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, 2011**

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

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

**Date Issued: November 2, 2011**
**Report Number: 22-12-001-04-431**

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**U.S. Department of Labor**

Office of Inspector General
Washington, DC 20210

November 2, 2011

## 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 2011
Report No. 22-12-001-04-431

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 (DOL), 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, 2011. 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, 2011. 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 of controls disclosed no instances of deficiencies in internal control over financial reporting that they consider to be significant deficiencies and/or material weaknesses. 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, 2011. 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. Furthermore, 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 November 2, 2011, 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, 2011; 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, 2011. 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:

Joseph L. Donovan, Jr.
Audit Director, Financial Statement Audits
U.S. Department of Labor
Office of Inspector General
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Attachment

**KPMG LLP**
2001 M Street, NW
Washington, DC 20036-3389

# SECTION 1A

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

Mr. Gary A. Steinberg, Acting 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, 2011, and Benefit Expense for the year ended September 30, 2011, 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 the 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, we concluded that DOL's Schedule as of and for the year ended September 30, 2011, is presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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, 2011, and Benefit Expense for the year ended September 30, 2011, 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, 2011, and benefit expense for the year ended September 30, 2011, 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 fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

In our fiscal year 2010 audit, we identified a significant deficiency related to controls over the financial reporting process. The significant deficiency was closed in fiscal year 2011 based upon management's implementation of recommendations proposed in our fiscal year 2010 audit.

## 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 fiscal year 2011 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 DOL. 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.

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

November 2, 2011

## 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, 2011, and Benefit Expense For the Year Ended September 30, 2011

*(dollars in thousands)*

| | |
|---|---|
| Actuarial Liability | $ 31,342,564 |
| Net Intra-Governmental Accounts Receivable | $ 5,318,229 |
| Benefit Expense | $ 4,530,742 |

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, 2011, and Benefit Expense For the Year Ended September 30, 2011

1. <u>Significant Accounting Policies</u>

   a. Basis of Presentation

The Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2011, and Benefit Expense for the year ended September 30, 2011, 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 Chief Financial Officers Act of 1990 (CFO Act) agencies and other specified agencies to support the preparation of their respective financial statements.

The actuarial liability of $ 31,342,564 thousand is an accrued estimate of future workers' compensation benefits as of September 30, 2011. 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, 2011. The net intra-governmental accounts receivable includes amounts which were billed to the employing agencies through June 30, 2011, but not paid as of September 30, 2011, including prior years, if applicable, plus the accrued receivable for benefit payments not yet billed for the period of July 1, 2011, through September 30, 2011, less credits due from the public. Benefit expense consists of benefits paid and accrued for the period from October 1, 2010, to September 30, 2011, plus the net change in the actuarial liability for the fiscal year.

(continued)

## SECTION 1C

### Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2011, and Benefit Expense For the Year Ended September 30, 2011

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, 2011, and Benefit Expense For the Year Ended September 30, 2011

Consistent with past practice and as required 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 were 3.535% in year 1 and 4.025% in subsequent years. The use of these spot rates approximates the use of average historical rates on marketable Treasury securities with maturities consistent with the projected benefit payments.

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:

| FY | COLA | CPI-Med |
|---|---|---|
| 2012 | 2.10% | 3.07% |
| 2013 | 2.53% | 3.62% |
| 2014 | 1.83% | 3.66% |
| 2015 | 1.93% | 3.73% |
| 2016 | 2.0% | 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 FECA-COLA factor rates used by the model rather than quarterly rates disclosed in the 2012 Mid-Session Review published by OMB.

