

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF WORKERS' COMPENSATION PROGRAMS



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

September 30, 2010

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.

A handwritten signature in blue ink that reads "Elliott P. Lewis".

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

Date Issued: October 29, 2010
Report Number: 22-11-001-04-431

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U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General for Audit's Memorandum

MEMORANDUM FOR: 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 2010
Report No. 22-11-001-04-431

Attached is the special report on the Federal Employees' Compensation Act (FECA) Special Benefit Fund (the Fund) that was prepared to assist in the audit of your agency's annual financial statements. The U.S. Department of Labor, 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, 2010. 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 (the Schedule) as of and for the year ended September 30, 2010. KPMG issued an unqualified opinion on the Schedule. In connection with this audit, KPMG performed certain tests of controls and compliance with laws and regulations related to the Fund. Their testing disclosed a significant deficiency in internal control over financial reporting titled "Controls Over the Financial Reporting Process Need Improvement." This significant deficiency is not considered to be a material weakness. Their testing of compliance disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

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, 2010. 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 the OIG nor KPMG makes any representations regarding the sufficiency of the procedures. Because the AUP performed did not constitute an audit, the auditor did not express an opinion on any elements, accounts, or items as they pertained to the AUP report. Further, neither the OIG nor KPMG has any obligation to perform any procedures beyond those listed in the attached report.

KPMG is responsible for the attached reports dated October 29, 2010, and the conclusions expressed in the reports. We reviewed KPMG's reports and related documentation and inquired of their representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express opinions on: the actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund in total as of and for the year ended September 30, 2010; 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, 2010. Our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

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

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SECTION 1A

Independent Auditors' Report on the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense

Shelby Hallmark, Director
Office of Workers' Compensation Programs, U.S. Department of Labor
Government Accountability Office, Office of Management and Budget,
and Agencies Specified in Section 2B of this Report:

We have audited the accompanying Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense for the year ended September 30, 2010, of the U.S. Department of Labor's (DOL) Federal Employees' Compensation Act Special Benefit Fund (the Schedule). The objective of our audit was to express an opinion on the fair presentation of DOL's Schedule. In connection with our audit, we also considered DOL's internal control over financial reporting related to the Schedule and tested DOL's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on the Schedule.

SUMMARY

As stated in our Opinion On The Schedule section of this report, we concluded that DOL's Schedule as of and for the year ended September 30, 2010, is presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in the identification of a deficiency that we consider to be a significant deficiency, as defined in the Internal Control Over Financial Reporting section of this report, related to weaknesses in internal control over financial reporting. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



The following sections discuss our opinion on DOL's Schedule, our consideration of DOL's internal control over financial reporting, our tests of DOL's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

OPINION ON THE SCHEDULE

We have audited the accompanying Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense for the year ended September 30, 2010, of the U.S. Department of Labor's Federal Employees' Compensation Act Special Benefit Fund.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the actuarial liability and net intra-governmental accounts receivable as of September 30, 2010, and benefit expense for the year ended September 30, 2010, in conformity with U.S. generally accepted accounting principles.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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 DOL's Schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that is described in Exhibit I that we consider to be a significant deficiency in internal control over financial reporting. 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. Exhibit I also provides the status of the prior year significant deficiency.

COMPLIANCE AND OTHER MATTERS

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.



RESPONSIBILITIES

Management's Responsibilities. Management is responsible for the Schedule; establishing and maintaining effective internal control; and complying with laws and regulations applicable to the Schedule.

Auditors' Responsibilities. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall Schedule presentation.

We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered DOL's internal control over financial reporting by obtaining an understanding of DOL's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DOL's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of DOL's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the DOL Schedule. However, providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.



DOL's response to the finding identified in our audit is presented in Exhibit I. We did not audit DOL's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the U.S. Department of Labor, the U.S. Government Accountability Office, Office of Management and Budget, the U.S. Congress, and those Federal agencies with responsibility for the FECA program and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 29, 2010

Exhibit I

Controls Over the Financial Reporting Process Need Improvement

During our FY 2008 and FY 2009 audits, we noted deficiencies in the internal control over financial reporting related to the preparation of the FECA Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense (the Schedule) as prepared by the Employment Standards Administration, Office of Management, Administration and Planning (ESA/OMAP) that resulted in a number of errors in the draft Schedule that were later corrected by management.

We recommended that ESA/OMAP management establish and implement written policies and procedures that would provide those responsible for preparing and reviewing the Schedule with detailed guidance to facilitate the preparation and review of the Schedule and mitigate the risk of misstatements in the future. Furthermore, the policies and procedures should include comparing the balances reported in the Schedule to the DOL general ledger and information posted on the DOL website. We also recommended that policies and procedures be established and implemented to prepare and review the Schedule quarterly instead of just at fiscal year end to help ensure that the Schedule is prepared accurately and timely at fiscal year end in the future.

During our FY 2010 audit, we noted that the Office of Workers' Compensation Programs (OWCP) management had not established formalized policies and procedures that would provide those responsible for preparing and reviewing the Schedule with detailed guidance to facilitate the timely preparation and review of the Schedule and mitigate the risk of misstatements in the future. We also noted that OWCP had not established and implemented policies and procedures to prepare and review the Schedule quarterly instead of just at fiscal year end to help ensure that the Schedule is prepared accurately and timely at fiscal year end.

