U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS

DISTRICT OF COLUMBIA WORKMEN'S 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

Date Issued: **September 8, 2016**
Report Number: **22-16-006-04-432**

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Mission and Organizational Structure

The District of Columbia Workmen's Compensation Act of 1928 (DCCA) provides medical benefits, compensation for lost wages and rehabilitation services for job-related injuries, diseases or death of certain private-sector workers in the District of Columbia. 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 (LHWCA), as extended to DCCA, are paid from the DCCA Special Fund (Fund), which is financed primarily through employer contributions (assessments). In fiscal years (FY) 2015 and 2014, respectively, 421 and 437 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, which supports the program mission by providing compensation, and in certain cases, medical care payments to District of Columbia employees for work-related injuries or death. The Fund also extends benefits to dependents if any injury resulted in the employee's death.

Effective July 26, 1982, the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases.

Additionally, DCCA incorporates Section 10(h) of LHWCA, which 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.

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2015 and 2014

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 $7,091,211 in FY 2015. This compares with assessment revenue of $6,110,708 for FY 2014. Appropriations and revenue were higher in FY 2015 than in FY 2014 because there were more funds on hand when calculating the 2014 assessments; therefore, assessments billed were lower in 2014 than in 2015.

The Fund's costs are slowly declining over the long term as claims close, but remained relatively stable compared to FY 2014 — $7,804,999 in 2015 compared to $8,195,287 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, and Section 18(b) for compensation to injured workers in cases of employer default.

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 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 DLHWC 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 is informal and face-to-face.

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Management's Discussion and Analysis

Years ended September 30, 2015 and 2014

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 makes assessments on 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 LHWCA (Title 33, United States Code (33 U.S.C.), Section 944 (j)), obligations are paid as they are incurred. Assessments are based on compensation and medical benefits paid in the prior calendar year. DCCA has been repealed and the Fund only assesses based on payments for cases that arose prior to July 26, 1982. The annual Fund assessment is assessed against a shrinking base of industry payments. These payments are concentrated among a relatively few insurance carriers and self-insured employers (42 in total). For example, the top ten carriers and self-insurers alone pay 85 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 obligations. Thus, the Fund's cash requirements are reviewed twice a year through the assessment process in order to meet current expenses. If one or more of the largest payers becomes insolvent and is unable to pay their assessment obligations, temporary collection issues would 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 or uncertainties.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

Management's Discussion and Analysis

Years ended September 30, 2015 and 2014

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 LHWCA (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 District of Columbia Workmen's Compensation Act 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

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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 District of Columbia Workmen's 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.*

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in Exhibit I to be material weaknesses.

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.

The Fund's Responses to Findings

The Fund's responses to the findings identified in our audit are described in Exhibit I. The Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

August 31, 2016

Material Weaknesses
Exhibit 1

1. Lack of Sufficient Controls over the Accuracy of Compensation Payments

During our current year audit, we selected a statistical sample of 114 District of Columbia Workmen's Compensation Act (DCCA) Special Fund (Fund) payments to test benefit expense for the year ended September 30, 2015. As a result of our testing, we identified three instances whereby the payments made to beneficiaries were not accurate or valid. Specifically, we noted two instances in which the payment amount was greater than the amount due to the beneficiary per the compensation order. These two errors initially occurred in fiscal years (FY) 1998 and 2004, respectively, and payments continued at inaccurate amounts through FY 2015. Additionally, we noted one instance in which the payments continued in error for two years subsequent to the beneficiary's death.

As a result of our findings, management performed a review of payments associated with 136 of the 421 DCCA beneficiaries, and identified six additional transactions that contained inaccurate payment amounts. These nine exceptions resulted in cumulative net benefit overpayments of $308,674 as of September 30, 2015. Management corrected these errors in the FY 2015 financial statements.

The errors above occurred because of a lack of monitoring controls related to the Division of Longshore and Harbor Worker's Compensation's (DLHWC) oversight of the Fund. Specifically, DLHWC did not have controls in place to periodically review claim payment amounts to ensure they were accurately entered into the claims payment system, or to ensure that rate changes and terminations identified by the District of Columbia Employment Services (DOES) office were timely adjusted in the claims payment system.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (the Standards) states:

> Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

The Standards also state:

> Internal control is not one event, but a series of actions and activities that occur throughout an entity's operations and on an ongoing basis.

