U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS

SPECIAL REPORT RELATING TO THE FEDERAL EMPLOYEES' COMPENSATION ACT SPECIAL BENEFIT FUND

September 30, 2015

This report was prepared by KPMG LLP, under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

Elliot P. Lewis

Assistant Inspector General for Audit
U.S. Department of Labor

Date Issued: October 30, 2015
Report Number: 22-16-001-04-431

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U.S. Department of Labor

Office of Inspector General
Washington, DC. 20210

Inspector General's Report

October 30, 2015

To: FEDERAL AGENCIES WITH RESPONSIBILITIES FOR THE FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund – FY 2015
Report No. 22-16-001-04-431

Attached is the special report on the Federal Employees' Compensation Act (FECA) Special Benefit Fund (Fund) that was prepared to assist in the audit of your agency's annual financial statements. The U.S. Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP), administers the Fund, and the DOL Office of Inspector General (OIG) is responsible for auditing the Fund.

The OIG contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to prepare the report on the Fund as of, and for the year ended, September 30, 2015. This special report consists of two reports. The first report is an opinion on the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense of the Fund as of, and for the year ended, September 30, 2015, for which KPMG issued an unmodified opinion. In connection with this audit, KPMG performed certain tests of controls and compliance with laws and regulations related to the Fund. Its testing of controls disclosed no instances of deficiencies in internal control over financial reporting that it considered to be significant deficiencies and/or material weaknesses. KPMG's testing of compliance disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards (GAGAS).

The second report is an agreed-upon procedures (AUP) report on the Schedules of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense of the Fund by agency as of, and for the year ended, September 30, 2015. This report includes a description of the procedures performed and the results of those procedures.

The sufficiency of the procedures referred to in the AUP is solely the responsibility of the parties specified in this report. Consequently, neither OIG nor KPMG made any representations regarding the sufficiency of the procedures. Because the AUPs performed did not constitute an audit, KPMG did not express an opinion on any elements, accounts, or items as they pertained to the AUP report. Furthermore, neither OIG nor KPMG had any obligation to perform any procedures beyond those listed in the attached report.

KPMG is responsible for the attached reports dated October 30, 2015, and the conclusions expressed therein. We reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we did not express opinions on the schedule of actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund as of, and for the year ended, September 30, 2015; or the AUP report on the schedules of actuarial liability, net intra-governmental accounts receivable and benefit expense of the Fund by agency as of, and for the year ended, September 30, 2015. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

If you have any questions or comments, please send your questions or comments via regular mail, facsimile, or e-mail to:

Joseph L. Donovan, Jr.
Audit Director, Financial Statement Audits
U.S. Department of Labor
Office of Inspector General
200 Constitution Ave., N.W., Room N-4633
Washington, D.C. 20210

Fax: (202) 693-5145
E-mail: donovan.joseph@oig.dol.gov

Attachment

Section 1

Financial Section

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Section 1A

Independent Auditors' Report

Mr. Leonard J. Howie III, Director
Office of Workers' Compensation Programs, U.S. Department of Labor

Report on the Schedule

We have audited the accompanying schedule of actuarial liability and net intragovernmental accounts receivable as of September 30, 2015, and benefit expense for the year then ended (hereinafter referred to as the schedule), of the U.S. Department of Labor's (DOL) Federal Employees' Compensation Act Special Benefit Fund (the Fund), and the related notes to the schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Schedule

In our opinion, the schedule referred to above presents fairly, in all material respects, the actuarial liability and net intra-governmental accounts receivable of DOL's Federal Employees' Compensation Act Special Benefit Fund as of September 30, 2015, and its benefit expenses for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1.b to the schedule, which describes the basis of presentation. The schedule was prepared by management for the purpose of providing information to the Chief Financial Officers Act agencies and other specified agencies to support and prepare their respective financial statements. The schedule is not intended to be a complete presentation of the Fund's financial position, its net costs, changes in net position or budgetary resources. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the schedule as of and for the year ended September 30, 2015, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A

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significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 30, 2015

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SECTION 1B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2015, and Benefit Expense For the Year Ended September 30, 2015
(Dollars in Thousands)

Actuarial Liability	$ 35,333,800
Net Intra-Governmental Accounts Receivable	$ 5,382,447
Benefit Expense	$ 1,949,350

See accompanying notes to the Schedule.