3. Net Intra-Governmental Accounts Receivable

Net intra-governmental accounts receivable balance of $5,318,229 thousand represents the total of the amounts billed to Federal agencies through June 30, 2011, that had not been paid as of September 30, 2011, of $4,425,738 thousand, including prior year's amounts billed, if applicable; plus an accrued receivable

(continued)

**SECTION 1C**

**Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2011, and Benefit Expense For the Year Ended September 30, 2011**

for benefit payments not yet billed for the period July 1, 2011, through September 30, 2011, of $916,366 thousand, less applicable credits due from the Public of ($23,875) 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, 2011, was comprised of the following (dollars in thousands):

| | |
|---|---|
| Benefits paid for compensation | $ 2,036,985 |
| Benefits paid for medical benefits | 911,729 |
| Change in accrued benefits | 59,395 |
| Change in actuarial liability | 1,522,633 |
| Total benefit expense | $ 4,530,742 |

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# SECTION 2A

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Gary A. Steinberg, Acting 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, 2011, and Benefit Expense by Agency for the year ended September 30, 2011, 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. The procedures we performed and the associated 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.

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

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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

November 2, 2011

## 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, 2011

*(dollars in thousands)*

| AGENCY | Actuarial Liability |
|---|---|
| Agency for International Development | $ 22,175 |
| Environmental Protection Agency | 44,833 |
| General Services Administration | 132,195 |
| National Aeronautics and Space Administration | 51,078 |
| National Science Foundation | 1,272 |
| Nuclear Regulatory Commission | 7,245 |
| Office of Personnel Management | 21,713 |
| U.S. Postal Service | 12,218,674 |
| Small Business Administration | 30,630 |
| Social Security Administration | 334,083 |
| Tennessee Valley Authority | 475,090 |
| U. S. Department of Agriculture | 903,734 |
| U. S. Department of the Air Force | 1,349,859 |
| U. S. Department of the Army | 1,828,972 |
| U. S. Department of Commerce | 235,982 |
| U. S. Department of Defense – other | 794,008 |
| U. S. Department of Education | 16,230 |
| U. S. Department of Energy | 94,065 |
| U. S. Department of Health and Human Services | 269,073 |
| U. S. Department of Homeland Security | 2,055,225 |
| U. S. Department of Housing and Urban Development | 75,875 |

(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, 2011

*(dollars in thousands)*

| AGENCY | Actuarial Liability |
|---|---|
| U. S. Department of the Interior | $ 747,211 |
| U. S. Department of Justice | 1,359,361 |
| U. S. Department of Labor | 226,156 |
| U. S. Department of the Navy | 2,394,057 |
| U. S. Department of State | 73,829 |
| U. S. Department of Transportation | 977,634 |
| U. S. Department of the Treasury | 558,388 |
| U. S. Department of Veterans Affairs | 1,890,635 |
| Other agencies[1] | 2,153,282 |
| Total - all agencies | $ 31,342,564 |

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, 2011

*(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 | $ 6,889 | $ 1,172 | ($ 31) | $ 8,030 |
| Environmental Protection Agency | 8,506 | 1,652 | (43) | 10,115 |
| General Services Administration | 27,368 | 4,483 | (117) | 31,734 |
| National Aeronautics and Space Administration | 11,360 | 1,738 | (45) | 13,053 |
| National Science Foundation | 300 | 46 | (1) | 345 |
| Nuclear Regulatory Commission | 1,494 | 266 | (7) | 1,753 |
| Office of Personnel Management | 4,398 | 711 | (19) | 5,090 |
| United States Postal Service | 1,304,211 | 397,412 | (10,354) | 1,691,269 |
| Small Business Administration | 5,086 | 783 | (20) | 5,849 |
| Social Security Administration | 52,785 | 8,046 | (210) | 60,621 |
| Tennessee Valley Authority | 60,171 | 16,278 | (424) | 76,025 |
| U. S. Department of Agriculture | 145,450 | 23,510 | (613) | 168,347 |
| U. S. Department of the Air Force | 264,731 | 40,965 | (1,067) | 304,629 |
| U. S. Department of the Army | 273,874 | 43,502 | (1,133) | 316,243 |
| U. S. Department of Commerce | 23,034 | 6,111 | (159) | 28,986 |
| U. S. Department of Defense – other | 186,410 | 33,294 | (867) | 218,837 |
| U. S. Department of Education | 3,338 | 587 | (15) | 3,910 |
| U. S. Department of Energy | 16,444 | 3,043 | (79) | 19,408 |