Material Weaknesses
Exhibit 1

To address the deficiencies noted above, we recommend that the Director of the Division of Longshore and Harbor Workers' Compensation:

a) Complete corrective actions to recover the overpayments; and

b) Develop monitoring controls to ensure payments are periodically reviewed for accuracy and compensation rate changes identified by DOES are timely entered in the claims payment system.

Management's Response:

Management concurs with the recommendations.

a) Action has been initiated to recover the overpayments in the cases identified.

b) While the payment calculation errors were recently identified, the inception of the errors was several to many years ago. Since the inception of these errors, the Program has provided training modules for the staff calculating payments and certification procedures have been clarified to ensure accurate payment amounts. Also, a process will be implemented whereby compensation will be automatically terminated for all matches identified on the Social Security Administration Death Match, rather than forwarding to the DOES office for review prior to termination.

Auditor's Response:

We will conduct follow-up procedures in FY 2016 to determine whether corrective actions have been developed and implemented.

2. Lack of Monitoring Controls over Accounts Receivable

During our FY 2015 audit, we performed procedures over assessment accounts receivables to confirm a sample of outstanding balances as of September 30, 2015. In our sample of nine assessment accounts receivable balances, we noted the following:

- One instance in which an insurance carrier/self-insured employer (carrier) was improperly billed a FY 2015 assessment because of incorrect compensation and medical payment information used in the assessment calculation.
- One instance in which a carrier was billed a FY 2015 assessment that was based on erroneous compensation and medical payment information submitted by the carrier. Though OWCP subsequently corrected the bill based on receipt of updated information

from the carrier, the related accounts receivable balance was not corrected in the subsidiary ledger.

- One instance in which the collection of the initial assessment bill was recorded incorrectly in the subsidiary ledger, which resulted in an error in the calculation of ending balances.

The errors above occurred because DLHWC did not have any procedures in place that required someone other than the preparer to (1) review the assessment bills before they were sent to ensure the assessment was calculated correctly for each carrier and (2) periodically review the accounts receivable subsidiary ledger to ensure information was entered correctly.

We also noted one additional exception whereby the insurance examiner failed to notify the person who prepared the accounts receivable subsidiary ledger that a credit due to one carrier was to be applied to the outstanding balance of another carrier. As a result, the outstanding balances for both carriers were recorded incorrectly in the subsidiary ledger. This occurred because OWCP did not have a formal process in place for communicating operational matters that have a financial statement impact.

The exceptions above resulted in a $295,000 overstatement of assessment accounts receivables as of September 30, 2015. Management corrected these errors in the FY 2015 financial statements.

The Standards state:

> Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

The Standards also state:

> Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

To address the deficiencies noted above, we recommend the Director of the Division of Longshore and Harbor Workers Compensation, in coordination with the Office of Workers' Compensation Programs Comptroller:

a) Implement procedures requiring a supervisory review of the assessment calculations, including support for the underlying data, before the bills are sent to carriers to ensure the assessment amount is accurate;

b) Implement a periodic review of the accounts receivable subsidiary ledger by a supervisor to ensure transactions are accurately recorded; and

c) Develop a formal process for communicating operational matters that have a financial statement impact, such as billings, collections, disbursements, and overpayments, from the insurance examiner and his or her supervisor, to the OWCP accountant.

***Management's Response*:**

Management concurs with the recommendations.

a) A formal review process has been implemented to verify the assessment calculations prior to the issuance of bills. The Fiscal Branch Chief confirms that all updates have been made to the Special Fund System and then performs the assessment calculation, documents the source for each figure used in the calculation. The calculation and source information is then verified by the Policy Branch Chief, and thereafter by the Director. Once certified by all three individuals, the assessment calculation is stored on the Program's shared drive.

b) Accounting office will implement a periodic review of accounts receivable subsidiary ledger to ensure transactions are accurately recorded.

c) A formal process for communicating operational matters that have a financial statement impact will be created and then implemented. All staff will be trained on the new procedures.