Per GAO's *Standards of Internal Control in the Federal Government*, "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."

GAO's *Standards of Internal Control in the Federal Government* also states, "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded."

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, states that "The agency head must establish controls that reasonably ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports . . ."

During the prior fiscal year, OWCP was a component of the ESA, which was the agency within the Department of Labor (DOL) responsible for both preparing the FECA Schedule and providing the information to the CFO Act agencies and other specified agencies to support and facilitate the preparation of their respective financial statements. Effective November 8, 2009, the ESA was abolished and OWCP now reports directly to the Office of the Secretary of Labor. OWCP's accounting staff was also reduced from 5 to 2 professionals during the reorganization. In January 2010, DOL implemented the New Core Financial Management System (NCFMS) to replace its legacy accounting and reporting system, the Department of Labor Accounting and Related Systems (DOLAR\$). The implementation of NCFMS required significant involvement of OWCP's accounting staff. These staffing reductions and the increase in demands on the remaining staff prevented OWCP from being able to dedicate sufficient resources to implement our prior year recommendation.

Management's Response:

Management agreed to formalize written policies and procedures for preparation and review of the schedules, and stated that this action will be completed during the second quarter of FY 2011. Management also stated that quarterly trial schedules will be prepared for each of the first three quarters of FY 2011 once the procedures are formally established.

Auditors' Conclusion:

The prior-year recommendation remains **resolved and open**. To close the recommendation, OWCP needs to provide documentation that the written policies and procedures for preparation of the schedules have been developed and implemented, and quarterly trial schedules have been prepared.

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, 2010, and Benefit Expense
For the Year Ended September 30, 2010**

(dollars in thousands)

Actuarial Liability	<u>\$ 29,819,932</u>
Net Intra-Governmental Accounts Receivable	<u>\$ 5,133,835</u>
Benefit Expense	<u>\$ 5,674,807</u>

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, 2010, and Benefit Expense For the Year Ended September 30, 2010

1. Significant Accounting Policies

a. Basis of Presentation

The Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense for the year ended September 30, 2010, of the 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 U.S. Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) Special Benefit Fund (the Special Benefit Fund). The Special Benefit Fund was established by the Federal Employees' Compensation Act to provide for the financial needs resulting from compensation and medical benefits authorized under the Act. The DOL, Office of Workers' Compensation Programs (OWCP) is charged with the responsibility of operating the Special Benefit Fund under the provisions of the Act. The Schedule has been prepared from the accounting records of the Special Benefit Fund. The actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Special Benefit Fund are considered specified accounts for the purpose of this Schedule. OWCP is responsible for providing this information to the CFO Act agencies and other specified agencies to support and prepare their respective financial statements. Effective November 8, 2009, the ESA was abolished and OWCP reports directly to the Office of the Secretary of Labor.

The actuarial liability of \$29,819,932 thousand is an accrued estimate of future workers' compensation benefits as of September 30, 2010. Historical benefits paid, inflation and interest rate assumptions, and other economic factors are applied to the actuarial model that calculates the liability estimate. 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, 2010. The net intra-governmental accounts receivable includes amounts which were billed to the employing agencies through June 30, 2010, but not paid as of September 30, 2010, including prior years, if applicable, plus the accrued receivable for benefit payments not yet billed for the period of July 1, 2010, through September 30, 2010, less credits due from the public. Benefit

(continued)

SECTION 1C

Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense For the Year Ended September 30, 2010

expense consist of benefits paid and accrued for the period from October 1, 2009, to September 30, 2010, plus the net change in the actuarial liability for the fiscal year.

Benefit payments are intended 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 job-related injury or occupational disease.

b. Basis of Accounting

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

An estimate of claims that have been incurred but not reported are included in the actuarial liability. Therefore, the actuarial liability represents the estimated present value of future compensation and medical payments based upon approved claims, plus a component for incurred but not reported claims.

2. Actuarial Liability (Future Workers' Compensation Benefits)

The Special Benefit Fund was established under the authority of the Federal Employees' Compensation Act 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 actuarial liability for future workers' compensation 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.

(continued)

SECTION 1C

Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense For the Year Ended September 30, 2010

Consistent with past practice and as allowed under U.S. generally accepted accounting principles, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's (OMB) economic assumptions for 10-year Treasury notes and bonds. The interest rate assumptions utilized for discounting was 3.65% in year 1 and 4.30% in subsequent years.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living allowance or COLA), and medical inflation factors (consumer price index-medical or 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 COLA and the CPI-Med used in the model's calculation of estimates were as follows:

<u>FY</u>	<u>COLA</u>	<u>CPI-Med</u>
2011	2.23%	3.45%
2012	1.13%	3.43%
2013	1.70%	3.64%
2014	1.90%	3.66%
2015	1.93%	3.73%

The medical inflation rates presented represent an average of published quarterly rates covering the benefit payment fiscal year. The compensation factors presented are the blended rates used by the model rather than the published July 23, 2010, FECA-COLA factor from which the blended rates are derived.