(continued)

1 Amount billed through June 30, 2011 (including prior years) but not yet paid as of September 30, 2011.

2 Amounts paid and accrued but not yet billed for the period July 1, 2011 through September 30, 2011.

3 Allocation of credits due from the public through September 30, 2011.

4 Total amount due to the fund for each agency as of September 30, 2011.

## 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, 2011

*(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 | $ 51,173 | $ 8,488 | ($ 221) | $ 59,440 |
| U. S. Department of Homeland Security | 326,701 | 52,283 | (1,362) | 377,622 |
| U. S. Department of Housing and Urban Development | 16,102 | 2,304 | (60) | 18,346 |
| U. S. Department of the Interior | 118,655 | 18,661 | (486) | 136,830 |
| U. S. Department of Justice | 216,473 | 35,067 | (914) | 250,626 |
| U. S. Department of Labor | 47,110 | 7,991 | (208) | 54,893 |
| U. S. Department of the Navy | 470,435 | 75,430 | (1,965) | 543,900 |
| U. S. Department of State | 15,576 | 2,768 | (72) | 18,272 |
| U. S. Department of Transportation | 195,148 | 32,387 | (844) | 226,691 |
| U. S. Department of the Treasury | 106,808 | 17,171 | (447) | 123,532 |
| U. S. Department of Veterans Affairs | 366,683 | 60,079 | (1,565) | 425,197 |
| Other agencies | 99,025 | 20,138 | (527) | 118,636 |
| Total - all agencies | $ 4,425,738 | $ 916,366 | ($ 23,875) | $ 5,318,229 |

1 Amount billed through June 30, 2011 (including prior years) but not yet paid as of September 30, 2011.

2 Amounts paid and accrued but not yet billed for the period July 1, 2011 through September 30, 2011.

3 Allocation of credits due from public through September 30, 2011.

4 Total amount due to the fund for each agency as of September 30, 2011.

## 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, 2011

*(dollars in thousands)*

| AGENCY | Benefits Paid and Change in Accrued Benefits | Change in Actuarial Liability | Total Benefit Expense |
|---|---|---|---|
| Agency for International Development | $ 3,615 | ($ 3,860) | ($ 245) |
| Environmental Protection Agency | 4,288 | (106) | 4,182 |
| General Services Administration | 13,834 | (3,136) | 10,698 |
| National Aeronautics and Space Administration | 5,780 | (4,323) | 1,457 |
| National Science Foundation | 140 | (83) | 57 |
| Nuclear Regulatory Commission | 792 | (330) | 462 |
| Office of Personnel Management | 2,161 | (331) | 1,830 |
| United States Postal Service | 1,279,762 | 1,621,225 | 2,900,987 |
| Small Business Administration | 2,376 | 670 | 3,046 |
| Social Security Administration | 26,968 | 14,788 | 41,756 |
| Tennessee Valley Authority | 50,765 | (24,268) | 26,497 |
| U. S. Department of Agriculture | 73,912 | 22,280 | 96,192 |
| U. S. Department of the Air Force | 136,411 | 28,408 | 164,819 |
| U. S. Department of the Army | 178,171 | 15,040 | 193,211 |
| U. S. Department of Commerce | 24,792 | 25,747 | 50,539 |
| U. S. Department of Defense – other | 67,267 | (26,699) | 40,568 |
| U. S. Department of Education | 1,764 | (1,372) | 392 |
| U. S. Department of Energy | 9,613 | 748 | 10,361 |
| U. S. Department of Health and Human Services | 26,772 | 9,574 | 36,346 |
| U.S. Department of Homeland Security | 169,311 | 117,390 | 286,701 |