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SECTION 1C

Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2015, and Benefit Expense For the Year Ended September 30, 2015

1. Significant Accounting Policies

a. Reporting Entity

The U.S. Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) Special Benefit Fund (the Fund) was established by the FECA to provide income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The Fund is reimbursed by other federal agencies for the FECA benefit payments made on behalf of their workers. The DOL Office of Workers' Compensation Programs (OWCP) is charged with the responsibility of operating the Special Benefit Fund under the provisions of FECA.

b. Basis of Presentation

The Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2015, and Benefit Expense for the year ended September 30, 2015, U.S. Department of Labor's Federal Employees' Compensation Act Special Benefit Fund (the schedule) has been prepared to report the actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund. OWCP is responsible for providing this information to the Chief Financial Officers Act (CFO Act) agencies and other specified agencies to support and prepare their respective financial statements. The schedule has been prepared from the accounting records of the Fund. The actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund are considered specified accounts for the purpose of this schedule. The schedule is not intended to be a complete presentation of the Fund's financial position, its net cost, changes in net position or budgetary resources.

c. Basis of Accounting

The Schedule has been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

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d. Actuarial Liability (Future Workers' Compensation Benefits)

The actuarial liability for future workers' compensation benefits reported on the schedule includes the expected liability for death, disability, medical and miscellaneous costs for approved cases as well as an estimate for those cases incurred but not reported. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The actuarial model uses a Paid Loss Development Method by agency, by defined agency groups, and in total, using inflation rate assumptions on both past and future indemnity and medical benefits to adjust past data and project forward.

As required under U.S. generally accepted accounting principles, these projected annual benefit payments have been discounted to present value. Consistent with last year's practice OWCP derived its discount rates from averages of Treasury Nominal Coupon-Issue Yield Curves that are published by the U.S. Department of the Treasury. OWCP used discount rates derived from the Treasury Nominal Coupon-Issue Yield Curve based on an average of the quarterly spot rates presented from July 1, 2010, through June 30, 2015. The discounting rates were selected by interpolation of the yield curve averages with maturities that matched average FECA compensation and medical cash flow durations.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, a wage inflation factor (cost-of-living allowance) (COLA), and a medical inflation factor (consumer price index for medical) (CPI – Med) are applied to the calculation of projected future benefits. These factors are also used to adjust the historical payments to current-year constant dollars. The liability is determined assuming an annual payment at mid-year.

The compensation and medical inflation rates used in the actuarial model represent five year averages of published inflation rates ending with the benefit payment fiscal year. The compensation inflation rates are derived from FECA COLA rates that are updated March 1st of each year by the Division of Federal Employees' Compensation. The medical inflation rates are derived from CPI – Med rates published by the Office of Management and Budget.

e. Net Intra-governmental Accounts Receivable

The net intra-governmental accounts receivable is the amount due from federal agencies for benefit payments paid to or on behalf of employees of the employing agency as of September 30, 2015. Intra-governmental accounts receivable are considered fully collectible.

2. Actuarial Liability (Future Workers' Compensation Benefits)

The interest rate used to discount compensation benefits in fiscal year (FY) 2015 was 3.134 percent. The interest rate used to discount medical benefits in FY 2015 was 2.496 percent.

The compensation COLA and CPI - Med entered into the actuarial model to calculate FY 2015 liability estimates were as follows:

FY	COLA	CPI-Med
2016	1.64%	2.94%
2017	1.47%	2.98%
2018	1.33%	3.09%
2019	1.43%	3.39%
2020+	1.65%	3.69%

3. Net Intra-Governmental Accounts Receivable

Net intra-governmental accounts receivable for the year ended September 30, 2015, consisted of the following (dollars in thousands):

Billed, but not paid as of year end	$ 4,556,130
Benefit payments not yet billed	849,080
Credits due from the Public	(22,763)
Total net intra-governmental accounts receivable	$ 5,382,447

The Fund also receives an appropriation for special cases and older cases where employing agencies are not charged for benefit payments.

