U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2015 AND 2014

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

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

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TABLE OF CONTENTS

Page

Management's Discussion and Analysis

Mission and Organizational Structure 1
Financial Highlights 2
Performance Goals and Results 2
Internal Controls 3
Known Risks and Uncertainties 3
Limitations of the Financial Statements 4

Independent Auditors' Report 5

FINANCIAL STATEMENTS

Balance Sheets 9
Statements of Net Cost 10
Statements of Changes in Net Position 11
Statements of Budgetary Resources 12

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies 13
Note 2 – Funds with U.S. Treasury 16
Note 3 – Investments, Net 17
Note 4 – Accounts Receivable, Net 18
Note 5 – Other Liabilities 19
Note 6 – Transfers to OWCP 19
Note 7 – Status of Budgetary Resources 20
Note 8 – Reconciliation of Budgetary Resources Obligated to Net Cost of Operations 21
Note 9 – Concentration of Risk 21

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2015 and 2014

Mission and Organizational Structure

The Longshore and Harbor Workers' Compensation Act (LHWCA) provides medical benefits, compensation for lost-wages and rehabilitation services for job-related injuries, diseases or death of private-sector workers in certain maritime and related employment. Generally, benefits are paid directly from private funds by an authorized self-insured employer or through an authorized insurance carrier. Cases meeting the requirements of the Longshore and Harbor Workers' Compensation Act are paid from the LHWCA Special Fund (Fund), which is financed primarily through employer contributions (assessments). In fiscal years (FY) 2015 and 2014, respectively, 3,460 and 3,643 injured workers and dependents received compensation benefits from the Fund.

The reporting entity is the Fund. Organizationally the Fund is administered by the Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), Division of Longshore and Harbor Workers' Compensation (DLHWC). DLHWC has direct responsibility for administration of the Fund. The Fund supports the program mission by providing compensation, and in certain cases, medical care payments to employees disabled from injuries which occurred under the Longshore and Harbor Workers' Compensation Act or its extensions. The Fund also extends benefits to dependents if any injury resulted in the employee's death.

Additionally, Section 10(h) of LHWCA provides annual wage increase compensation (cost of living adjustments) for pre-1972 compensation cases entitled due to total permanent disability or death. Fifty percent of this annual wage increase compensation is paid by federal appropriated funds, and fifty percent is paid by the Fund through the annual assessment. Appropriated funding for Section 10(h) is not reflected in the accompanying financial statements. Appropriated funding is reflected in the Federal Employees' Compensation Act Special Benefit Fund.

Administrative services for operating the Fund are provided by OWCP on behalf of the Fund. Funding for these costs is primarily provided by federal Appropriations to OWCP's Salaries and Expense account, which is not part of the Fund. The Fund reimburses OWCP for certain direct expenses associated with administrative support of the Fund and for rehabilitation services provided to eligible claimants.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2014 and 2015

Financial Highlights

The majority of the Fund's revenue is generated through annual recurring assessments paid by self-insured employers and insurance carriers and totaled $112,141,427 in FY 2015 and $118,689,535 in FY 2014. Other sources of payments into the Fund include fines and penalties levied under LHWCA, Sections 30(e) and 14(g), as well as payments of compensation by employers of $5,000 under Section 44(c)(i) for each death case where there is no survivor entitled to the benefits, and interest payments on Fund investments. Recoveries from audits conducted to determine proper assessment calculations increased to $380,017 in FY 2015 from $161,296 in FY 2014. This was caused by an audit conducted for a single company in FY 2015 that resulted in a $235,214 collection.

Appropriations from assessments received were $110,384,863 in FY 2015, compared to $122,457,579 in FY 2014. In addition to the gradual decrease in benefits paid over time because of attrition, a $4 million bond recovery for a company in default was added to the fund in FY 2014. These changes resulted in $51,900,000 being invested at the end of FY 2015, compared to $58,693,000 at the end of FY 2014. Investment income for the Fund was $7,601 for FY 2015, as compared to $12,191 for FY 2014. The average interest rate earned was 0.02 percent during FY 2015 and 0.04 percent during FY 2014.

The Fund's costs remained relatively stable compared to FY 2014 — $114,858,326 for FY 2015, compared to $119,051,500 for FY 2014. Proceeds of the Fund are used for payments under Section 8(f) for second injury claims, Section 10(h) for initial and subsequent annual adjustments in compensation for permanent total disability or related death from injuries which occurred prior to the effective date of the 1972 LHWCA amendments, Sections 39(c) and 8(g) for the procurement of medical and vocational rehabilitation services for permanently disabled employees and to provide a maintenance allowance to workers undergoing rehabilitation, Section 18(b) for compensation to injured workers in cases of employer default, and Section 7(e) for the cost of certain medical examinations.