(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, 2011

*(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 | $ 8,216 | $ 3,586 | $ 11,802 |
| U. S. Department of the Interior | 60,248 | 24,079 | 84,327 |
| U. S. Department of Justice | 112,189 | 45,252 | 157,441 |
| U. S. Department of Labor | 20,947 | (338) | 20,609 |
| U. S. Department of the Navy | 238,336 | (69,030) | 169,306 |
| U. S. Department of State | 7,889 | 1,832 | 9,721 |
| U. S. Department of Transportation | 98,432 | 880 | 99,312 |
| U. S. Department of the Treasury | 54,703 | 14,043 | 68,746 |
| U. S. Department of Veterans Affairs | 190,476 | 28,371 | 218,847 |
| Other agencies (1) | 138,179 | (317,404) | (179,225) |
| Total - all agencies | $ 3,008,109 | $ 1,522,633 | $ 4,530,742 |

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, 2011, using KPMG's Loss Development actuarial model[1]. | The actuarial liability as of September 30, 2011, calculated using KPMG's Loss Development actuarial model is $30,792,634 thousand. . |
| 2) Recalculated the actuarial liability as of September 30, 2011, using DOL's Loss Development actuarial model[2]. | No exceptions were noted as a result of applying this procedure. |
| 3) Compared DOL's actuarial liability as of September 30, 2011, using DOL's Loss Development actuarial model to KPMG's calculation of the actuarial liability as of September 30, 2011, using KPMG's Loss Development actuarial model. | DOL's actuarial liability as of September 30, 2011, using DOL's Loss Development actuarial model is $549,930 thousand (1.75%) greater than KPMG's calculation of the actuarial liability as of September 30, 2011, 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 2006 through 2011.
[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*

| | |
|---|---|
| 4) Compared DOL's actuarial liability as of September 30, 2011, using DOL's Loss Development actuarial model to KPMG's calculation of the actuarial liability as of September 30, 2011, 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, 2011, using DOL's final loss development actuarial model to (b) the actuarial liability reported in the special report. | No exceptions were noted as a result of applying this procedure. |
| 5) Compared the interest rate and inflation (COLA, CPI-Med) assumptions used by the DOL Loss Development actuarial model as of September 30, 2011, to the interest rate and inflation (COLA, CPI-Med) assumptions used by KPMG's Loss Development actuarial model as of September 30, 2011. | 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. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

### *Procedures and Results*

| | |
|---|---|
| 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, 2010, 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, 2011, and reported all differences. | The average interest rate used by the DOL Loss Development actuarial model decreased from 4.28% to 4.01% from September 30, 2010 to September 30, 2011.<br><br>The average COLA rate used by the DOL Loss Development actuarial model increased from 1.91% to 2.01% from September 30, 2010 to September 30, 2011.<br><br>The average CPI-med rate used by the DOL Loss Development actuarial model decreased from 3.71% to 3.68% from September 30, 2010 to September 30, 2011. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

#### *Procedures and Results*

<table>
<tr>
<td>7) Calculated the percentage change in the actuarial liability by agency and in the aggregate from September 30, 2010, to September 30, 2011, based on the DOL Loss Development actuarial model, identified agencies whose actuarial liability changed by more than 10 percent during fiscal year 2011, and for such agencies, calculated the percentage change in benefit payments for the year ended September 30, 2010, to September 30, 2011.</td>
<td>The actuarial liability increased in the aggregate 5.11% from $29,819,932 thousand as of September 30, 2010, to $30,792,634 thousand as of September 30, 2011.<br><br>The following agencies had a change in actuarial liability from September 30, 2010, to September 30, 2011, of greater than 10%. For those agencies, we noted the following changes in benefit expense from September 30, 2010, to September 30, 2011:<br><br>
<table>
<tr><th>Agency</th><th>Percentage change in actuarial liability</th><th>Percentage change in benefit payments</th></tr>
<tr><td>AID</td><td>(14.83%)</td><td>4.64%</td></tr>
<tr><td>USPS</td><td>15.30%</td><td>9.09%</td></tr>
<tr><td>COM</td><td>12.25%</td><td>8.22%</td></tr>
</table>
</td>
</tr>
</table>

