

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS



DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND FINANCIAL STATEMENTS AND INSPECTOR GENERAL'S REPORT

SEPTEMBER 30, 2014 AND 2013

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

Management's Discussion and Analysis (unaudited)

Years ended September 30, 2014 and 2013

Mission and Organizational Structure

Two Special Funds are administered by the Office of Workers' Compensation Programs (OWCP) under Section 44 of the Longshore Harbor Workers' Compensation Act (LHWCA): the LHWCA Special Fund created under the original Act in 1927, and the Special Fund under the District of Columbia Workmen's Compensation Act (DCCA) of 1928. These funds were established for the primary purpose of equitably distributing among all employers the liabilities associated with second injury claims (a "second injury" is an injury to a worker which, in combination with an existing permanent partial impairment, results in the worker's increased permanent disability or death).

The reporting entity is the DCCA Special Fund (Fund). Organizationally, the Fund is administered by the Department of Labor (DOL), OWCP, Division of Longshore and Harbor Workers' Compensation (DLHWC) program. DLHWC has direct responsibility for all aspects of the administration of the Fund. The mission of the Fund is to effectively administer a program of compensation and medical benefits to cover workers who are injured on the job or suffer from occupational disease.

The Fund supports the program mission by providing compensation, and in certain cases, medical care payments to District of Columbia employees for work-related injuries or death. Effective July 26, 1982, the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases.

DCCA provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries, diseases, or death of certain private-sector workers in the District of Columbia. Generally, benefits are paid directly from private funds by an authorized self-insured employer or through an authorized insurance carrier. Cases meeting the requirements of LHWCA as extended to DCCA are paid from the Fund comprising primarily employer contributions (assessments) and administered by DLHWC. In fiscal years (FY) 2014 and 2013 respectively, 437 and 455 injured workers and their dependents received compensation benefits from the Fund.

Additionally, the DCCA incorporates Section 10(h) of LHWCA, which provides annual wage increase compensation (cost of living adjustments). Fifty percent of this annual wage increase for pre-1972 compensation cases is paid by federal appropriated funds, and fifty percent is paid by the Fund through the annual assessment.

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Appropriated funding for Section 10(h) is not reflected in the accompanying financial statements. Appropriated funding is reflected in the Federal Employees Compensation Act Special Benefit Fund.

Although the Fund is administered by DOL, the U.S. Department of the Treasury (Treasury) is the custodian, holding the funds in trust. The Fund is not property of the United States, but can only be disbursed as specified in Section 44(i) of LHWCA. Administrative services for operating the Fund are provided by OWCP on behalf of the Fund. Funding for these costs is primarily provided by federal appropriations to OWCP's Salaries and Expense account, which is not part of the Fund.

Financial Highlights

The majority of the revenue of the Fund is generated through annual recurring assessments paid by self-insured employers and insurance carriers, which totaled \$6,110,708 in FY 2014. This compares with assessment revenue of \$11,969,709 for FY 2013.

In addition, investment income for the Fund was \$2,059 for FY 2014, as compared to \$1,387 for FY 2013. The average interest rate earned was 0.04 percent during FY 2014 and 0.05 percent during FY 2013.

The Fund's costs are slowly declining over the long term as claims close, but remained relatively stable compared to FY 2013 — \$8,195,287 for FY 2014 as compared to \$8,470,045 for FY 2013. Proceeds of the Fund are used for payments under Section 8(f) for second injury claims, Section 10(h) for initial and subsequent annual adjustments in compensation for permanent total disability or related death from injuries which occurred prior to the effective date of the 1972 LHWCA amendments, and Section 18(b) for compensation to injured workers in cases of employer default.