Each federal agency is required by FECA to include in its annual budget estimate a request for an appropriation in the amount equal to the agency cost. Agencies not receiving an appropriation are required to pay agency costs from funds directly under their control. In addition, certain corporations and instrumentalities are assessed under FECA for a fair share of the costs of administering disability claims filed by their employees. The fair share costs are included in the calculation to determine the net intra-governmental accounts receivable.

4. Benefit Expense

Benefit expense for the year ended September 30, 2015, consisted of the following (dollars in thousands):

Benefits paid for compensation	$ 2,064,437
Benefits paid for medical benefits	1,088,523
Change in accrued benefits	13,010
Change in actuarial liability	(1,216,620)
Total benefit expense	$ 1,949,350

5. Material Concentration of Risk

The U.S. Postal Service (USPS) represents 45 percent of the actuarial liability and 34 percent of the net intra-governmental accounts receivable to the Fund as of September 30, 2015. The USPS disclosed its lack of liquidity in its FY 2014 audited financial statements and its FY 2015 interim unaudited financial statements. The USPS's portion of the FECA actuarial liability and net intra-governmental accounts receivable as of September 30, 2015, together with the USPS's poor financial condition, represent a material concentration of risk for the Fund.

Public Law, Title 5, United States Code, Section, 8147, requires appropriate and non-appropriated agencies to reimburse DOL for the compensation and medical payments to beneficiaries. In October 2015, the USPS withheld a portion of the scheduled chargeback payment for the period of the 12 months ended June 30, 2015, in the amount of $68,622,203. However, the Department considers all intra-governmental receivables fully collectable in general, and specifically, based on the statutory provision requiring the chargeback payment.

Section 2

Agreed-Upon Procedures Section

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Section 2A

Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Leonard J. Howie, III, Director
Office of Workers' Compensation Programs, U.S. Department of Labor

Agencies Specified in Section 2B of this Report

We have performed the procedures enumerated in Section 2C, Agreed-Upon Procedures and Results, which were agreed to by the U.S. Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) and federal agencies participating in the Federal Employees' Compensation (FECA) program specified in Section 2B (federal agencies), solely to assist you in evaluating the accompanying Schedules of Actuarial Liability by Agency and Net Intra-Governmental Accounts Receivable by Agency for the year ended September 30, 2015 and the Schedule of Benefit Expense by Agency for the year then ended, of the DOL FECA Special Benefit Fund (hereinafter referred to as the schedules).

Management is responsible for the schedules (Section 2B). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Section 2C either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the associated results are presented in Section 2C of this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOL OWCP and the federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 30, 2015

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

I. Schedule of Actuarial Liability by Agency
As of September 30, 2015
(Dollars in Thousands)

AGENCY	Actuarial Liability
Agency for International Development	$24,731
Environmental Protection Agency	46,166
General Services Administration	121,818
National Aeronautics and Space Administration	43,072
National Science Foundation	1,215
Nuclear Regulatory Commission	6,040
Office of Personnel Management	22,825
U.S. Postal Service	15,736,693
Small Business Administration	31,691
Social Security Administration	329,399
Tennessee Valley Authority	387,275
U. S. Department of Agriculture	893,121
U. S. Department of the Air Force	1,286,627
U. S. Department of the Army	1,749,103
U. S. Department of Commerce	209,304
U. S. Department of Defense – other	803,782
U. S. Department of Education	14,549
U. S. Department of Energy	95,810
U. S. Department of Health and Human Services	271,198
U. S. Department of Homeland Security	2,506,660
U. S. Department of Housing and Urban Development	68,657

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SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

I. Schedule of Actuarial Liability by Agency
As of September 30, 2015
(Dollars in Thousands)

AGENCY	Actuarial Liability
U. S. Department of the Interior	$774,798
U. S. Department of Justice	1,654,319
U. S. Department of Labor	218,055
U. S. Department of the Navy	2,217,153
U. S. Department of State	88,176
U. S. Department of Transportation	934,144
U. S. Department of the Treasury	587,144
U. S. Department of Veterans Affairs	2,243,606
Other agencies and non-billable[1]	1,966,669
Total – all agencies	$35,333,800

1 This amount represents other agencies for which OWCP has not individually calculated an actuarial liability, as well as the actuarial amounts of non-billable payments.