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

### *Procedures and Results*

| | |
|---|---|
| 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, 2011, 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 and reported all differences. | No exceptions were noted as a result of applying this procedure. |
| 9) Compared the actuarial liability, by agency, as of September 30, 2011, as reported in the *Memorandum to the CFOs of Executive Departments* issued by DOL's Chief Financial Officer, to the liability calculated by the DOL Loss Development actuarial model as of September 30, 2011. | No exceptions were noted as a result of applying this procedure. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

#### *Procedures and Results*

| | |
|---|---|
| 10) Compared both the benefit payments by agency for the chargeback year ended June 30, 2011, and the aggregate benefit payments for the chargeback years ended June 30, 2006 - 2011 used by the DOL Loss Development actuarial model, with the benefit payments by agency for the chargeback year ended June 30, 2011, and the aggregate benefit payments for the chargeback years ended June 30, 2006 - 2011, as reported in the *Summary Chargeback Billing Report.* | No exceptions were noted as a result of applying this procedure. |
| 11) Compared the agency groupings used in the DOL Loss Development actuarial model as of September 30, 2011, with the agency groupings used in the DOL Loss Development actuarial model as of September 30, 2010. . | No exceptions were noted as a result of applying this procedure. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

***Procedures and Results***

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>12) Compared the fiscal year 2011 benefit payments calculated by the 2010 DOL Loss Development actuarial model to the actual fiscal year 2011 benefit payments from the DOL Summary Chargeback Billing Report 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 2011 from the DOL Summary Chargeback Billing Report.</td><td>The benefit payments calculated by the 2010 DOL Loss Development actuarial model varied by more than 20% and $2 million from the agency's actual fiscal year 2011 benefit payments from the DOL Summary Chargeback Billing Report for the following agency.<br><table><tr><th>Agency</th><th>Percent variance</th><th>Dollar Variance</th></tr><tr><td>COM</td><td>68.75%</td><td>$10,934,507</td></tr></table></td></tr>
</table>

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

***Procedures and Results***

| | |
|---|---|
| 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, 2011. | The net effective rate (interest minus inflation rate[1]) for compensation of 2.0% used in the DOL Loss Development actuarial model as of September 30, 2011, is greater than the net effective rate used for compensation in the USPS development actuarial model, less than the net effective rate used for compensation in the Black Lung Disability Trust Fund and SSA social insurance models, and the same as the OPM loss development models as of September 30, 2011, as follows:<br>- Postal Service 0.6%<br>- OPM 2.0%<br>- Energy Employees' Occupation Illness Compensation Program (no compensation rates included in models)<br>- Black Lung Disability Trust Fund 2.59%<br>- SSA 2.98%<br><br>The net effective rate (interest rate minus inflation rate[2]) for medical of 0.33% used in the DOL Loss Development actuarial model as of September 30, 2011, is greater than the net effective rate for medical used in the Energy Employees' Occupation Illness Compensation Program (-1.975%) and Postal Service (-4.8%) loss development actuarial models as of September 30, 2011.<br>(continued) |

[1]COLA
[2]CPI-Med

## SECTION 2C

## Agreed-Upon Procedures & Results

### ACTUARIAL LIABILITY

***Procedures and Results***

| Agreed-Upon Procedures Performed | Results of Procedures |
|---|---|
| | The net effective rate (interest rate minus inflation rate[2]) for medical of 0.33% used in the DOL loss development actuarial model as of September 30, 2011, is less than the net effective rate for medical used in the Black Lung Disability Trust Fund (1.72%) social insurance model as of September 30, 2011.<br><br>We did not complete this procedure for net effective rates for medical used by OPM and SSA because the rates were not provided. |