Performance Goals and Results

DLHWC's administration of the Fund supports DOL's Strategic Goal 4 – *Secure retirement, health, and other employee benefits, and for those not working, provide income security*. This goal broadly promotes the economic security of workers and families. In particular, DLHWC's administration of the Fund supports Strategic Goal 4 –

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2014 and 2015

"*Secure retirement, health, and other employee benefits, and for those not working, provide income security";* and Outcome Goals 4.1, Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work and income and medical care for those who are unable to work; and 4.2, Ensure income support when work is impossible or unavailable. DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate way. DLHWC assists in meeting these outcome goals by ensuring sufficient funds are assessed to fund the benefit payments, and payments to the beneficiaries are made promptly. In FY 2015, assessments were sufficient to cover the costs, and performance goals targeting the timeliness of initial claims processing and benefit delivery outcomes were achieved.

Internal Controls

The Longshore and Harbor Workers' Compensation Division's Branch of Financial Management, Insurance and Assessment is composed of four employees and one supervisor. It guards against unethical behavior by segregating duties and assigning roles to each function. Much of the oversight, evaluation, monitoring, control, and supervisory activity are face-to-face. Each of the district offices operates like the Branch of Financial Management, Insurance and Assessment.

Management communicates all procedural, policy, and operating goals to staff with a written procedure manual, e-mails, and frequent individual communications regarding changes, problems, and issues.

Statutes provide the formal standards where these are applicable, such as privacy statutes, cash handling procedures, and conflict of interest regulations. All codes, statutes, and regulations governing the conduct of federal employees apply to all DLHWC employees.

For cases paid by the Fund, a District Director or Administrative Law Judge issues a formal Compensation Order to identify the payee and set the amount. Five employees review each new case before making the payment to ensure accuracy.

Known Risks and Uncertainties

The Fund is the single largest payer of indemnity payments under LWHCA. Although there are approximately 578 authorized insurance carriers and self-insured employers,

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2014 and 2015

benefit payments are concentrated among a relatively few. For example, the top ten carriers and self-insurers alone pay 73 percent of the total industry payments for indemnity, excluding Fund payments. If a major carrier or self-insurer fails, the remainder would face substantially increased assessments.

There is no provision for reserving extra funds for future Fund obligations. Thus, the Fund's cash requirements are reviewed twice a year through the assessment process in order to meet current expenses. A series of high value, single payment claims, such as a large number of hearing loss claims resolved in the private sector, could exceed the predictions used to quantify the assessment. A single, very large claim from an uninsured, bankrupt employer could have the same effect. Temporary collection issues could result, necessitating special, unscheduled assessments or other actions to ensure the Fund has sufficient liquid resources to pay claims liabilities as they come due.

There are currently no known examples of these risks and uncertainties.

Limitations of the Financial Statements

The following are limitations of the financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the Fund, pursuant to the requirements of the Longshore and Harbor Workers' Compensation Act (Title 33, United States Code (33 U.S.C.), Section 944(j)).
- While the statements have been prepared from the books and records of the Fund in accordance with U.S. Generally Accepted Accounting Principles for U.S. Government entities and the formats prescribed by the Office of Management and Budget, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, that liabilities cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

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Independent Auditors' Report

Director
Office of Workers' Compensation Programs
U.S. Department of Labor

Inspector General
U.S. Department of Labor

Report on the Financial Statements

We have audited the accompanying financial statements of the Longshore and Harbor Worker's Compensation Act (LHWCA) Special Fund (Fund), a fiduciary fund of the U.S. Department of Labor (DOL), which comprise the balance sheet as of September 30, 2015, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor's Longshore and Harbor Workers' Compensation Act Special Fund as of September 30, 2015, and its net costs, changes in net position, and budgetary resources, for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fiscal Year 2014 Financial Statements

The accompanying financial statements of the Fund as of September 30, 2014, and for the year then ended were audited by other auditors whose report thereon dated August 27, 2015, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements 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 financial statements, 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 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 financial statements are 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 financial statement 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 of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

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

July 15, 2016

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Balance Sheets

September 30, 2015 and 2014

(in dollars)