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

II. Schedule of Net Intra-Governmental Accounts Receivable by Agency
As of September 30, 2015
(Dollars in Thousands)

AGENCY	**Amounts Billed Not Yet Paid** (1)	**Amounts Expended Not Yet Billed** (2)	**Credits Due from Public** (3)	**Net Intra-Governmental Accounts Receivable** (4)
Agency for International Development	$7,465	$954	$(26)	$8,393
Environmental Protection Agency	8,707	1,058	(28)	9,737
General Services Administration	25,817	3,559	(95)	29,281
National Aeronautics and Space Administration	8,358	1,037	(28)	9,367
National Science Foundation	329	47	(1)	375
Nuclear Regulatory Commission	1,376	149	(4)	1,521
Office of Personnel Management	4,830	675	(18)	5,487
United States Postal Service	1,454,227	400,626	(10,740)	1,844,113
Small Business Administration	5,687	735	(20)	6,402
Social Security Administration	50,685	6,869	(184)	57,370
Tennessee Valley Authority	51,619	11,052	(296)	62,375
U. S. Department of Agriculture	139,939	20,097	(539)	159,497
U. S. Department of the Air Force	238,683	31,769	(852)	269,600
U. S. Department of the Army	249,614	34,711	(931)	283,394
U. S. Department of Commerce	28,272	3,922	(105)	32,089
U. S. Department of Defense – other	182,952	28,390	(761)	210,581
U. S. Department of Education	2,916	356	(10)	3,262
U. S. Department of Energy	16,288	2,567	(69)	18,786

(continued)

1 Amount billed through June 30, 2015 (including prior years) but not yet paid as of September 30, 2015.

2 Amounts paid and accrued but not yet billed for the period July 1, 2015 through September 30, 2015.

3 Allocation of credits due from the public through September 30, 2015.

4 Total amount due to the Fund for each agency as of September 30, 2015.

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

II. Schedule of Net Intra-Governmental Accounts Receivable by Agency As of September 30, 2015 (Dollars in Thousands)

AGENCY	**Amounts Billed Not Yet Paid** (1)	**Amounts Expended Not Yet Billed** (2)	**Credits Due from Public** (3)	**Net Intra-Governmental Accounts Receivable** (4)
U. S. Department of Health and Human Services	$51,297	$7,377	$(198)	$58,476
U. S. Department of Homeland Security	373,417	60,540	(1,623)	432,334
U. S. Department of Housing and Urban Development	13,875	1,716	(46)	15,545
U. S. Department of the Interior	116,864	15,560	(417)	132,007
U. S. Department of Justice	245,792	35,331	(947)	280,176
U. S. Department of Labor	42,875	6,819	(183)	49,511
U. S. Department of the Navy	419,594	56,464	(1,514)	474,544
U. S. Department of State	17,560	2,728	(73)	20,215
U. S. Department of Transportation	178,295	23,251	(623)	200,923
U. S. Department of the Treasury	103,906	14,271	(383)	117,794
U. S. Department of Veterans Affairs	414,614	60,587	(1,624)	473,577
Other agencies	100,277	15,863	(425)	115,715
Total - all agencies	$4,556,130	$849,080	(22,763)	5,382,447

