ N/A	
9	Employee undergoes excessive treatment for soft tissue injuries.	Medical reports, long periods of light duty without progression.	☐ Yes ☐ No ☐ N/A	
10	Medical treatment is inconsistent with injuries originally alleged by employee. The nature of the alleged injury conflicts with claim file documentation.	CA-1, CA-2, VA Form 2162 Accident Record, Medical Reports, etc.	☐ Yes ☐ No ☐ N/A	
11	The claimant cancels or fails to keep appointments, or refuses diagnostic procedures to confirm injury.	Medical Reports, Contact from Physician's office	☐ Yes ☐ No ☐ N/A	
12	Diagnosis is inconsistent with the treatment rendered. The alleged injuries are all subjective.	Medical reports, expansion of diagnoses, etc.	☐ Yes ☐ No ☐ N/A	
13	Address of medical provider is only a Post Office Box.	Billing address in ACS Portal, Correspondence from provider.	☐ Yes ☐ No ☐ N/A	
14	Medical facility uses multiple names or changes name often or the medical reports appear to be "boilerplate" reports.	ACS Portal and WCOSH/MIS medical billing review.	☐ Yes ☐ No ☐ N/A	

Signature of person completing checklist: _____ Date Completed: _____

How Administrative Investigation Supports Fraud Referrals

Surveillance

Mobile investigator observed and recorded surveillance; timely activity verification of injured employees.

ROC Technology

Remote Observational Camera (ROC) for discreet, long-duration evidence gathering.

Digital Research

Social media searches, death index searches, and online public records review.

Evidence Package

Comprehensive reports, photos, and video evidence to support OWCP documentation and OIG referral.

ROC Surveillance

A **Remote Observational Camera** is a covertly placed device used to monitor a claimant's activity over extended periods without requiring an on-site investigator.

When to Use It

When a claimant's home-based activity needs long-term monitoring

When mobile surveillance alone is insufficient

When evidence needs to be gathered discreetly over time

Evaluating Tips & Managing Confidentiality

Who Provides Tips

Employees, customers, supervisors, managers, or visitors may all provide tips about potential fraud.

- Fraud evaluation must be **confidential** and limited to WC personnel only.

Key Guidelines

- Use **administrative investigators** — not criminal investigators or police
- Consult with your supervisor before contacting OIG
- Indicate any independent investigator referral on the checklist

The 4-Step Referral Process

Gather Evidence

Complete Package

Consult Management

Contact OIG

OIG Fraud Referral Criteria

High-Cost Cases

OIG prioritizes cases typically in the **hundreds of thousands of dollars,** the investigation cost must be justified by potential government recovery.

Medical Billing Fraud

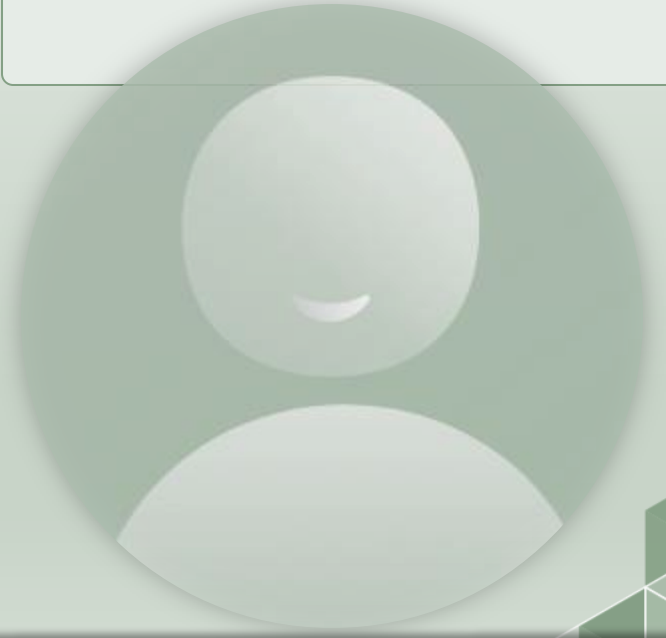
- Excessive/unsupported billing from Federal Injury Comp Centers.
- Travel reimbursement (mileage) without associated treatment days.

Compensation Fraud

- Unreported income or outside employment.
- Multiple falsified CA-1032 or CA-7 forms.

Remember

Fraud investigations are **expensive**. The value of the case must justify OIG resources.



The OIG's Role in Workers' Comp.

The OIG is responsible for investigating WC cases involving **possible fraud** — their objective is to help WCP staff reduce compensation costs from fraudulent claims.