[2] CPI-Med

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

#### *Procedures and Results*

| Agreed-Upon Procedures Performed | Results of Procedures |
|---|---|
| 14) Confirmed gross accounts receivable balances due as of June 30, 2011, from the *Liability for Current Federal Employees' Compensation Act Benefits* prepared by the DOL-OCFO and posted on the DOL website[3] for all CFO Act agencies (except DOL) and the USPS and compared confirmed gross accounts receivable balances as of June 30, 2011, to the amounts posted on the DOL website. | Confirmations were received from all agencies that were sent a confirmation request, with the exception of:<br>- U.S. Department of Homeland Security, and<br>- U.S. Department of Commerce.<br><br>The confirmed gross accounts receivable balances as of June 30, 2011, agreed with the gross accounts receivable balances as of June 30, 2011, posted on the DOL website, with the exception of Department of Health and Human Services that reported a difference of $10,237. |
| 15) Compared the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2010, to the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2011 and reported all differences. | The variances between the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2010 and the net intra-governmental accounts receivable balances by Federal agency as reported by the OCFO on the *Liability for Current Federal Employees' Compensation Act Benefits* as of September 30, 2011, are identified in Exhibit A of this report. |

[3] http://www.dol.gov/ocfo/media/reports/FECA-Federal-Liability-Q4-2011.pdf

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

### *Procedures and Results*

| | |
|---|---|
| 16) Recalculated the September 30, 2011, net intra-governmental accounts receivable balances for each agency by adding the fiscal year 2011 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 2010 to fiscal year 2011 reported in the detailed general ledger, and less the 2011 change in net other credits due from the public reported in the detailed general ledger. | As a result of performing the procedure we noted a difference in net intra-governmental accounts receivable balances as of September 30, 2011 of $45,968. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

***Procedures and Results***

| Agreed-Upon Procedures Performed | Results of Procedures |
|---|---|
| 17) Compared the recalculated September 30, 2011, net intra-governmental accounts receivable balances for each agency to the balance reported by the OCFO in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2011, and identified differences above 1%. | No exceptions were noted as a result of applying this procedure. |
| 18) Compared the *Summary Chargeback Billing Report* for the period July 1, 2010, through June 30, 2011, to the bills sent to Federal entities dated July 31, 2011 and reported all differences. | No exceptions were noted as a result of applying this procedure. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

### *Procedures and Results*

| | |
|---|---|
| 19) Compared the Allocation of Accrued Benefits as of September 30, 2011, recorded on the OCFO *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2011, to the accrual calculation worksheet prepared by DOL, and reported all differences. | No exceptions were noted as a result of applying this procedure. |
| 20) Compared the fiscal year 2011 4th quarter accounts receivable prepared by the OCFO and reported on the 4th quarter *Liability for Current Federal Employees' Compensation Act Benefits* report to the fiscal year 2011 4th quarter benefit payments reported on the *Summary Chargeback Billing Report* and reported all differences. | The FY 2011 4th quarter accounts receivable prepared by the OCFO and reported on the 4th quarter *Liability for Current Federal Employees' Compensation Act Benefits* report was less than the fiscal 2011 4th quarter benefit payments reported on the *Summary Chargeback Billing Report* by $29,603. |

**EXHIBIT A**
**Results of Procedure 15**

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

***Procedures and Results***

Net Intra-Governmental
Accounts Receivable as reported by the OCFO on the
*Liability for Current Federal Employees' Compensation Act Benefits as of*
September 30, 2011