Auditor Response:

We will conduct follow-up procedures in FY 2016 to determine whether corrective actions have been developed and implemented.

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Balance Sheets

Years ended September 30, 2015 and 2014

(in dollars)

Assets	**2015**	**2014**
Intra-governmental assets:		
Funds with U.S. Treasury (Note 2)	$ 73,701	$ 1,630
Investments (Note 3)	3,838,000	4,432,000
Total intra-governmental assets	3,911,701	4,433,630
Accounts receivable, net (Note 4)	570,322	41,838
Total assets	$ 4,482,023	$ 4,475,468
Liabilities and Net Position		
Liabilities:		
Accrued benefits payable	$ 228,422	$ 131,970
Deferred revenue	2,049,109	896,561
Other liabilities (Note 5)	153,577	682,897
Total liabilities	2,431,108	1,711,428
Net position:		
Cumulative results of operations -- Other	2,050,915	2,764,040
Total liabilities and net position	$ 4,482,023	$ 4,475,468

The accompanying notes are an integral part of these statements.

DISTRICT OF COLUMBIA WORKMEN'S 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	$ 7,804,999	$ 8,195,287
Special Fund Net Cost of Operations	$ 7,804,999	$ 8,195,287

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.

DISTRICT OF COLUMBIA WORKMEN'S 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	$ 2,764,040	$ 4,846,560
Budgetary financing sources:		
Non-exchange revenues:		
Investment interest	563	2,059
Fines & penalties (Sec. 14(g))	100	—
Assessments	7,091,211	6,110,708
Total non-exchange revenues	7,091,874	6,112,767
Total Financing Sources	7,091,874	6,112,767
Net cost of operations	(7,804,999)	(8,195,287)
Net change	(713,125)	(2,082,520)
Net position, end of period	$ 2,050,915	$ 2,764,040

The accompanying notes are an integral part of these statements.

DISTRICT OF COLUMBIA WORKMEN'S 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	$ 4,323,832	$ 7,827,122
Budget authority		
Appropriations (mandatory)	7,848,850	4,718,133
Total budgetary resources	$ 12,172,682	$ 12,545,255
Status of Budgetary Resources:		
Obligations incurred (Note 6)	$ 8,467,231	$ 8,221,423
Unobligated balances, end of year:		
Exempt from apportionment	3,705,451	4,323,832
Total status of budgetary resources	$ 12,172,682	$ 12,545,255
Change in Obligated Balance:		
Unpaid obligations, brought forward, October 1	$ 130,845	$ 109,831
Obligations incurred	8,467,231	8,221,423
Less: Outlays (gross)	(8,370,780)	(8,200,409)
Unpaid obligations, end of year	$ 227,296	$ 130,845
Obligated balance, start of year	$ 130,845	$ 109,831
Obligated balance, end of year	$ 227,296	$ 130,845
Budget Authority and Outlays, Net:		
Budget authority (mandatory)	$ 7,848,850	$ 4,718,133
Budget authority, net (mandatory)	$ 7,848,850	$ 4,718,133
Outlays, gross (mandatory)	$ 8,370,780	$ 8,200,409
Outlays, net (mandatory)	$ 8,370,780	$ 8,200,409

The accompanying notes are an integral part of these statements.

DISTRICT OF COLUMBIA WORKMEN'S 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 District of Columbia Workmen's Compensation Act (DCCA) Special Fund (Fund) are set forth below.

(a) Reporting Entity

The Fund was established by Section 44 (33 U.S.C., Section 944) when DCCA was enacted in 1928. It was originally funded by Congressional Appropriation, and 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, which offers compensation, and in certain cases, medical care payments to District of Columbia employees for work-related injuries or death incurred on or before July 26, 1982. Effective July 26, 1982, DCCA was amended whereby the Mayor of the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases. These financial statements do not include the special fund administered by the Mayor of the District of Columbia for injury cases occurring after July 26, 1982.