They Also Help Remove:

Dishonest Employees

Gather information leading to removal from the federal workforce

Fraudulent Providers

Remove corrupt medical providers from the WCP program

If OIG Accepts the Case

Be Patient

Months may pass between contacts from the OIG agent — this is normal

Keep It Quiet

Do not upload any information about the OIG investigation into ECOMP

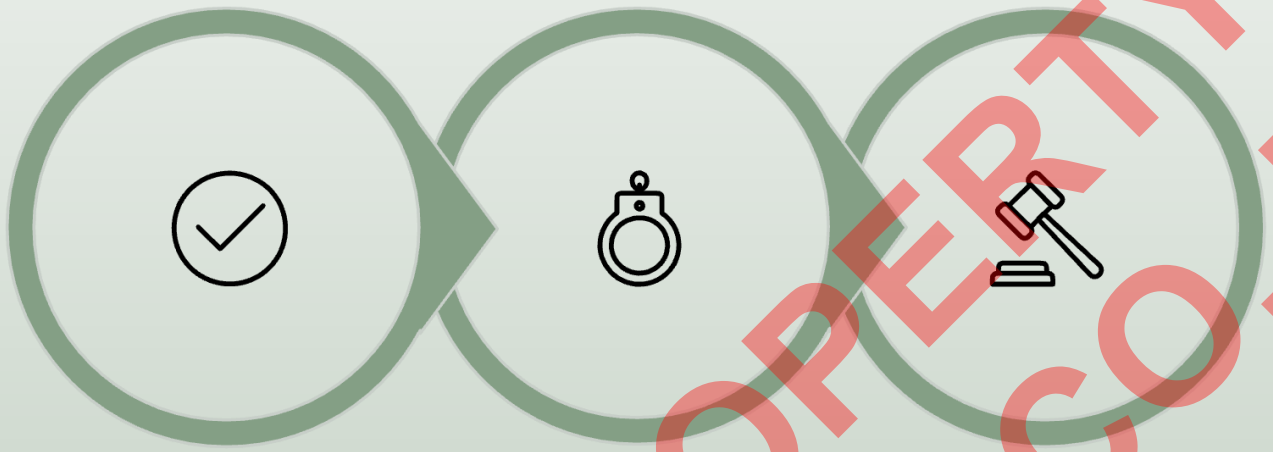
Pause Admin Investigation

If using an administrative investigator, they may need to stop activity once OIG accepts

Stay Responsive

OIG may go months without contact — but when they need information, they need it **immediately**

Be Ready for the Long Haul



OIG Accepts Case

Arrest: 2+ Years

Conviction: 1–2 Years

From referral acceptance to final conviction — the process can take **3 to 4 years or more.** Patience is essential.

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Case Management Options to Support Fraud Referrals

The OIG Referral Checklist is also an excellent tool for developing a challenge letter.

Multiple Claims

Filing a pattern of WC claims can be used to challenge current claim validity

Post-Disciplinary Timing

Filing a claim immediately after a disciplinary action raises credibility questions

Changing Stories

Inconsistent accounts of the work event can be used to dispute the claim

Additional Fraud Referral Documentation

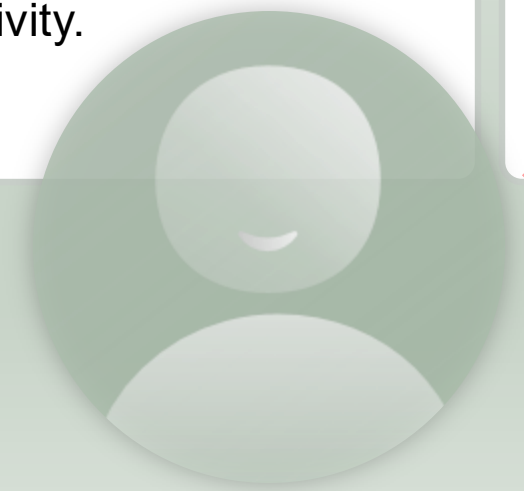
Determine the Scope

Time Frame

Identify the suspected period of fraudulent activity.

Total Dollar Value

Compile all compensation, medical, and travel costs during that period.



Expand the Scope: Other Agencies

Wire Fraud

Was documentation uploaded to ECOMP? This may add a wire fraud dimension.

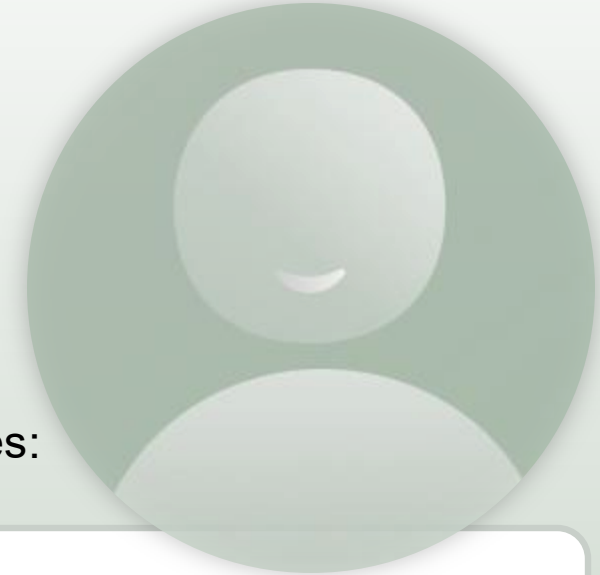
Mail Fraud

Was documentation sent by USPS? This may add a mail fraud charge.