3. Net Intra-Governmental Accounts Receivable

Net intra-governmental accounts receivable balance of \$5,133,835 thousand represents the total of the amounts billed to Federal agencies through June 30, 2010, that had not been paid as of September 30, 2010, of \$4,300,876 thousand, including prior year's amounts billed, if applicable; plus an accrued

(continued)

SECTION 1C

Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2010, and Benefit Expense For the Year Ended September 30, 2010

receivable for benefit payments not yet billed for the period July 1, 2010, through September 30, 2010, of \$857,461 thousand, less applicable credits due from the Public of \$24,502 thousand. The FECA Special Benefit 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 the Federal Employees' Compensation Act to include in their 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 the Federal Employees' Compensation Act 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, 2010, was comprised of the following (dollars in thousands):

Benefits paid for compensation	\$ 1,930,115
Benefits paid for medical benefits	926,701
Change in accrued benefits	(48,237)
Change in actuarial liability	<u>2,866,228</u>
Total benefit expense	<u>\$ 5,674,807</u>



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SECTION 2A

Independent Accountants' Report on Applying Agreed-Upon Procedures

Shelby Hallmark, Director
Office of Workers' Compensation Programs, U.S. Department of Labor
Government Accountability Office, Office of Management and Budget,
and Agencies Specified in Section 2B of this Report:

We have performed the procedures described in Section 2C, Agreed-Upon Procedures and Results, which were agreed to by the U.S. Department of Labor, U.S. Government Accountability Office, Office of Management and Budget, and the Agencies specified in Section 2B of this Report, solely to assist you and such agencies with respect to the accompanying Schedules of Actuarial Liability by Agency and Net Intra-Governmental Accounts Receivable by Agency as of September 30, 2010, and Benefit Expense by Agency for the year ended September 30, 2010, of the U.S. Department of Labor Federal Employees' Compensation Act Special Benefit Fund (the Schedules). The U.S. Department of Labor 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 with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The sufficiency of these procedures is solely the responsibility of the 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. Our agreed-upon procedures and results are presented in Section 2C of this report.

We were not engaged to, and did not conduct an examination of the Schedules of Actuarial Liability by Agency, Net Intra-Governmental Accounts Receivable by Agency, and Benefit Expense by Agency, the objective of which would be the expression of an opinion on the Schedules or a part thereof. 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.

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the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



This report is intended solely for the information and use of the U.S. Department of Labor, the U.S. Government Accountability Office, Office of Management and Budget, and those Federal agencies with responsibility for the FECA program, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 29, 2010

SECTION 2B

**U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund
Schedule of Actuarial Liability by Agency
As of September 30, 2010**

(dollars in thousands)

AGENCY	Actuarial Liability
Agency for International Development	\$ 26,035
Environmental Protection Agency	44,938
General Services Administration	135,331
National Aeronautics and Space Administration	55,402
National Science Foundation	1,356
Nuclear Regulatory Commission	7,575
Office of Personnel Management	22,044
U.S. Postal Service	10,597,448
Small Business Administration	29,960
Social Security Administration	319,296
Tennessee Valley Authority	499,357
U. S. Department of Agriculture	881,454
U. S. Department of the Air Force	1,321,451
U. S. Department of the Army	1,813,932
U. S. Department of Commerce	210,235
U. S. Department of Defense – other	820,707
U. S. Department of Education	17,603
U. S. Department of Energy	93,317
U. S. Department of Health and Human Services	259,500
U. S. Department of Homeland Security	1,937,836
U. S. Department of Housing and Urban Development	72,289

(continued)

SECTION 2B

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

**Schedule of Actuarial Liability by Agency
As of September 30, 2010**

(dollars in thousands)

AGENCY	Actuarial Liability
U. S. Department of the Interior	\$ 723,132
U. S. Department of Justice	1,314,109
U. S. Department of Labor	226,494
U. S. Department of the Navy	2,463,087
U. S. Department of State	71,997
U. S. Department of Transportation	976,754
U. S. Department of the Treasury	544,345
U. S. Department of Veterans Affairs	1,862,265
Other agencies ¹	2,470,683
Total - all agencies	\$ 29,819,932

¹ Non-billable and other agencies for which OWCP has not individually calculated an actuarial liability.

SECTION 2B

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

**Schedule of Net Intra-Governmental
Accounts Receivable by Agency
As of September 30, 2010**

(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	\$ 6,805	\$ 1,057	\$ (30)	\$ 7,832
Environmental Protection Agency	8,630	1,648	(47)	10,231
General Services Administration	27,844	4,354	(124)	32,074
National Aeronautics and Space Administration	11,894	1,771	(51)	13,614
National Science Foundation	282	60	(2)	340
Nuclear Regulatory Commission	1,477	249	(7)	1,719
Office of Personnel Management	4,014	833	(24)	4,823
United States Postal Service	1,161,120	357,552	(10,217)	1,508,455
Small Business Administration	5,095	793	(23)	5,865
Social Security Administration	51,372	8,139	(233)	59,278
Tennessee Valley Authority	61,841	16,011	(458)	77,394
U. S. Department of Agriculture	146,510	22,229	(635)	168,104
U. S. Department of the Air Force	260,490	40,396	(1,154)	299,732
U. S. Department of the Army	279,135	42,606	(1,217)	320,524
U. S. Department of Commerce	34,622	8,396	(240)	42,778
U. S. Department of Defense – other	206,069	31,187	(891)	236,365
U. S. Department of Education	3,036	524	(15)	3,545
U. S. Department of Energy	15,870	2,864	(82)	18,652