Assets	**2015**	**2014**
Intra-governmental assets:		
Funds with U.S. Treasury (Note 2)	$ 630,152	$ 661
Investments, net (Note 3)	51,900,000	58,693,000
Total intra-governmental assets	52,530,152	58,693,661
Accounts receivable, net (Note 4)	2,482,964	2,466,983
Total assets	$ 55,013,116	$ 61,160,644
Liabilities and Net Position		
Liabilities:		
Accrued benefits payable	$ 2,011,450	$ 1,847,383
Deferred revenue	27,529,661	29,036,427
Other liabilities (Note 5)	9,148,388	9,716,956
Total liabilities	38,689,499	40,600,766
Net position:		
Cumulative results of operations	16,323,617	20,559,878
Total liabilities and net position	$ 55,013,116	$ 61,160,644

The accompanying notes are an integral part of these statements.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Statements of Net Cost

Years ended September 30, 2015 and 2014

(in dollars)

	2015	2014
Goal 4		
Special Fund Gross Program Costs	$ 114,858,326	$ 119,051,500
Special Fund Net Cost of Operations	$ 114,858,326	$ 119,051,500

Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security.

The accompanying notes are an integral part of these statements.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Statements of Changes in Net Position

Years ended September 30, 2015 and 2014

(in dollars)

	2015	2014
Cumulative results of operations, beginning	$ 20,559,878	$ 22,688,620
Budgetary financing sources:		
Non-exchange revenues (Note 1i):		
Interest	7,601	12,191
Payments under Sec. 44(c)(i)	255,000	181,246
Fines and penalties (Sec. 30(e) & 14(g))	15,020	20,490
Audit Recoveries	380,017	161,296
Assessments	112,141,427	118,689,535
Transfers in/out without reimbursement (Note 6)	(2,177,000)	(2,142,000)
Total non-exchange revenues	110,622,065	116,922,758
Total financing sources	110,622,065	116,922,758
Net cost of operations	(114,858,326)	(119,051,500)
Net change	(4,236,261)	(2,128,742)
Net position, end of period	$ 16,323,617	$ 20,559,878

The accompanying notes are an integral part of these statements.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Statements of Budgetary Resources

Years ended September 30, 2015 and 2014

(in dollars)

		2015		2014
Budgetary Resources:				
Unobligated balance, brought forward, October 1	$	56,985,080	$	55,923,259
Appropriations (mandatory)		110,384,863		122,457,579
Total budgetary resources	$	167,369,943	$	178,380,838
Status of Budgetary Resources:				
Obligations incurred (Note 7)	$	116,712,439	$	121,395,758
Unobligated balances, end of year:				
Exempt from apportionment		50,657,504		56,985,080
Total budgetary resources	$	167,369,943	$	178,380,838
Change in Obligated Balance:				
Unpaid obligations, brought forward, October 1	$	1,857,721	$	1,729,958
Obligations incurred		116,712,439		121,395,758
Less: Outlays (gross)		(116,548,372)		(121,267,995)
Unpaid obligations, end of year	$	2,021,788	$	1,857,721
Obligated balance, start of year	$	1,857,721	$	1,729,958
Obligated balance, end of year	$	2,021,788	$	1,857,721
Budget Authority and Outlays, Net:				
Budget authority (mandatory)	$	110,384,863	$	122,457,579
Budget authority, net (mandatory)	$	110,384,863	$	122,457,579
Outlays, gross (mandatory)	$	116,548,372	$	121,267,995
Outlays, net (mandatory)	$	116,548,372	$	121,267,995

The accompanying notes are an integral part of these statements.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(1) Summary Of Significant Accounting Policies

The principal accounting policies which have been followed in preparing the accompanying financial statements for the Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund are set forth below.

(a) Reporting Entity

The LHWCA Fund was established by Section 44 (33 U.S.C. 944) when the Longshore Act was enacted in 1927. It was originally funded by Congressional Appropriation, and is administered by DOL, OWCP, and DLHWC. DLHWC has direct responsibility for administration of the Fund. The Fund offers compensation, and in certain cases, medical care payments to employees disabled from injuries which occurred on the navigable waters of the United States, or in adjoining areas used for loading, unloading, repairing, or building a vessel. The Fund also extends benefits to dependents if any injury resulted in the employee's death.

Additionally, LHWCA (Section 10(h)) provides annual wage increase compensation (cost of living adjustments). Fifty percent of this annual wage increase for pre-1972 compensation cases is paid by the annual assessment. The remaining fifty percent is paid by the Federal Employees' Compensation Act's Special Benefit Fund through federal Appropriations.