Additionally, the Longshore and Harbor Workers' Compensation Act (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, net cost of operations, changes in net position and budgetary resources, in accordance with U.S. generally accepted accounting principles. 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 DCCA Program (Program).The full cost of the Program is included in the DOL consolidated financial statements and related notes. The 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.

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

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 for the Fund 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

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 company.

(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 the Fund's benefit overpayments to individuals primarily from awarded compensation orders and corrections of payment computations.

DISTRICT OF COLUMBIA WORKMEN'S 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 employees of the District of Columbia that were incurred on or before July 26, 1982. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period. Ultimate responsibility for the payment of such claims rests with the employer organizations.

(g) Other Liabilities

Other liabilities comprise primarily 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. Also included in other liabilities are 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.

(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.

(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. 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.

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(j) Reclassifications

The fiscal year (FY) 2014 Statement of Net Cost was reclassified to conform to the revised FY 2015 presentation. Beginning in FY 2015, management decided to change the way net cost is presented on the Statement of Net Cost, by reporting net cost as a single line item.

(2) Funds with Treasury

Funds with Treasury at September 30, 2015 and 2014, consisted of cash deposits of $73,701 and $1,630, respectively. These cash deposits at September 30, 2015 and 2014, included $97 and $84, 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 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	$	—	—	73,701	73,701	—	73,701

Funds with 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	$	—	—	1,630	1,630	—	1,630

DISTRICT OF COLUMBIA WORKMEN’S COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(3) Investments

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	$ 3,838,000	—	3,838,000	$ 3,838,000

	September 30, 2014			
(In Dollars)	Face Value	Premium (Discount)	Net Value	Market Value
Intragovernmental securities:				
Non-marketable:				
Par value	$ 4,432,000	—	4,432,000	$ 4,432,000

Investments of $58,800 and $58,800 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 at 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.

DISTRICT OF COLUMBIA WORKMEN'S 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:

	2015		
(In Dollars)	Gross Receivables	Allowance	Net Receivables
Entity assets:			
Benefit overpayments	$ 379,105	(251,378)	$ 127,727
Assessments receivable	444,628	(2,033)	442,595
	$ 823,733	(253,411)	$ 570,322

	2014		
(In Dollars)	Gross Receivables	Allowance	Net Receivables
Entity assets:			
Benefit overpayments	$ 43,067	(13,025)	$ 30,042
Assessments receivable	11,826	(30)	11,796
	$ 54,893	(13,055)	$ 41,838

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 primarily recovered by partial and total withholding of benefit payments.

DISTRICT OF COLUMBIA WORKMEN’S 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	$	94,680	$	624,013
Defaulted employer liability:				
Held in investments		58,800		58,800
Held in cash		97		84
		58,897		58,884
Total other liabilities	$	153,577	$	682,897

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 the funds and investments held by the Fund 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. All of these are non-current liabilities.

**DISTRICT OF COLUMBIA WORKMEN'S
COMPENSATION ACT SPECIAL FUND**

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

(6) Status of Budgetary Resources

(a) Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in FY 2015 and FY 2014 consisted of the following:

(In Dollars)	2015	2014
Direct Obligations:		
Exempt from apportionment	$ 8,467,231	$ 8,221,423

(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

DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2015 and 2014

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

	2015	2014
Resources used to finance activities		
Obligations incurred	$ 8,467,231	$ 8,221,423
Total resources used to finance activities	8,467,231	8,221,423
Components of net cost of operations not requiring or generating resources in the current period		
Refunds of Assessment Overpayments	(566,551)	—
Change in Benefit Overpayments	(349,092)	(23,927)
Bad Debt Expense	253,411	(2,209)
Total components of net cost of operations that will not require or generate resources in the current period	(662,232)	(26,136)
Net cost of operations	$ 7,804,999	$ 8,195,287

(8) 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 LHWCA, obligations are paid as they are incurred. Assessments are based on compensation and medical benefits paid in the prior calendar year. DCCA has been repealed and the Fund only assesses based on payments in cases that arose on or before July 26, 1982. Therefore, the annual assessment is assessed for a shrinking population of claims.

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

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