(continued)

1 Amount billed through June 30, 2010 (including prior years) but not yet paid as of September 30, 2010.

2 Amounts paid and accrued but not yet billed for the period July 1, 2010 through September 30, 2010.

3 Allocation of credits due from the public through September 30, 2010.

4 Total amount due to the fund for each agency as of September 30, 2010.

SECTION 2B

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

**Schedule of Net Intra-Governmental
Accounts Receivable by Agency
As of September 30, 2010**

(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	\$ 51,724	\$ 7,869	\$ (225)	\$ 59,368
U. S. Department of Homeland Security	324,882	49,613	(1,418)	373,077
U. S. Department of Housing and Urban Development	15,144	2,497	(71)	17,570
U. S. Department of the Interior	118,053	18,311	(523)	135,841
U. S. Department of Justice	211,622	32,761	(936)	243,447
U. S. Department of Labor	45,891	8,077	(231)	53,737
U. S. Department of the Navy	474,046	73,730	(2,107)	545,669
U. S. Department of State	15,433	2,669	(76)	18,026
U. S. Department of Transportation	196,939	31,391	(897)	227,433
U. S. Department of the Treasury	106,247	16,901	(483)	122,665
U. S. Department of Veterans Affairs	360,366	55,867	(1,596)	414,637
Other agencies	94,423	17,106	(489)	111,040
Total - all agencies	\$ 4,300,876	\$ 857,461	\$ (24,502)	\$ 5,133,835

1 Amount billed through June 30, 2010 (including prior years) but not yet paid as of September 30, 2010.

2 Amounts paid and accrued but not yet billed for the period July 1, 2010 through September 30, 2010.

3 Allocation of credits due from public through September 30, 2010.

4 Total amount due to the fund for each agency as of September 30, 2010.

SECTION 2B

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

**Schedule of Benefit Expense by Agency
As of September 30, 2010**

(dollars in thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
Agency for International Development	\$ 3,328	\$ (850)	\$ 2,478
Environmental Protection Agency	4,534	816	5,350
General Services Administration	13,465	(622)	12,843
National Aeronautics and Space Administration	5,452	(1,510)	3,942
National Science Foundation	159	37	196
Nuclear Regulatory Commission	733	(53)	680
Office of Personnel Management	2,148	348	2,496
United States Postal Service	1,130,060	1,090,197	2,220,257
Small Business Administration	2,441	320	2,761
Social Security Administration	25,506	8,659	34,165
Tennessee Valley Authority	51,023	(6,134)	44,889
U. S. Department of Agriculture	71,767	35,458	107,225
U. S. Department of the Air Force	128,239	34,516	162,755
U. S. Department of the Army	175,885	23,662	199,547
U. S. Department of Commerce	22,069	39,048	61,117
U. S. Department of Defense – other	62,966	4,853	67,819
U. S. Department of Education	1,553	1,404	2,957
U. S. Department of Energy	9,152	(2,580)	6,572
U. S. Department of Health and Human Services	24,658	6,188	30,846
U.S. Department of Homeland Security	161,464	111,616	273,080

(continued)

SECTION 2B

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

**Schedule of Benefit Expense by Agency
As of September 30, 2010**

(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	\$ 7,842	\$ 3,231	\$ 11,073
U. S. Department of the Interior	58,438	25,921	84,359
U. S. Department of Justice	105,406	80,208	185,614
U. S. Department of Labor	20,213	9,698	29,911
U. S. Department of the Navy	232,556	37,500	270,056
U. S. Department of State	7,297	376	7,673
U. S. Department of Transportation	96,417	6,015	102,432
U. S. Department of the Treasury	52,972	18,915	71,887
U. S. Department of Veterans Affairs	181,613	127,336	308,949
Other agencies ⁽¹⁾	149,223	1,211,655	1,360,878
Total - all agencies	\$ 2,808,579	\$ 2,866,228	\$ 5,674,807

1 Non-billable and other agencies for which OWCP has not individually calculated an actuarial liability.

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures
1) Calculated the actuarial liability as of September 30, 2010, using KPMG's loss development actuarial model ¹ .	The actuarial liability as of September 30, 2010, calculated using KPMG's loss development actuarial model is approximately \$29.5 billion.
2) Recalculated the actuarial liability as of September 30, 2010, using DOL's loss development actuarial model ² .	No exceptions were found as a result of applying this procedure.
3) Compared DOL's actuarial liability as of September 30, 2010, using DOL's loss development actuarial model to KPMG's calculation of the actuarial liability as of September 30, 2010, using KPMG's loss development actuarial model.	DOL's actuarial liability as of September 30, 2010, using DOL's loss development actuarial model is approximately \$332 million (1.1%) greater than KPMG's calculation of the actuarial liability as of September 30, 2010, using KPMG's loss development actuarial model.