Performance Goals and Results

DLHWC's administration of the Fund supports DOL's Strategic Goal 4 – *Secure health benefits, and for those not working, provide income security*. This goal broadly promotes the economic security of workers and families. In particular, DLHWC's administration of the Fund supports Performance Goal 4.2 – *Reduce the Consequences of Work-Related Injuries*. DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate way. DLHWC assists in meeting this outcome goal by establishing the long-term performance goal of ensuring sufficient funds are assessed to fund the annual payments, and by prompt payment to

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the beneficiaries. In FY 2014, assessments were sufficient to cover the costs, and no beneficiaries suffered a delayed payment.

Internal Controls

The Longshore and Harbor Workers' Compensation Division's Branch of Financial Management, Insurance and Assessment comprises four employees and one supervisor. It guards against unethical behavior by segregating duties and assigning roles to each function. Much of the oversight, evaluation, monitoring, control, and supervisory activity is informal and face-to-face.

Management communicates all procedural, policy, and operating goals to staff with regular staff meetings, a written procedure manual, e-mails, and frequent individual communications regarding changes, problems, and issues.

All codes, statutes, and regulations governing the conduct of federal employees apply to all DLHWC employees. Examples include privacy statutes, cash handling procedures, and conflict of interest regulations.

For cases paid by the Fund, a District Director or Administrative Law Judge issues a formal compensation order to identify the payee and set the amount. To ensure accuracy, five employees review each new case before making the payment.

Known Risks and Uncertainties

The Fund makes assessments on authorized insurers and self-insurers one year at a time for current expenses; there is no reserve for future Fund obligations. In keeping with the requirement of Section 44 of LHWCA, obligations are paid as they are incurred. Assessments are based on compensation and medical benefits paid in the prior calendar year. The District of Columbia Workmen's Compensation Act of 1928 has been repealed, and the DC Special Fund only assesses based on payments in cases that arose prior to July 26, 1982. The annual Fund assessment is calculated against a shrinking base of industry payments. These payments are concentrated among relatively few insurance carriers and self-insured employers (47 in total). For example, the largest ten payers of assessments (including three self-insured employers) fund 83 percent of the Fund's assessments. If one or more of the largest payers became insolvent and was unable to pay their assessment obligations, temporary collection issues would result, necessitating special, unscheduled assessments or other actions to ensure the Fund has sufficient liquid resources to fund claims liabilities as they come due.

**DISTRICT OF COLUMBIA WORKMEN'S
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Management's Discussion and Analysis (unaudited)

Years ended September 30, 2014 and 2013

Limitations of the Financial Statements

The following are limitations of the financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the Fund, pursuant to the requirements of DCCA.
- While the statements have been prepared from the books and records of the Fund in accordance with U.S. Generally Accepted Accounting Principles for U.S. Government entities and the formats prescribed by the Office of Management and Budget, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, that liabilities cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



August 27, 2015

Inspector General's Report

Leonard J. Howie III
Director
Office of Workers' Compensation Programs
200 Constitution Avenue, NW
Washington, DC 20210

We have audited the accompanying balance sheets of the U.S. Department of Labor's (DOL) District of Columbia Workmen's Compensation Act (DCCA) Special Fund (Fund) as of September 30, 2014, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements" or "basic financial statements") for the year then ended. The financial statements of the Fund as of September 30, 2013, were audited by the Office of Inspector General (OIG) in a report dated March 26, 2015, that expressed an unmodified opinion on those statements. The objective of our audit was to express an opinion on the fair presentation of these financial statements. In connection with our FY 2014 audit, we also considered the Fund's internal control over financial reporting and tested the Fund's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded the Fund's financial statements as of and for the year ended September 30, 2014, are presented fairly in all material respects, in conformity with U.S. generally accepted accounting principles.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or 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, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended.

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Fund as of September 30, 2014, and the related statement of net cost, changes in net position, and budgetary resources for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2014, and its net costs, changes in net position, and budgetary resources for the year then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require the information in the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 FY 2014 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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*, or OMB Bulletin No. 14-02.

Responsibilities

Management’s Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, and contracts applicable to the Fund.