1 Amount billed through June 30, 2015 (including prior years) but not yet paid as of September 30, 2015.

2 Amounts paid and accrued but not yet billed for the period July 1, 2015 through September 30, 2015.

3 Allocation of credits due from public through September 30, 2015.

4 Total amount due to the Fund for each agency as of September 30, 2015.

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

III. Schedule of Benefit Expense by Agency
As of September 30, 2015
(Dollars in Thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
Agency for International Development	$3,574	$(1,789)	$1,785
Environmental Protection Agency	4,282	(2,895)	1,387
General Services Administration	12,613	(10,999)	1,614
National Aeronautics and Space Administration	3,857	(4,528)	(671)
National Science Foundation	168	(115)	53
Nuclear Regulatory Commission	615	(629)	(14)
Office of Personnel Management	2,530	(2,867)	(337)
United States Postal Service	1,397,178	(285,798)	1,111,380
Small Business Administration	2,877	(2,936)	(59)
Social Security Administration	25,639	(19,140)	6,499
Tennessee Valley Authority	42,420	(40,092)	2,328
U. S. Department of Agriculture	70,033	(61,632)	8,401
U. S. Department of the Air Force	117,884	(108,577)	9,307
U. S. Department of the Army	164,415	(117,567)	46,848
U. S. Department of Commerce	14,774	(17,067)	(2,293)
U. S. Department of Defense – other	63,812	(52,953)	10,859
U. S. Department of Education	1,350	(1,779)	(429)
U. S. Department of Energy	9,183	(6,391)	2,792
U. S. Department of Health and Human Services	25,934	(17,016)	8,918
U.S. Department of Homeland Security	202,608	(33,186)	169,422

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SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

III. Schedule of Benefit Expense by Agency
As of September 30, 2015
(Dollars in Thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
U. S. Department of Housing and Urban Development	$7,012	$(5,708)	$1,304
U. S. Department of the Interior	57,522	(46,835)	10,687
U. S. Department of Justice	125,879	(24,926)	100,953
U. S. Department of Labor	19,423	(16,919)	2,504
U. S. Department of the Navy	205,763	(195,212)	10,551
U. S. Department of State	8,265	(7,878)	387
U. S. Department of Transportation	88,372	(65,848)	22,524
U. S. Department of the Treasury	52,513	(27,995)	24,518
U. S. Department of Veterans Affairs	215,312	(19,745)	195,567
Other agencies and non-billable (1)	220,163	(17,598)	202,565
Total - all agencies	$3,165,970	$(1,216,620)	$1,949,350

1 This amount represents other agencies for which OWCP has not individually calculated an actuarial liability, as well as the amounts associated with non-billable payments.

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
1) Compare the actuarial liability, by agency, as of September 30, 2015, as reported in the Memorandum to the Chief Financial Officers (CFO) of Executive Departments issued by DOL's Office of the Chief Financial Officer (OCFO), to the liability calculated by the DOL Loss Development[1] (DOL model) actuarial model as of September 30, 2015. Report any differences.	No differences were noted as a result of applying this procedure.
2) Calculate the actuarial liability as of September 30, 2015, using KPMG's loss development actuarial model[2] (KPMG model), and compare it to the actuarial liability per DOL's model as of September 30, 2015. Report any differences above 1 percent.	The actuarial liability calculated using the KPMG model was greater than the actuarial liability per the DOL model by $513,031,900, or 1.50 percent of the actuarial liability per the DOL model, as of September 30, 2015.

(continued)

1 The DOL model uses a Paid Loss Development Method by agency, by defined agency groups, and in total using inflation rate assumptions on both past and future indemnity and medical benefits to adjust past data and project forward.

2 KPMG's model uses actual data to evaluate trends and project future payments. In addition, the KPMG model uses an interest rate by agency based on the average duration of cash flows for the particular agency.

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
3) Recalculate the actuarial liability as of September 30, 2015, using the DOL model, and compare it to the liability calculated by DOL in its DOL model as of September 30, 2015. For any identified difference, determine if DOL corrected the difference in its final DOL model by agreeing (a) KPMG's recalculated actuarial liability as of September 30, 2015, using DOL's final model to (b) the actuarial liability reported in the Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund. Report any differences.	No differences were noted as a result of applying this procedure.