¹ KPMG's model uses actual data to evaluate trends and project future payments. KPMG's model also supplements its methodology with the number of workers related to each agency in injury years 2005 through 2010.

² 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.

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

<p>4) Compared DOL's actuarial liability as of September 30, 2010, using DOL's loss development actuarial model to KPMG's calculation of the actuarial liability as of September 30, 2010, using DOL's loss development actuarial model. For any identified differences, confirmed that DOL corrected the difference in DOL's final loss development actuarial model by agreeing (a) KPMG's calculation of the actuarial liability as of September 30, 2010, using DOL's final loss development actuarial model to (b) the actuarial liability reported in the special report.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>5) Compared the interest rate and inflation (COLA, CPI-Med) assumptions used by the DOL loss development actuarial model as of September 30, 2010, to the interest rate and inflation (COLA, CPI-Med) assumptions used by KPMG's loss development model as of September 30, 2010.</p>	<p>No exception was noted in our comparison of the interest rate assumption. KPMG's model does not use an explicit inflation rate assumption because it does not adjust data to the current level and therefore inflation was implicitly included in the loss development patterns selected.</p>

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

<p>6) Compared the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used by the DOL loss development actuarial model as of September 30, 2009, to the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used by the DOL loss development actuarial model as of September 30, 2010.</p>	<p>The average interest rate used by the DOL loss development actuarial model decreased from 4.70% to 4.28% from September 30, 2009 to September 30, 2010.</p> <p>The average COLA rate used by the DOL loss development actuarial model decreased from 1.92% to 1.91% from September 30, 2009 to September 30, 2010.</p> <p>The average CPI-med rate used by the DOL loss development actuarial model increased from 3.68% to 3.71% from September 30, 2009 to September 30, 2010.</p>
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SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

<p>7) Calculated the percentage change in the actuarial liability by agency and in the aggregate from September 30, 2009, to September 30, 2010, based on the DOL loss development actuarial model, identified agencies whose actuarial liability changed by more than 10 percent during fiscal year 2010, and for such agencies, calculated the percentage change in benefit payments for the year ended September 30, 2009, to September 30, 2010.</p>	<p>The actuarial liability increased in the aggregate from approximately \$27.0 billion as of September 30, 2009, to approximately \$29.8 billion (10.63%) as of September 30, 2010.</p> <p>The following agencies had a change in actuarial liability from September 30, 2009, to September 30, 2010, of greater than 10%:</p> <table border="1" data-bbox="824 989 1430 1213"> <thead> <tr> <th>Agency</th> <th>Percentage change in actuarial liability</th> <th>Percentage change in benefit payments</th> </tr> </thead> <tbody> <tr> <td>COM</td> <td>22.81%</td> <td>27.05%</td> </tr> <tr> <td>USPS</td> <td>11.47%</td> <td>8.38%</td> </tr> </tbody> </table>	Agency	Percentage change in actuarial liability	Percentage change in benefit payments	COM	22.81%	27.05%	USPS	11.47%	8.38%
Agency	Percentage change in actuarial liability	Percentage change in benefit payments								
COM	22.81%	27.05%								
USPS	11.47%	8.38%								
<p>8) Compared the interest rate (used for discounting the future liability to the present value) and inflation rates (COLA and CPI-Med) used by the DOL loss development actuarial model as of September 30, 2010, to the interest rate (used for discounting the future liability to the present value) and inflation rates (COLA and CPI-Med) published by OMB in the Fiscal Year 2011 Mid-Session Review.</p>	<p>No exceptions were found as a result of applying this procedure.</p>									

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

<p>9) Compared the actuarial liability, by agency, as of September 30, 2010, as reported in the <i>Memorandum to the CFOs of Executive Departments</i> issued by DOL's Chief Financial Officer, to the liability calculated by the DOL loss development model as of September 30, 2010.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>10) Compared both the benefit payments by agency for the chargeback year ended June 30, 2010, and the aggregate benefit payments for the chargeback years ended June 30, 2005-2010 used by the DOL loss development actuarial model, with the benefit payments by agency for the chargeback year ended June 30, 2010, and the aggregate benefit payments for the chargeback years ended June 30, 2005-2010, as reported in the <i>Summary Chargeback Billing Report</i>.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>11) Compared the agency groupings used in the DOL loss development actuarial model as of September 30, 2010, with the agency groupings used in the DOL loss development actuarial model as of September 30, 2009.</p>	<p>No exceptions were found as a result of applying this procedure.</p>

