



JUN 10 2011

MEMORANDUM FOR: GARY A. STEINBERG
Acting Director for Office of
Workers' Compensation Programs

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: FY 2010 Longshore and Harbor Workers'
Compensation Act Special Fund Audit
Report No. 22-11-004-04-432

The Office of Inspector General contracted with KPMG, LLP, an independent public accounting firm, to audit the financial statements of Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund as of September 30, 2010, and for the year then ended. The contract required that the audit be conducted in accordance with generally accepted government auditing standards (GAGAS) and Office of Management and Budget (OMB) audit requirements.

KPMG's opinion on the financial statements as of September 30, 2010, is unqualified. KPMG's consideration of internal control over financial reporting resulted in identifying certain deficiencies that KPMG considers to be a material weakness. 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 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.

KPMG is responsible for the attached auditor's report and the conclusions expressed in the report. However, in connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS was not intended to enable us to express, and we do not express, an opinion on LHWCA's financial statements; conclusions about the effectiveness of internal control; or conclusions on LHWCA's compliance with laws and regulations. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS and OMB audit requirements.

In accordance with DLMS 8 – Chapter 500, paragraph 533, you are requested to provide a written response within 60 days indicating your agreement or disagreement with the recommendations in the report. If you disagree with the recommendations, your response should fully explain the reason(s) for the disagreement. If you agree, your response should identify planned corrective actions, officials responsible for such actions, and the dates by which the actions should be taken and full implementation achieved.

We appreciate the cooperation of the Office of Workers' Compensation Programs staff involved in this year's audit. If you have any questions, please contact Joseph L. Donovan Jr., Audit Director at (202) 693-5248.

Attachment

cc: Cecily Rayburn, Director, Division of Planning, Policy, and Standards
Miranda Chu, Acting Director, Longshore and Harbor Workers' Compensation
Robert Harden, OWCP Audit Liaison
Stanley Karczewski, Division Chief of Financial Reporting and Compliance