



November 13, 2020

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: JAMES WILLIAMS
Chief Financial Officer

A handwritten signature in blue ink, appearing to be "J. Williams", written over a horizontal line.

SUBJECT: FY 2020 Independent Auditors' Report on DOL's Financial
Statements
Draft Report Number: 22-21-004-13-001

Please find the attached management's response to Draft Report No. 22-19-004-13-001, FY 2020 Independent Auditors' Report on DOL' Financial Statements.

We appreciate the opportunity to provide input and look forward to continued collaboration with the OIG audit team.

Please contact me if you have any questions.

Attachment

cc: Kevin Brown, Deputy Chief Financial Officer
John Pallasch, Assistant Secretary for Employment and Training Administration
Julia Hearthway, Director for Office of Workers' Compensation Programs

Management's Response

Fiscal Year 2020 Independent Auditors' Report

1. Improvements Needed in the Review of Estimates

Management agrees that several of the findings cited in the report must be addressed. However, as in previous audit engagements, management reiterates our request that significant matters for discussion be raised early, so that detailed conversations around mitigating factors, compensating controls, and professional judgement can be presented by management with enough time for meaningful consideration by the auditors.

OWCP recognizes its responsibility for controls over estimates related to the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) Benefits Liability, and the Present Value of Estimated Black Lung Excise Tax Income. OWCP believes that the stated deficiencies have not in any significant way increased the risk that material errors in the estimates could occur and not be prevented, or detected and corrected in a timely manner. OWCP has in place compensating controls which identify any unreasonable result in its formulas and spreadsheets. Management believes that OWCP was able to provide sufficient documentation to support its position for not utilizing updated coal economic data as of September 30, 2020. OWCP provided extensive documentation related to both its methodology and application of professional judgment in determining not to utilize the September data. While there are inherent uncertainties involved in the estimation of actuarial liability models, management continuously seeks to improve the estimate and takes seriously its responsibility to prevent, detect, and correct errors that could lead to material misstatements. To this end, management has worked closely with its internal and external actuaries to correct the errors identified in the model by monitoring all results for reasonableness and consistency with other available data in order to produce the best and most reasonable estimates possible. Moving forward, management will continue to review its internal controls and review procedures over the estimates to more accurately identify errors in the models.

Regarding the UTF Overpayment and Benefit Accounts Receivable, management believes the methodology is sound and the large fluctuation is due to unprecedented circumstances caused by the COVID-19 pandemic and the actions taken to mitigate the impact on the economy. The timing of when state reported data was available was a contributing factor to errors noted by the independent auditors. Management will consider modifying procedures to account for unique situations in the future. Management also updated the methodology to include an additional control for review. Staff involved in the production and review of the UTF disbursement submission have thoroughly reviewed and discussed the new Standard Operating Procedure. The section in the operating procedures addressing steps for reviewing estimates to ensure accuracy has been emphasized.

Management of the Department of Labor continually seeks to improve its policies and procedures to address issues identified during the audit. During FY 2021, DOL will review and update corrective action plans and develop remediation activities to address these noted improvements. Management appreciates the opportunity to provide input and looks forward to the continued collaboration with the OIG audit team.