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SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>4) Compare the interest rate and inflation (Cost-of-living allowance (COLA), Consumer price index – medical (CPI - Med)) assumptions used by the DOL model as of September 30, 2015, to the interest rate and inflation (COLA, CPI - Med) assumptions used by KPMG's model as of September 30, 2015. Report any differences.</td><td>The DOL model calculated the duration of expected cash flow payments for compensation and medical separately in total, for all agencies combined. KPMG's model included separate interest rate by agency based on the average duration of cash flows for the particular agency. See below for the DOL and KPMG interest rates:

<table>
<tr><th>Projection</th><th>DOL Interest Rate</th><th>KPMG Interest Rate</th></tr>
<tr><td>Compensation – Year 1</td><td>3.134%</td><td>2.666%-3.225%</td></tr>
<tr><td>Compensation – Year 2 and after</td><td>3.134%</td><td>2.666%-3.225%</td></tr>
<tr><td>Medical – Year 1</td><td>2.496%</td><td>2.644-3.169%</td></tr>
<tr><td>Medical</td><td>2.496%</td><td>2.644-3.169%</td></tr>
</table>
In addition, KPMG's model uses an implicit inflation rate included in the loss development patterns selected and therefore does not use an explicit inflation rate assumption.</td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>5) Compare the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2014, to the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2015. Report any variances.</td><td>The average interest rate and inflations rate variances are as follows:
<table><tr><th>Average Rate</th><th>2014 Rate</th><th>Variance Increase/ (Decrease)</th></tr><tr><td>Interest – compensation</td><td>3.46%</td><td>0.33%</td></tr><tr><td>Interest – medical</td><td>2.86%</td><td>0.36%</td></tr><tr><td>COLA</td><td>2.27%</td><td>0.64%</td></tr><tr><td>CPI-Med</td><td>3.87%</td><td>0.25%</td></tr></table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>6) Calculate the percentage change in the actuarial liability for each agency by subtracting their respective actuarial liability as of September 30, 2014, from the September 30, 2015 balance, based on the DOL model, and by dividing this difference by the actuarial liability balance as of September 30, 2014. Identify agencies whose actuarial liability changed by more than 10 percent during FY 2015, and for such agencies, calculate the percentage change in benefit payments by comparing the benefit payment amounts from the Summary Chargeback Billing Report for the year ended September 30, 2014, to September 30, 2015. Report the names of any agency identified and the percentage change in the benefit payment.</td><td>As a result of the procedure performed, we identified the following agencies that had a change in actuarial liability of greater than 10 percent during FY 2015. For these agencies, we noted the following changes in benefit expenses from September 30, 2014, to September 30, 2015.

<table>
<tr><th>Agency</th><th>Percentage change in actuarial liability</th><th>Percentage change in benefit payments</th></tr>
<tr><td>SMI</td><td>(11.10)%</td><td>(11.77)%</td></tr>
<tr><td>NCS</td><td>(10.01)%</td><td>3.70%</td></tr>
<tr><td>OPM</td><td>(11.16)%</td><td>8.93%</td></tr>
<tr><td>PCC</td><td>(11.62)%</td><td>(1.84)%</td></tr>
<tr><td>EDU</td><td>(10.89)%</td><td>(6.55)%</td></tr>
</table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
7) Compare the interest rates (used to derive the discount rate) and inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2015, to the interest rates and inflation rates (COLA and CPI-Med) published by the U.S. Department of the Treasury and Office of Management and Budget (OMB) in the FY 2016 OMB Mid-Session Review, respectively. Report any differences.	No differences were noted as a result of applying this procedure.
8) Compare both the benefit payments by agency for the chargeback year ended June 30, 2015, and the aggregate benefit payments for the chargeback years ended June 30, 2010 - 2015 used in the DOL model, with the benefit payments by agency for the chargeback year ended June 30, 2015, and the aggregate benefit payments for the chargeback years ended June 30, 2010 - 2015, as reported in the *Summary Chargeback Billing Report*. Report any differences.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>9) Compare the estimated benefit payments calculated by the 2014 DOL model for the chargeback year ended June 30, 2015 to the actual benefit payments for the chargeback year ended June 30, 2015 from the DOL Summary Chargeback Billing Report. Identify and report the agencies where the 2014 DOL model estimated benefit payments varied by more than 20 percent and $2 million from the actual benefit payments made during the year ended June 30, 2015 from the DOL Summary Chargeback Billing Report.</td><td>As a result of applying this procedure, we identified the following agency that varied by more than 20 percent and $2 million.
<table><tr><th>Agency</th><th>Dollar variance</th><th>Percent variance</th></tr><tr><td>Peace Corp Enrollees</td><td>$2,754,687</td><td>25.12%</td></tr></table></td></tr>
</table>