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures						
<p>12) Compared the fiscal year 2010 benefit payments calculated by the 2009 DOL loss development actuarial model to the actual fiscal year 2010 benefit payments from the DOL <i>Summary Chargeback Billing Report</i> and identified agencies where the DOL loss development actuarial model calculated benefit payments varied by more than 20% and \$2 million from the actual benefit payments made during fiscal year 2010 from the DOL <i>Summary Chargeback Billing Report</i>.</p>	<p>The benefit payments calculated by the 2009 DOL loss development actuarial model varied by more than 20% and \$2 million from the agency's actual fiscal year 2010 benefit payments from the DOL <i>Summary Chargeback Billing Report</i> for the following agency.</p> <table border="1" data-bbox="841 953 1414 1066"> <thead> <tr> <th data-bbox="849 963 984 1024">Agency</th> <th data-bbox="990 963 1214 1024">Percent variance</th> <th data-bbox="1221 963 1406 1024">Dollar Variance</th> </tr> </thead> <tbody> <tr> <td data-bbox="849 1033 984 1066">COM</td> <td data-bbox="990 1033 1214 1066">24.33%</td> <td data-bbox="1221 1033 1406 1066">\$3,869,456</td> </tr> </tbody> </table>	Agency	Percent variance	Dollar Variance	COM	24.33%	\$3,869,456
Agency	Percent variance	Dollar Variance					
COM	24.33%	\$3,869,456					

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

<p>13) Compared the net effective rates (interest minus inflation rates) for compensation and medical used in the USPS, OPM, SSA, Energy Employees' Occupation Illness Compensation Program, and the Black Lung Disability Trust Fund loss development actuarial models as of September 30, 2010, to the net effective rates for compensation and medical used by the DOL loss development actuarial model as of September 30, 2010.</p>	<p>The net effective rate (interest minus inflation rate¹) for compensation of 2.37% used in the DOL loss development actuarial model as of September 30, 2010, is greater than the net effective rate used for compensation in the USPS, OPM, Energy Employees' Occupation Illness Compensation Program, and the Black Lung Disability Trust Fund loss development actuarial models, and is less than the net effective rate used for compensation in the SSA loss development model, as of September 30, 2010, as follows:</p> <ul style="list-style-type: none">- Postal Service 0.2%- OPM 2.0%- Energy Employees' Occupation Illness Compensation Program (no compensation rates included in models)- Black Lung Disability Trust Fund 1.51%- SSA (2.95%) <p>The net effective rate (interest rate minus inflation rate²) for medical of 0.57% used in the DOL loss development actuarial model as of September 30, 2010, is greater than the net effective rate for medical used in the Energy Employees' Occupation Illness Compensation Program (-1.70%) and Postal Service (-4.43%) loss development actuarial models as of September 30, 2010.</p>
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¹COLA

²CPI-Med

SECTION 2C

Agreed-Upon Procedures & Results

ACTUARIAL LIABILITY

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures
	<p>The net effective rate (interest rate minus inflation rate²) for medical of 0.57% used in the DOL loss development actuarial model as of September 30, 2010, is less than the net effective rate for medical used in the and the Black Lung Disability Trust Fund (1.77%) loss development actuarial models as of September 30, 2010.</p> <p>We did not complete this procedure for net effective rates for medical used by OPM and SSA because the rates were not provided.</p>

²CPI-Med

SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures
<p>14) Confirmed gross accounts receivable balances due as of June 30, 2010, from the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> prepared by the DOL-OCFO and posted on the DOL website³ for all CFO Act agencies (except DOL) and the U.S. Postal Service and compared confirmed gross accounts receivable balances as of June 30, 2010, to the amounts posted on the DOL website.</p>	<p>Confirmations were received from all agencies that were sent a confirmation request. The confirmed gross accounts receivable balances as of June 30, 2010, agreed with the gross accounts receivable balances as of June 30, 2010, posted on the DOL website.</p>
<p>15) Compared the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2009, to the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2010.</p>	<p>The variances between the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2009 and the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> as of September 30, 2010, are identified in Exhibit A.</p>

³ http://www.dol.gov/ocfo/media/reports/FECA_liability_2010_4q.pdf

SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

<p>16) Recalculated the September 30, 2010, net intra-governmental accounts receivable balances for each agency by adding the fiscal year 2010 bills sent to Federal agencies to the prior-year ending balance from the prior-year's special report, less the current year cash collections as reported by the OCFO on the SF-224's, plus the change in the 4th quarter unbilled accounts receivable from fiscal year 2009 to fiscal year 2010 reported in the detailed general ledger, and less the 2010 change in net other credits due from the public reported in the detailed general ledger.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
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SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures						
<p>17) Compared the recalculated September 30, 2010, net intra-governmental accounts receivable balances for each agency to the balance reported by the OCFO in the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2010, and identified differences above 1%.</p>	<p>The recalculated September 30, 2010, net intra-governmental accounts receivable balance varied greater than 1% of the balance reported by the OCFO in the <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2010 for the following agency:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Agency</th> <th style="text-align: center;">Amount</th> <th style="text-align: center;">(%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">COM</td> <td style="text-align: center;">(\$2,134,790)</td> <td style="text-align: center;">(4.75%)</td> </tr> </tbody> </table>	Agency	Amount	(%)	COM	(\$2,134,790)	(4.75%)
Agency	Amount	(%)					
COM	(\$2,134,790)	(4.75%)					
<p>18) Compared the <i>Summary Chargeback Billing Report</i> for the period July 1, 2009, through June 30, 2010, to the bills sent to Federal entities dated July 31, 2010.</p>	<p>No exceptions were found as a result of applying this procedure.</p>						

SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

<p>19) Compared the Allocation of Accrued Benefits as of September 30, 2010, recorded on the OCFO <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report as of September 30, 2010, to the accrual calculation worksheet prepared by DOL.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>20) Compared the fiscal year 2010 4th quarter accounts receivable prepared by the OCFO and reported on the 4th quarter <i>Liability for Current Federal Employees' Compensation Act Benefits</i> report to the fiscal year 2010 4th quarter benefit payments reported on the <i>Summary Chargeback Billing Report</i>.</p>	<p>The FY 2010 4th quarter accounts receivable prepared by the OCFO was less than the actual payments reported on the Summary Chargeback Billing Report by approximately \$42 thousand.</p>

**EXHIBIT A
Results of Procedure 15**

SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

(dollars in thousands)

Net Intra-Governmental
Accounts Receivable as reported by the OCFO on the
*Liability for Current Federal Employees' Compensation Act Benefits as of
September 30,*

Agency	2010	2009	Variance
Agency for International Development	\$ 7,832	\$ 7,729	\$ 103
Environmental Protection Agency	10,232	10,068	164
General Services Administration	32,074	33,431	(1,357)
National Aeronautics and Space Administration	13,615	14,914	(1,299)
National Science Foundation	340	309	31
Nuclear Regulatory Commission	1,719	1,725	(6)
Office of Personnel Management	4,823	4,875	(52)
U.S. Postal Service	1,508,455	1,427,318	81,137
Small Business Administration	5,865	5,842	23
Social Security Administration	59,278	59,754	(476)
Tennessee Valley Authority	77,395	81,811	(4,416)
U.S. Department of Agriculture	168,104	169,245	(1,141)
U.S. Department of the Air Force	299,731	302,724	(2,993)
U.S. Department of the Army	320,523	323,914	(3,391)
U.S. Department of Commerce	44,913	36,252	8,661
U.S. Department of Defense - other	236,555	211,414	25,141
U.S. Department of Education	3,545	3,436	109
U.S. Department of Energy	18,652	19,335	(683)
U.S. Department of Health and Human Services	59,368	60,182	(814)
U.S. Department of Homeland Security	373,077	372,640	437

(continued)

SECTION 2C

Agreed-Upon Procedures & Results

NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

Procedures and Results

(dollars in thousands)

Net Intra-Governmental
Accounts Receivable as reported by the OCFO on the
Liability for Current Federal Employees' Compensation Act Benefits as of
September 30,

Agency	2010	2009	Change
U.S. Department of Housing and Urban Development	\$ 17,570	\$ 17,503	\$ 67
U.S. Department of Interior	135,842	137,677	(1,835)
U.S. Department of Justice	243,447	236,259	7,188
U.S. Department of Labor	53,736	53,368	368
U.S. Department of Navy	545,670	555,871	(10,201)
U.S. Department of State	18,025	18,271	(246)
U.S. Department of Transportation	227,434	229,167	(1,733)
U.S. Department of the Treasury	122,563	123,099	(536)
U.S. Department of Veterans Affairs	414,637	408,911	5,726

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SECTION 2C

Agreed-Upon Procedures & Results

BENEFIT EXPENSE

Procedures and Results

Agreed-Upon Procedures Performed	Results of Procedures
<p>21) Compared the fiscal year 2010 benefit payments recorded in the Integrated Federal Employees Compensation System (iFECS) and Central Bill Pay (CBP) databases as of March 31, 2010, and September 30, 2010, to the fiscal year 2010 benefit payments reported in the U.S. Department of Treasury's SF-224 as of March 31, 2010, and September 30, 2010.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>22) Performed the following procedures over the reconciliation prepared by the Office of Workers' Compensation Programs between the benefit payments reported in the <i>Chargeback Billings Reports</i> for the fiscal year ended September 30, 2010, and the benefit payments reported in the iFECS and CBP databases for the fiscal year ended September 30, 2010:</p> <p>A) Compared the benefit expenses in the <i>Chargeback Billings Reports</i> reported in the reconciliation to the actual <i>Chargeback Billings Reports</i>.</p> <p>B) Compared the Benefit payments from iFECS and the CBP databases reported in the reconciliation to the actual iFECS and the CBP databases.</p> <p>C) Identified differences above 1%.</p>	<p>No exceptions were found as a result of applying this procedure</p>