Social Security

Was the claimant also receiving SSA disability? This increases total claim value and brings in another OIG.

Reviewing Form CA-1032



The CA-1032 is a key tool for evaluating ongoing fraud risk. Here's how to interpret responses:

Volunteer Activities Reported

Request a **Special Examination/ SECOP** to determine physical capability.

Active Lifestyle Indicated

Frequent vacations or physical activity inconsistent with disability, consider an **administrative investigator** and request SECOP.

Employment Income Reported

Claimant is disclosing earnings, may not be fraud, but could trigger **CWEC and overpayment review** by DOL.

Tracking Referrals to Resolution

WCP Office Must Track

01

Record every referral and whether OIG **accepted the case**

02

Track accepted cases **through to resolution**

03

Forward conviction information to **OWCP** for follow-up action

04

OWCP will **update case status and benefits** based on conviction outcome

Consequences of a Fraud Conviction

For Employees

- All WC benefits immediately terminated
- Possible removal from federal employment
- Criminal prosecution and potential imprisonment

For Medical Providers

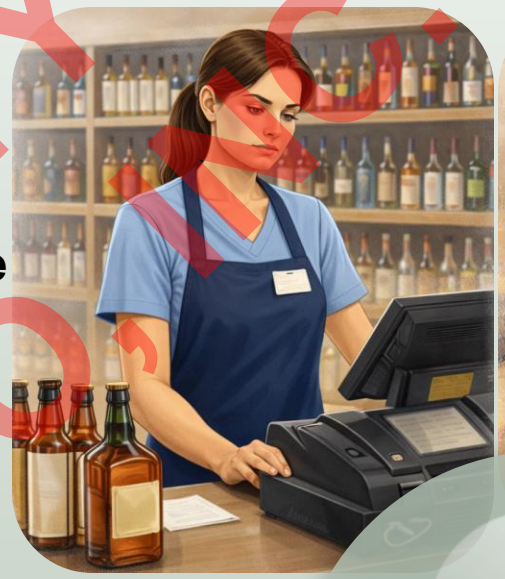
- Placed on the "Unauthorized Providers List."
- Barred from participating in the Workers' Compensation Program
- Potential license revocation in severe cases

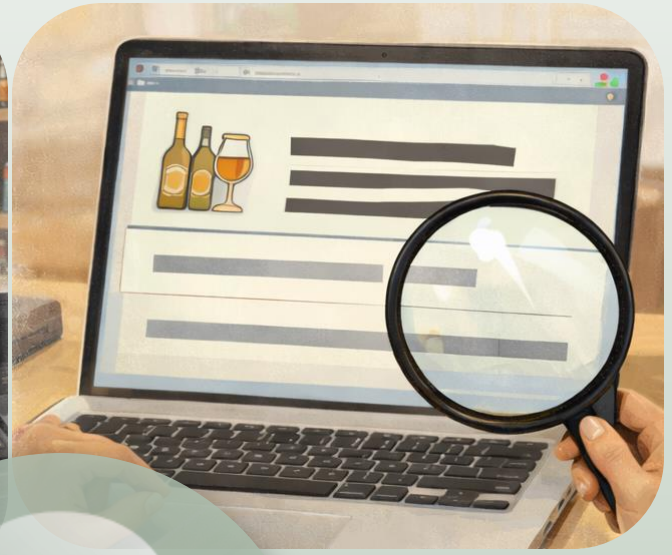
Case Study:
The Liquor Store Owner

A Nursing Assistant suffers a **back injury** and is placed off work. She returns with significant restrictions:

- No pushing, pulling, bending, or lifting over 10 lbs.
- 4 hours per day maximum — must go home to rest each afternoon.

Case Study: The Liquor Store Owner





The Discovery

Co-workers tip off WC staff that she operates a **liquor store** each afternoon after leaving her federal position.

Online public records research confirms:

- Business registered in her name as **sole proprietor**
- Liquor license issued in her name as **owner**

Case Outcome

Claimant was:

Convicted of WC Fraud.