*(dollars in thousands)*

| Agency | 2011 | 2010 | Variance |
|---|---|---|---|
| Agency for International Development | $ 8,030 | $ 7,832 | $ 198 |
| Environmental Protection Agency | 10,115 | 10,232 | (117) |
| General Services Administration | 31,734 | 32,074 | (340) |
| National Aeronautics and Space Administration | 13,053 | 13,615 | (562) |
| National Science Foundation | 345 | 340 | 5 |
| Nuclear Regulatory Commission | 1,752 | 1,719 | 33 |
| Office of Personnel Management | 5,089 | 4,823 | 266 |
| U.S. Postal Service | 1,691,269 | 1,508,455 | 182,814 |
| Small Business Administration | 5,850 | 5,865 | (15) |
| Social Security Administration | 60,621 | 59,278 | 1,343 |
| Tennessee Valley Authority | 76,024 | 77,395 | (1,371) |
| U.S. Department of Agriculture | 168,246 | 168,027 | 219 |
| U.S. Department of the Air Force | 304,628 | 299,731 | 4,897 |
| U.S. Department of the Army | 316,243 | 320,523 | (4,280) |
| U.S. Department of Commerce | 28,986 | 44,913 | (15,927) |
| U.S. Department of Defense - other | 218,836 | 236,555 | (17,719) |
| U.S. Department of Education | 3,910 | 3,545 | 365 |
| U.S. Department of Energy | 19,408 | 18,652 | 756 |
| U.S. Department of Health and Human Services | 59,440 | 59,368 | 72 |
| U.S. Department of Homeland Security | 377,622 | 373,077 | 4,545 |

(continued)

**EXHIBIT A**
**Results of Procedure 15**

## SECTION 2C

## Agreed-Upon Procedures & Results

### NET INTRA-GOVERNMENTAL ACCOUNTS RECEIVABLE

***Procedures and Results***

Net Intra-Governmental
Accounts Receivable as reported by the OCFO on the
*Liability for Current Federal Employees' Compensation Act Benefits as of*
September 30, 2011

*(dollars in thousands)*

| Agency | 2011 | 2010 | Change |
|---|---|---|---|
| U.S. Department of Housing and Urban Development | $ 18,349 | $ 17,570 | $ 779 |
| U.S. Department of Interior | 136,824 | 135,842 | 982 |
| U.S. Department of Justice | 250,627 | 243,447 | 7,180 |
| U.S. Department of Labor | 54,892 | 53,736 | 1,156 |
| U.S. Department of Navy | 543,899 | 545,670 | (1,771) |
| U.S. Department of State | 18,271 | 18,025 | 246 |
| U.S. Department of Transportation | 226,691 | 227,434 | (743) |
| U.S. Department of the Treasury | 123,532 | 122,563 | 969 |
| U.S. Department of Veterans Affairs | 425,197 | 414,637 | 10,560 |

## SECTION 2C

## Agreed-Upon Procedures & Results

### BENEFIT EXPENSE

### *Procedures and Results*

| Agreed-Upon Procedures Performed | Results of Procedures |
|---|---|
| 21) Compared the fiscal year 2011 benefit payments recorded in the Integrated Federal Employees Compensation System (iFECS) and Central Bill Pay (CBP) databases as of March 31, 2011, and September 30, 2011, to the fiscal year 2011 benefit payments reported in the U.S. Department of Treasury's SF-224 as of March 31, 2011, and September 30, 2011, and reported all differences. | No exceptions were noted as a result of applying this procedure. |
| 22) Performed the following procedures over the reconciliation prepared by the Office of Workers' Compensation Programs between the benefit payments reported in the *Chargeback Billings Reports* for the fiscal year ended September 30, 2011, and the benefit payments reported in the iFECS and CBP databases for the fiscal year ending September 30, 2011:<br>A) Compared the benefit expenses in the *Chargeback Billings Reports* reported in the reconciliation to the actual *Chargeback Billings Reports.*<br>B) Compared the Benefit payments from iFECS and the CBP databases reported in the reconciliation to the actual iFECS and the CBP databases.<br>C) Identified differences above 1%. | No exceptions were noted as a result of applying this procedure. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### BENEFIT EXPENSE