Auditors’ Responsibilities. Our responsibility is to express an opinion on the FY 2014 financial statements of the Fund based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 14-02. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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 the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit also included:

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

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

In planning and performing our FY 2014 audit, we considered the Fund’s internal control over financial reporting by obtaining an understanding of the Fund’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control

over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Fund's FY 2014 financial statements were free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Fund. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

OWCP concurred with the Office of Inspector General's (OIG) opinion on the financial statements. Management's written response to our audit, presented in Appendix A, was not subject to the auditing procedures applied in the audit of the Fund's financial statements, and accordingly, we express no opinion on it.

We appreciate the cooperation and courtesies that OWCP personnel extended to OIG during this audit. OIG personnel who made major contributions to this report are listed in Appendix B.



Elliot P. Lewis
Assistant Inspector General
for Audit

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

Balance Sheets

Years ended September 30, 2014 and 2013

Assets	2014	2013
Intra-governmental assets:		
Funds with U.S. Treasury (Note 1c and Note 2)	\$ 1,630	\$ 907
Investments, net (Note 1d and Note 3)	<u>4,432,000</u>	<u>7,915,000</u>
Total intra-governmental assets	\$ 4,433,630	\$ 7,915,907
Accounts receivable, net (Note 1e and Note 4)	<u>41,838</u>	<u>553,397</u>
Total assets	<u>\$ 4,475,468</u>	<u>\$ 8,469,304</u>
Liabilities and Net Position		
Liabilities:		
Accrued benefits payable (Note 1f)	\$ 131,970	\$ 112,214
Deferred revenue (Note 1h)	896,561	3,414,705
Other liabilities (Note 1g and Note 5)	<u>682,897</u>	<u>95,825</u>
Total liabilities	<u>\$ 1,711,428</u>	<u>\$ 3,622,744</u>
Net position:		
Cumulative results of operations -- Other	<u>2,764,040</u>	<u>4,846,560</u>
Total liabilities and net position	<u>\$ 4,475,468</u>	<u>\$ 8,469,304</u>

The accompanying notes are an integral part of these statements.

**DISTRICT OF COLUMBIA WORKMEN'S
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Statements of Net Cost

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Special fund net cost of operations:		
Second injury compensation, Section 8(f)	\$ 7,530,957	\$ 7,780,532
Wage increase compensation, Section 10(h)	412,067	441,343
Compensation payment for self-insured employer in default, Section 18(b)	246,580	247,974
Rehabilitation services, Section 39(c)	<u>5,683</u>	<u>196</u>
Net cost of operations	<u>\$ 8,195,287</u>	<u>\$ 8,470,045</u>

The accompanying notes are an integral part of these statements.

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Statements of Changes in Net Position

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cumulative results of operations, beginning	\$ 4,846,560	\$ 1,340,509
Budgetary financing sources:		
Non-exchange revenues (Note 1i):		
Investment interest	\$ 2,059	\$ 1,387
Fines & penalties	—	5,000
Assessments	<u>6,110,708</u>	<u>11,969,709</u>
Total non-exchange revenues	\$ 6,112,767	\$ 11,976,096
Net cost of operations	<u>(8,195,287)</u>	<u>(8,470,045)</u>
Net position, end of period	<u>\$ 2,764,040</u>	<u>\$ 4,846,560</u>

The accompanying notes are an integral part of these statements.