(b) Basis of Accounting and Presentation

These financial statements present the financial position, cost of operations, changes in net position and budgetary resources of the Fund, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular A-136, Financial Reporting Requirements. These financial statements have been prepared from the books and records of the Fund. These financial statements are not intended to present, and do not present, the full cost of the LHWCA Program (Program). In addition to the Fund costs presented in these statements, the full cost of the Program would include certain direct costs of OWCP in the form of salaries and expenses for administration of the Program and allocated costs of OWCP and other DOL agencies incurred in support of the Program. The full cost of the Program is included in the DOL consolidated financial statements and related notes. The

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

Fund is considered a fiduciary activity of DOL and is properly disclosed and reported in the consolidated financial statements of DOL as a fiduciary fund.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of Federal funds. These financial statements are different from the financial reports, also prepared by management pursuant to OMB directives, used to monitor the Fund's use of budgetary resources.

(c) Funds with U.S. Department of the Treasury (Treasury)

The Fund's cash receipts and disbursements are processed by Treasury. Funds with Treasury represent obligated balances available to pay current liabilities and finance authorized purchase commitments.

(d) Investments, Net

Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts, which approximate market value. Premiums or discounts are amortized on a straight-line basis, which approximates the effective interest method. The Fund's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain the operations of the Fund. No provision is made for unrealized gains or losses on these securities because they are held to maturity. A portion of these investments is available for payment of compensation and medical benefits to covered employees of the defaulted companies.

(e) Accounts Receivable, Net

The amounts due as receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past experience in the collection of the receivables and an analysis of the outstanding balances. Accounts receivable comprise assessments receivable and Fund benefit overpayments made to individuals primarily from amended compensation orders and corrections of payment computations.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(f) Accrued Benefits Payable

The Fund provides compensation and medical benefits for work-related injuries to workers in certain maritime employment. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period. Ultimate responsibility for payment of such claims rests with the employer organizations.

(g) Other Liabilities

Other liabilities comprise primarily amounts received by the Fund from defaulted employers which are being held as security by authority of Section 32 of LHWCA. These funds and investments are available for compensation and medical benefits to covered employees of the defaulted companies. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees. Also included in other liabilities are assessment overpayments by insurance carriers or self-insured employers which are to be refunded at the insurance carrier or self-insured employers' request or applied to reduce future assessments.

(h) Deferred Revenue

Deferred revenue represents the unearned assessment revenue as of September 30, the Fund's accounting year end. The annual assessments cover a calendar year, and accordingly, the portion extending beyond September 30 has been deferred. Deferred revenue reported on the balance sheets is considered "Other Liabilities" under OMB Circular A-136.

(i) Non-exchange Revenue

Non-exchange revenues arise from the federal government's power to demand payments from and receive donations from the public.

The Fund's primary source of revenue is annual assessments levied on insurance carriers and self-insured employers. Assessments are recognized as non-exchange revenue when due. Additional assessments may result from the application of audit procedures on reported carrier data. These assessments are recognized as revenues when final agreement is reached

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

with the carriers. The Fund receives interest on Fund investments and on federal funds in the possession of non-federal entities. The Fund also receives revenue from fines and penalties assessed in accordance with various sections of LHWCA.

(2) Funds with Treasury

Funds with Treasury at September 30, 2015 and 2014 consisted of cash deposits of $630,152 and $661, respectively. These cash deposits at September 30, 2015 and 2014 included $676 and $604, respectively, which are being held as security by authority of Section 32 of LHWCA. These funds relate to the default of self-insured employers, and are available for payment of compensation and medical benefits to covered employees of the defaulted companies.

Funds with U.S. Treasury at September 30, 2015, consisted of the following:

	Entity Assets					
(In Dollars)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Trust Fund	$ —	—	$ 630,152	630,152	—	$ 630,152

Funds with U.S. Treasury at September 30, 2014 consisted of the following:

	Entity Assets					
(In Dollars)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Trust Fund	$ —	—	$ 661	661	—	$ 661

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(3) Investments, Net

Investments at September 30, 2015 and 2014 consisted of the following:

	September 30, 2015			
(In Dollars)	Face Value	Premium (Discount)	Net Value	Market Value
Intragovernmental securities:				
Non-marketable:				
Par value	$ 51,900,000	—	51,900,000	$ 51,900,000

	September 30, 2014			
(In Dollars)	Face Value	Premium (Discount)	Net Value	Market Value
Intragovernmental securities:				
Non-marketable:				
Par value	$ 58,693,000	—	58,693,000	$ 58,693,000