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
10) For a selection of 31 federal agencies, obtain a list of appropriate representatives from OWCP, and send letters to confirm the total original accounts receivable balances due per the bills sent out to the agencies for the chargeback year July 1, 2014 through June 30, 2015. Compare the confirmed accounts receivable balances, including any pre-payments received prior to September 30, 2015, to the billed and due in FY 2016 and FY 2017 amounts reported by the OCFO in the *Liability for Current Federal Employees' Compensation Act Benefit* report as of September 30, 2015 posted on the DOL website. Report any differences.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>11) Recalculate the September 30, 2015, net intra-governmental accounts receivable balances for each agency by: a) adding the FY 2015 bills sent to federal agencies to the prior-year ending balance from prior year's special report; b) subtracting the current year's cash collections as reported by the OCFO on the CARS IPAC supporting listing and collection voucher support listing reports; and c) adding the change in the fourth quarter unbilled accounts receivable from FY 2014.

Compare the recalculated September 30, 2015, net intra-governmental accounts receivable balances to the FY 2015 amount reported in the detailed subsidiary ledger less the FY 2015 change in other credits due from the public reported in the detailed general ledger. Report any differences.</td><td>As a result of the procedures performed, we identified the following difference:

<table><tr><th>Agency</th><th>Difference</th></tr><tr><td>USPS – Health Benefit Costs</td><td>($2,545,607)</td></tr></table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
12) Compare the total recalculated September 30, 2015, net intra-governmental accounts receivable balance less the FY 2015 change in other credits due from the public reported in the detailed subsidiary ledger to the FY 2015 net intra-governmental accounts receivable balance reported in the general ledger. Report any differences.	As a result of applying this procedure, we identified a difference of $2,545,607
13) Compare the recalculated September 30, 2015, net intra-governmental accounts receivable balance for each agency to the balances reported by the OCFO in the Liability for Current Federal Employee's Compensation Act Benefit report as of September 30, 2015, and report any differences above 1 percent.	No differences above 1 percent were identified as a result of applying this procedure.
14) Compare the *Summary Chargeback Billing Report* for the period July 1, 2014, through June 30, 2015, to the total 2015 chargeback benefit costs presented on all bills sent to federal entities dated July 31, 2015. Report any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
15) Compare Accrued Benefits as of September 30, 2015, recorded on the OCFO *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2015, to the accrual calculation worksheet prepared by DOL. Report any differences.	No differences were identified as a result of applying this procedure.
16) Recalculate the allocation of Accrued Benefits for each agency as of September 30, 2015, as the ratio between the amount reported for the agency per the Chargeback Period Ending September 30, 2015, column presented in the *Liability for Current Federal Employees' Compensation Act Benefit* report as of September 30, 2015, and the total for all agencies reported in that column. Multiply the agency's ratio by total Accrued Benefits presented on the accrual calculation worksheet prepared by DOL. Compare the allocation of Accrued Benefits for each agency to the allocation of Accrued Benefits recorded on the OCFO's *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2015. Report any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
17) Compare the amount per the Chargeback Period Ending September 30, 2015, column presented in the *Liability for Current Federal Employees Compensation Act Benefit* report as of September 30, 2015, to the FY 2015 fourth quarter benefit payments reported on the *Summary Chargeback Billing Report*. Report any differences.	The FY 2015 fourth quarter accounts receivable reported on the Liability for Current Federal Employees' Compensation Act Benefits was less than FY 2015 fourth quarter benefit payments reported on the Summary Chargeback Billing Report by $10,290.