**DISTRICT OF COLUMBIA WORKMEN'S
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Statements of Budgetary Resources

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$ 7,827,122	\$ 2,845,877
Budget authority		
Appropriations received (assessments)	<u>4,718,133</u>	<u>13,444,809</u>
Total budgetary resources	<u>\$ 12,545,255</u>	<u>\$ 16,290,686</u>
Status of Budgetary Resources:		
Obligations incurred (Note 6)	\$ 8,221,423	\$ 8,463,564
Unobligated balances, end of year:		
Exempt from apportionment	<u>4,323,832</u>	<u>7,827,122</u>
Total status of budgetary resources	<u>\$ 12,545,255</u>	<u>\$ 16,290,686</u>
Change in Obligated Balance:		
Unpaid obligations, brought forward, October 1	\$ 109,831	\$ 90,598
Obligations incurred	8,221,423	8,463,564
Less: Outlays (gross)	<u>(8,200,409)</u>	<u>(8,444,331)</u>
Unpaid obligations, end of year	<u>\$ 130,845</u>	<u>\$ 109,831</u>
Obligated balance, start of year	\$ 109,831	\$ 90,598
Obligated balance, end of year	<u>\$ 130,845</u>	<u>\$ 109,831</u>
Budget Authority and Outlays, Net:		
Budget authority, gross (mandatory)	\$ 4,718,133	\$ 13,444,809
Budget authority, net (mandatory)	<u>\$ 4,718,133</u>	<u>\$ 13,444,809</u>
Outlays, gross (mandatory)	<u>8,200,409</u>	<u>8,444,331</u>
Outlays, net (mandatory)	<u>\$ 8,200,409</u>	<u>\$ 8,444,331</u>

The accompanying notes are an integral part of these statements.

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

Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The principal accounting policies that have been followed in preparing the accompanying financial statements for the Fund are set forth below.

(a) Reporting Entity

DLHWC has direct responsibility for administration of the DCCA Fund. The Fund offers compensation, and in certain cases, medical care payments to District of Columbia employees for work-related injuries or death incurred on or before July 26, 1982. Effective July 26, 1982, DCCA was amended whereby the Mayor of the District of Columbia became responsible for administration and operation of a separate special fund to cover post July 26, 1982, injury cases.

Additionally, Section 10(h) of LHWCA provides annual wage increase compensation (cost of living adjustments). Fifty percent of this annual wage increase for pre-1972 compensation cases is paid by the annual assessment. The remaining fifty percent is paid by the Federal Employees' Compensation Act's Special Benefit Fund through federal appropriations. Also, these financial statements do not include the special fund administered by the Mayor of the District of Columbia for injury cases occurring after July 26, 1982.

(b) Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position and budgetary resources, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular A-136, Financial Reporting Requirements. These financial statements have been prepared from the books and records of the Fund. These financial statements are not intended to present, and do not present, the full cost of the DCCA Program (Program). In addition to the Fund costs presented in these statements, the full cost of the Program would include certain direct costs of OWCP in the form of salaries and expenses for administration of the Fund and allocated costs of OWCP and other DOL agencies incurred in support of the Program. The full cost of the Program is included in the DOL consolidated financial statements and related notes. The Fund is considered a fiduciary activity of DOL, and is properly disclosed and reported in the consolidated financial statements of DOL as a fiduciary fund.

**DISTRICT OF COLUMBIA WORKMEN'S
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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These financial statements are different from the financial reports, also prepared for the Fund pursuant to OMB directives, used to monitor the Fund's use of budgetary resources.

(c) Funds with Treasury

The Fund's cash receipts and disbursements are processed by Treasury. Funds with Treasury represent obligated balances available to pay current liabilities and finance authorized purchase commitments.

(d) Investments, Net

Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts, which approximate market value. Premiums or discounts are amortized on a straight-line basis, which approximates the effective interest method. The Fund's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain the operations of the Fund. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. A portion of these investments is available for payment of compensation and medical benefits to covered employees of the defaulted company.

(e) Accounts Receivable, Net

The amounts due as receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past experience in the collection of the receivables and an analysis of the outstanding balances. Accounts receivable comprise assessments receivable and the Fund's benefit overpayments to individuals primarily from awarded compensation orders and corrections of payment computations.

**DISTRICT OF COLUMBIA WORKMEN'S
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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(f) *Accrued Benefits Payable*

The Fund provides compensation and medical benefits for work-related injuries to employees of the District of Columbia that were incurred on or before July 26, 1982. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period. Ultimate responsibility for the payment of such claims rests with the employer organizations.