Investments of $9,078,900 and $9,605,300 at September 30, 2015 and 2014, respectively, are restricted assets that are being held as security by authority of Section 32 of LHWCA. Investments at September 30, 2015 and 2014, consist of overnight securities. Investments at September 30, 2015, bear an interest rate of 0.00 percent compared to an interest rate of 0.01 percent for September 30, 2014. Interest rates on securities bought and sold during FY 2015 ranged from 0.00 percent to 0.06 percent compared to 0.00 percent to 0.35 percent for FY 2014.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(4) Accounts Receivable, Net

Accounts receivable at September 30, 2015 and 2014, consisted of the following:

(In Dollars)	2015 Gross Receivables	2015 Allowance	2015 Net Receivables
Entity assets:			
Benefit overpayments	$ 743,720	(148,132)	$ 595,588
Assessments receivable	1,903,906	(16,530)	1,887,376
	$ 2,647,626	(164,662)	$ 2,482,964

(In Dollars)	2014 Gross Receivables	2014 Allowance	2014 Net Receivables
Entity assets:			
Benefit overpayments	$ 1,405,481	(424,011)	$ 981,470
Assessments receivable	1,496,738	(11,225)	1,485,513
	$ 2,902,219	(435,236)	$ 2,466,983

Assessments receivable represent the unpaid annual assessments. Accounts receivable from benefit overpayments to claimants arise primarily from amended compensation orders and corrections of payment computations. These receivables are being primarily recovered by partial and total withholding of benefit payments.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(5) Other Liabilities

Other liabilities at September 30, 2015 and 2014, consisted of the following:

(In Dollars)	2015	2014
Other liabilities:		
Assessment overpayments by carriers	$ 68,812	$ 111,052
Defaulted employer liability:		
Held in investments	9,078,900	9,605,300
Held in cash	676	604
	9,079,576	9,605,904
Total other liabilities	$ 9,148,388	$ 9,716,956

Assessment overpayments by carriers are to be refunded upon request or applied to reduce future assessments. All of these are current liabilities.

Defaulted employer liability relates to cash and investments held by the Fund which are being held as security by authority of Section 32 of LHWCA. These funds are available for compensation and medical benefits to covered employees of the defaulted companies. Of the $9,079,576 for FY 2015, $372,418 are current liabilities and $8,707,158 are non-current liabilities. Of the $9,605,904 for FY 2014, $463,236 are current liabilities and $9,142,668 are non-current liabilities.

(6) Transfers to OWCP

The Fund reimburses OWCP (a related entity within DOL) for rehabilitation services provided to eligible claimants and certain direct expenses associated with administrative support of the Fund. Approved transfers out to OWCP were $2,177,000 in FY 2015, and $2,142,000 in FY 2014. Transfers are made from the Fund in accordance with Sections 39(c), 44(d), and 44(j) of LHWCA.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(7) Status of Budgetary Resources

(a) Apportionment Categories of Obligations Incurred

(In Dollars)	2015	2014
Direct obligations:		
Exempt from apportionment	$ 116,712,439	$ 121,395,758

(b) Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred, and outlays, as presented in the Statement of Budgetary Resources to amounts included in the Budget of the United States Government for the year ended September 30, 2014 is shown below:

	2014		
(Dollars in Millions)	Budgetary Resources	Obligations Incurred	Gross Outlays
Stmt. of Budgetary Resources (LHWCA)	$ 178	$ 122	$ 121
Stmt. of Budgetary Resources (DCCA)	13	8	8
Total Statement of Budgetary Resources	191	130	129
Budget of the United States Government	$ 191	$ 130	$ 129

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(8) Reconciliation of Budgetary Resources Obligated to Net Cost of Operations

	2015	2014
Resources used to finance activities		
Obligations incurred	$116,712,439	$121,395,758
Total resources used to finance activities	116,712,439	121,395,758
Resources used to finance items not part of the net cost of operations		
Resources that funded expenditure transfers	(2,177,000)	(2,142,000)
Total resources used to finance items not part of the net cost of operations	(2,177,000)	(2,142,000)
Total resources used to finance the net cost of operations	114,535,439	119,253,758
Components of net cost of operations not requiring or generating resources in the current period		
Refunds of Assessment Overpayments	(81,315)	—
Change in Benefit Overpayments	661,761	(170,259)
Bad Debt Expense	(257,559)	(31,999)
Total components of net cost of operations that will not require or generate resources in the current period	322,887	(202,258)
Net cost of operations	$114,858,326	$119,051,500

(9) Concentration of Risk

The Fund makes assessments to authorized insurers and self-insurers one year at a time for current expenses; there is no reserve for future Fund obligations. In keeping with the requirement of Section 44 of LWHCA, obligations are paid as they are incurred. Assessments are based on compensation and medical benefits paid in the prior calendar year.

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

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