#### *Procedures and Results*

| | |
|---|---|
| 23) Compared compensation and medical bill payments by agency for the fiscal year ended September 30, 2011, from the *Summary Chargeback Billing Report* prepared by DOL, to the compensation and medical bill payments by agency made for the fiscal year ended September 30, 2010, from the *Summary Chargeback Billing Report* prepared by DOL, and identified any variances above 10%. | The following agencies had increases over 10% in compensation and medical bill payments for the year ended September 30, 2011, compared to the year ended September 30, 2010:<br>Agency — Variance<br>EOP — 23.38%<br>NSF — (15.40%)<br>OIE — 10.17%<br><br>Variances for the remaining agencies were 10% or less. |
| 24) For a selection of 131 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 *Federal Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation*, and CA-2 *Notice of Occupational Disease and Claim for Compensation* to the beneficiary name, beneficiary social security number, date of birth, benefit amount, payment date, and other unique identifiers in iFECS database. | No exceptions were noted as a result of applying this procedure. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### BENEFIT EXPENSE

#### *Procedures and Results*

| | |
|---|---|
| 25) For a selection of 136 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 *Claim for Compensation*, and CA-1032 *Request for information on Earnings, Dual Benefits, Dependents and Third Party Settlements* to the beneficiary name, beneficiary social security number, date of birth, benefit amount, payment date, and other unique identifiers in iFECS database. | No exceptions were noted as a result of applying this procedure. |
| 26) For a selection of 76 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. | No exceptions were noted as a result of this procedure. |
| 27) Calculated the change in the actuarial liability from September 30, 2010, to September 30, 2011, as calculated by the DOL Loss Development actuarial model. | The actuarial liability increased by $1,522,633 thousand on the compilation reports prepared by DOL from September 30, 2010, to September 30, 2011. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### BENEFIT EXPENSE

***Procedures and Results***

| | |
|---|---|
| 28) Calculated the fiscal year 2011 projected benefit payments using the following two step process:<br><br>(A) Calculated the average benefit payment amount per roll during the period of October 1, 2010 to March 31, 2011, 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, 2010 to March 31, 2011 from the iFECS and CBP databases; and<br><br>(B) Multiplied the average benefit payment amount per roll determined in step 28 (a) above by the number of rolls scheduled for fiscal year 2011 in accordance with the FECA.<br><br>Compared this amount to the actual 12-month total benefit payments as of September 30, 2011, calculated from the *Summary Chargeback Billing Reports*. | The calculated annual projected benefit payments based on the March 31, 2011 iFECS and CBP databases were $44,279,970 (1.54%) less than the actual 12 month total benefit payments as of September 30, 2011, calculated from the *Summary Chargeback Billing Reports*. |

## SECTION 2C

## Agreed-Upon Procedures & Results

### BENEFIT EXPENSE

#### *Procedures and Results*

| | |
|---|---|
| 29) Compared the fiscal year 2011 4th quarter benefit expense estimate calculated by the OCFO as reported on the *Liability for Current Federal Employees Compensation Act Benefits* report to the actual fiscal year 2011 4th quarter benefit expense recorded in iFECS and CBP databases. | The FY 2011 4th quarter benefit expense estimate calculated by the OCFO was less than the actual fiscal year 2011 4th quarter benefit expense recorded in iFECS and CBP databases by approximately $29,603. |

# Appendix

## ACRONYMS and ABBREVIATIONS

| | |
|---|---|
| ACS | Affiliated Computer Services |
| AID | Agency for International Development |
| AODF | All Other Defense |
| AUP | Agreed Upon Procedures |
| BLS | Bureau of Labor Statistics |
| CBP | Central Bill Processing System |
| CFO Act | Chief Financial Officers' Act of 1990 |
| 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 |
| EOP | Executive Office of the President |
| 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 |
| OIE | Other Identified Establishments |
| OMB | Office of Management and Budget |

(continued)

## ACRONYMS and ABBREVIATIONS

| | |
|---|---|
| OPC | Office of Peace Corps |
| OPM | Office of Personnel Management |
| OWCP | Office of Workers' Compensation Programs |
| SBA | Small Business Administration |
| 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 |