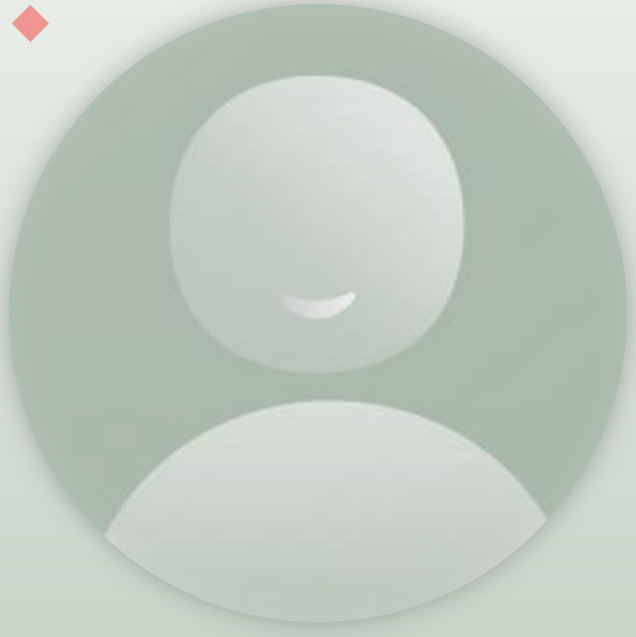
Sentenced to five years of probation, with the first six months on home detention.

Ordered to pay $14,524 in restitution.

What Do You Do?

You have a co-worker tip, public records confirming ownership, and documented restrictions that are clearly incompatible with running a business.

What are your next steps as the WC Program Officer?



You Should:

Complete the OIG Fraud Checklist

Document all applicable red flags identified

Refer to an Independent Investigator

Conduct surveillance and verify activity

Consult with Your Supervisor

Review findings and determine next steps

Prepare a Referral Package to OIG

Compile evidence, documentation, and monetary totals

Document Fraud Using Red Flag Indicators

Formally support the referral and challenge the claim

DOL Office of Inspector General

The DOL OIG publishes investigation newsletters and fraud reports. Visit the OIG portal to stay current on enforcement actions, publications, and how to report fraud directly.

Office of Inspector General for the U.S. Department of Labor

OIG Investigations Newsletter

April 1–May 31, 2019
Volume XXII

The Office of Inspector General (OIG) for the U.S. Department of Labor (DOL) is pleased to present the *OIG Investigations Newsletter,* containing a bimonthly summary of selected investigative accomplishments.

The OIG conducts criminal, civil, and administrative investigations into alleged violations of federal laws relating to DOL programs, operations, and personnel. In addition, the OIG conducts criminal investigations to combat the influence of labor racketeering and organized crime in the nation's labor unions in three areas: employee benefit plans, labor-management relations, and internal union affairs.

Arkansas Woman and Niece Sentenced for Their Roles in Scheme to Defraud Federal Health Care Program of Over $26 Million

On May 15, 2019, Lydia Bankhead was sentenced to one-year in prison followed by a one-year period of supervised release. Bankhead was ordered to pay over $26 million in restitution to the Office of Workers' Compensation Programs (OWCP). On the same date, Lydia Taylor was sentenced to two years of probation and ordered to pay more than $265,000 in restitution to OWCP.

Bankhead opened Union Medical Supplies and Equipment (UMSE), an OWCP enrolled company, with Tshombe Anderson in 2013. They billed OWCP claimants for durable medical equipment that the claimants neither wanted nor needed. Anderson continued to submit these bills despite knowing the companies were billing OWCP for items unassociated with claimants' injuries.

Taylor was an unpaid intern for OWCP. In February 2018, Taylor pleaded guilty to failure to disclose a financial interest on her employment application. She failed to disclose to OWCP that she worked for UMSE, an OWCP-enrolled company, when she applied for the internship. Bankhead pleaded guilty to aiding and abetting her niece's failure to disclose a financial interest to the government. Bankhead managed the day-to-day operations of UMSE.

Bankhead and Taylor were responsible for shipping the items to the claimant, although most of the billed items were never shipped. In the instances where the items were shipped, claimants often refused or rejected the durable medical equipment. Later in the scheme, Bankhead paid for Taylor to move to Dallas and facilitated her role as an intern with OWCP.

This was a joint investigation with U.S. Postal Service-OIG. *United States* v. *Lydia Bankhead and United States v. Lydia Taylor* (N.D. Texas)

Legal Resources & Statutory References

These statutes may apply when evaluating or referring a Workers' Compensation case for suspected fraud:

18 U.S.C. § 205

Activities of officers and employees in claims against the Government

18 U.S.C. § 287

False, Fictitious or Fraudulent Claims

18 U.S.C. § 1001

Fraud and False Statements — Statements or Entries Generally

18 U.S.C. § 1920

False Statement or Fraud to Obtain Federal Employees' Compensation

18 U.S.C. § 1922

False or Withheld Report Concerning Federal Employees' Compensation

31 U.S.C. §§ 3729–3733

False Claims Act

31 U.S.C. §§ 3801–3812

Program Fraud Civil Remedies Act of 1986