SECTION 2C

Agreed-Upon Procedures & Results

BENEFIT EXPENSE

Procedures and Results

<p>23) Compared compensation and medical bill payments by agency for the fiscal year ended September 30, 2010, from the <i>Summary Chargeback Billing Report</i> prepared by DOL, to the compensation and medical bill payments by agency made for the fiscal year ended September 30, 2009, from the <i>Summary Chargeback Billing Report</i> prepared by DOL, and identified any variances above 10%.</p>	<p>The following agencies had increases over 10% in compensation and medical bill payments for the year ended September 30, 2010, compared to the year ended September 30, 2009:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;"><u>Agency</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Variance</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">NSF</td> <td style="text-align: center;">18.24%</td> </tr> <tr> <td style="text-align: center;">EDU</td> <td style="text-align: center;">12.32%</td> </tr> <tr> <td style="text-align: center;">COM</td> <td style="text-align: center;">27.05%</td> </tr> </tbody> </table> <p>Variances for the remaining agencies were 10% or less.</p>	<u>Agency</u>	<u>Variance</u>	NSF	18.24%	EDU	12.32%	COM	27.05%
<u>Agency</u>	<u>Variance</u>								
NSF	18.24%								
EDU	12.32%								
COM	27.05%								
<p>24) For a selection of 143 compensation payments for initially eligible claimants, compared beneficiary name, beneficiary social security number, date of birth, benefit amount, payment date, and other unique identifiers from the applicable Forms CA-1 <i>Federal Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation</i>, and CA-2 <i>Notice of Occupational Disease and Claim for Compensation</i> to the beneficiary name, beneficiary social security number, date of birth, benefit amount, payment date, and other unique identifiers in iFECS database.</p>	<p>No exceptions were found as a result of applying this procedure.</p>								

SECTION 2C

Agreed-Upon Procedures & Results

BENEFIT EXPENSE

Procedures and Results

<p>25) For a selection of 145 compensation payments for continuing eligibility and file maintenance, compared beneficiary name, beneficiary social security, date of birth, benefit amount, payment date, and other unique identifiers from applicable Forms CA-7 <i>Claim for Compensation</i>, and CA-1032 <i>Request for information on Earnings, Dual Benefits, Dependents and Third Party Settlements</i> to the beneficiary name, beneficiary social security number, date of birth, benefit amount, payment date, and other unique identifiers in iFECs database.</p>	<p>No exceptions were found as a result of applying this procedure.</p>
<p>26) For a selection of 57 medical payments, compared the vendor name, date, and other unique identifiers 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 CBP database.</p>	<p>No exceptions were found as a result of this procedure.</p>
<p>27) Calculated the change in the actuarial liability from September 30, 2009, to September 30, 2010, as calculated by the DOL loss development actuarial model.</p>	<p>The actuarial liability increased by approximately \$2,866 million on the compilation reports prepared by DOL from September 30, 2009, to September 30, 2010.</p>

SECTION 2C

Agreed-Upon Procedures & Results

BENEFIT EXPENSE

Procedures and Results

<p>28) Calculated the fiscal year 2010 projected benefit payments using the following two step process:</p> <p>(a) Calculated the average benefit payment amount per roll during the period of October 1, 2009 to March 31, 2010, by dividing the total medical and compensation benefit payments from the iFECS and CBP databases by the number of rolls in the period from October 1, 2009 to March 31, 2010 from the iFECS and CBP databases; and</p> <p>(b) Multiplied the average benefit payment amount per roll determined in step 28 (a) above by the number of rolls scheduled for fiscal year 2010 in accordance with the FECA.</p> <p>Compared this amount to the actual 12-month total benefit payments as of September 30, 2010, calculated from the <i>Summary Chargeback Billing Reports</i>.</p>	<p>The calculated annual projected benefit payments based on the March 31, 2010 iFECS and CBP databases were approximately \$61.7 million (2.23%) more than the actual 12 month total benefit payments as of September 30, 2010, calculated from the <i>Summary Chargeback Billing Reports</i>.</p>
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SECTION 2C

Agreed-Upon Procedures & Results

BENEFIT EXPENSE

Procedures and Results

<p>29) Compared the fiscal year 2010 4th quarter benefit expense estimate calculated by the OCFO as reported on the <i>Liability for Current Federal Employees Compensation Act Benefits</i> report to the actual fiscal year 2010 4th quarter benefit expense recorded in iFECS and CBP databases.</p>	<p>The FY 2010 4th quarter benefit expense estimate calculated by the OCFO was less than the actual payments reported on the Summary of Chargeback Billing Report by approximately \$42 thousand.</p>
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Appendix

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ACRONYMS and ABBREVIATIONS

ACS	Affiliated Computer Services
AODF	All Other Defense
AUP	Agreed Upon Procedures
BLS	Bureau of Labor Statistics
CBP	Central Bill Processing System
CFO	Chief Financial Officers' Act
COLA	Cost of Living Allowance
COM	U.S. Department of Commerce
CPI-Med	Consumer Price Index for Medical
DHS	U.S. Department of Homeland Security
DOD	U.S. Department of Defense
DOI	U.S. Department of Interior
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
DOS	U.S. Department of State
DOT	U.S. Department of Transportation
EDU	U.S. Department of Education
EPA	Environmental Protection Agency
ESA	Employment Standards Administration
FECA	Federal Employees' Compensation Act
HUD	Department of Housing and Urban Development
iFECS	Integrated Federal Employees' Compensation System
LBP	Liability to Benefits Paid
NASA	National Aeronautics and Space Administration
NCS	Corp. for National and Community Service
NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPC	Office of Peace Corps
OPM	Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
SBA	Small Business Administration

(continued)

ACRONYMS and ABBREVIATIONS

SFFAS	Statement of Federal Financial Accounting Standards
SMI	Smithsonian Institution
SSA	Social Security Administration
USAID	U.S. Agency for International Development
USDA	Department of Agriculture
USPS	U.S. Postal Service
TREAS	U.S. Department of the Treasury
TVA	Tennessee Valley Authority