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
18) Compare the FY 2015 benefit payments recorded in the Integrated Federal Employees Compensation System (iFECS) and Central Bill Process (CBP) auto roll payment databases as of March 31, 2015, and September 30, 2015, to the FY 2015 benefit payments reported in Treasury's CARS ALC transactions reports, as of March 31, 2015, and September 30, 2015. Report any differences.	As a result of applying this procedure, we identified a difference of $1,011,871 and $1,350,199 for the months of March, 2015 and September, 2015, respectively.
19) For the reconciliation prepared by the OWCP between the benefit payments reported in the *Chargeback Billings Reports* and the benefit payments reported in the iFECS and CBP databases for the fiscal year ended September 30, 2015: a) Compare the benefit payments in the *Chargeback Billings Reports* reported in the reconciliation to the actual *Chargeback Billings Reports*. b) Compare the benefit payments from iFECS and CBP databases reported in the reconciliation to the actual iFECS and CBP databases. c) Identify and report any differences above 1 percent.	No differences above 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>20) For all agencies, compare compensation and medical bill payments by agency for the FY ending September 30, 2015, from the Summary Chargeback Billing Report prepared by DOL, to the compensation and medical bill payments by agency reported for the FY ending September 30, 2014, for the Summary Chargeback Billing Report prepared by DOL. Report any variances over 10 percent.</td><td>As a result of applying this procedure, we identified the following agencies that had variances over 10 percent:
<table><tr><th>Agency</th><th>Variance</th></tr><tr><td>SMI</td><td>(11.77)%</td></tr><tr><td>SBA</td><td>13.44%</td></tr><tr><td>NRC</td><td>(16.76)%</td></tr><tr><td>NASA</td><td>(11.50)%</td></tr></table></td></tr>
<tr><td>21) For a selection of 107 compensation payments for initially eligible claimants, compare beneficiary name, beneficiary social security number (SSN), date of birth, benefit amount, payment date, and other unique identifiers from the applicable Forms CA-1, Federal Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation, and CA-2, Notice of Occupational Disease and Claim for Compensation to the beneficiary name, beneficiary SSN, date of birth, benefit amount, payment date, and other unique identifiers in iFECS database. Report any differences.</td><td>No differences were identified as a result of applying this procedure.</td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
22) For a selection of 107 compensation payments for initially eligible claimants, recalculate the compensation pay rate in accordance with chapter 2-0900 of the FECA Procedure Manual. Compare the recalculated compensation pay rate to the rate in the iFECS database. Report any differences.	No differences were identified as a result of applying this procedure.
23) For a selection of 143 compensation payments for continuing eligibility and file maintenance, compare the related beneficiaries' name, SSN, date of birth, date of injury, and dependent information from applicable Forms CA-7 *Claim for Compensation*, and CA-1032 *Request for Information on Earnings, Dual Benefits, Dependents, and Third Party Settlements* to the beneficiaries' name, SSN, date of birth, date of injury, and dependent information in the iFECS database. Report any differences in claimant information.	One difference was identified as a result of applying this procedure. Specifically, the dependent information on Form 1032 did not agree to the dependent information in iFECS database for one claimant.
24) For a selection of 72 medical payments, compare the vendor name and date, from the medical bill, and payment amount on the summary sheet of the Achieve system to the vendor name, payment amount, date, and other unique identifiers in the CBP database. Report any differences.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
25) Compare the FY 2015 fourth quarter benefit expense estimate as reported on the *Liability for Current Federal Employees' Compensation Act Benefits* report to the sum of the actual FY 2015 fourth quarter benefit expenses recorded in the iFECS and CBP databases. Report any difference.	The FY 2015 fourth quarter benefit expense estimate as reported on the *Liability for Current Federal Employees' Compensation Act Benefits* was less than the FY 2015 benefit expenses recorded in the iFECS and CBP databases by $10,290.

Appendix

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ACRONYMS and ABBREVIATIONS

AUP	Agreed-Upon Procedures
CBP	Central Bill Processing System
CFO Act	Chief Financial Officers Act
COLA	Cost-of-Living Allowance
CPI-Med	Consumer Price Index for Medical
DOL	U.S. Department of Labor
EDU	Department of Education
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
iFECS	Integrated Federal Employees' Compensation System
NASA	National Aeronautic and Space Administration
NCS	Corporation for National and Community Service
NRC	Nuclear Regulatory Commission
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PCC	Peace Corps Enrollees
SBA	Small Business Administration
SMI	Smithsonian Institution
SSN	Social Security Number
TREAS	U.S. Department of the Treasury
USPS	U.S. Postal Service

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