(g) *Other Liabilities*

Other liabilities comprise primarily assessment overpayments by insurance carriers or self-insured employers, which are to be refunded at the insurance carrier or self-insured employers request or applied to reduce future assessments. Also included in other liabilities are amounts received by the Fund from defaulted employers which are being held as security by authority of Section 32 of LHWCA. These funds and investments are available for compensation and medical benefits to covered employees of the defaulted companies. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees.

(h) *Deferred Revenue*

Deferred revenue represents the portion of assessment revenue extending beyond September 30, the Fund's accounting year end. The annual assessments cover a calendar year and, accordingly, revenue extending beyond September 30 has been deferred. Deferred revenue reported on the balance sheets is considered "Other Liabilities" under OMB Circular A-136.

(i) *Non-exchange Revenue*

Non-exchange revenues arise from the federal government's power to demand payments from and receive donations from the public.

The Fund's primary source of revenue is annual assessments levied on insurance carriers and self-insured employers. Assessments are recognized as non-exchange revenue when due. The Fund receives interest on Fund investments and on federal funds in the possession of non-federal entities. The Fund also receives revenue from fines and penalties assessed in accordance with various sections of LHWCA.

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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(2) Funds with Treasury

Funds with Treasury at September 30, 2014 and 2013, consisted of cash deposits of \$1,630 and \$907 respectively. There were \$84 in cash deposits at September 30, 2014, and \$63 in cash deposits at September 30, 2013, being held as security by authority of Section 32 of LHWCA. These funds relate to the default of self-insured employers and are available for payment of compensation and medical benefits to covered employees of the defaulted companies.

Funds with Treasury at September 30, 2014, consisted of the following:

	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Trust Fund	\$ —	—	\$ 1,630	\$ 1,630	—	\$ 1,630

Funds with Treasury at September 30, 2013, consisted of the following:

	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Trust Fund	\$ —	—	\$ 907	\$ 907	—	\$ 907

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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(3) Investments, Net

Investments at September 30, 2014 and 2013, consisted of the following:

	September 30, 2014			
	Face Value	Premium (Discount)	Net Value	Market Value
Intragovernmental securities:				
Non-marketable:				
Par value	\$ 4,432,000	—	\$ 4,432,000	\$ 4,432,000
	September 30, 2013			
	Face Value	Premium (Discount)	Net Value	Market Value
Intragovernmental securities:				
Non-marketable:				
Par value	\$ 7,915,000	—	\$ 7,915,000	\$ 7,915,000

Investments of \$58,800 and \$58,800 at September 30, 2014 and 2013, respectively, are restricted assets that are being held as security by authority of Section 32 of LHWCA. Investments at September 30, 2014 and 2013, consist of overnight securities. Investments at September 30, 2014, bear an interest rate of 0.01 percent compared to an interest rate of 0.03 percent at September 30, 2013. Interest rates on securities bought and sold during FY 2014 ranged from 0.00 percent to 0.35 percent compared to 0.00 percent to 0.17 percent for FY 2013.

**DISTRICT OF COLUMBIA WORKMEN'S
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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(4) Accounts Receivable, Net

Accounts receivable at September 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Benefit overpayments	\$ 43,067	\$ 69,435
Assessments receivable	11,826	499,226
Less: allowance for doubtful accounts	(13,055)	(15,264)
Total accounts receivable from the public, net	<u>\$ 41,838</u>	<u>\$ 553,397</u>

Assessments receivable represent the unpaid annual assessments. Accounts receivable from benefit overpayments to claimants arise primarily from amended compensation orders and corrections of payment computations. These receivables are primarily recovered by partial and total withholding of benefit payments.

Changes in the allowance for doubtful accounts during FY 2014 and FY 2013, consisted of the following:

	<u>2014</u>			
	<u>Allowance October 1, 2013</u>	<u>Write Offs</u>	<u>Bad Debt</u>	<u>Allowance September 30, 2014</u>
Entity assets:				
Benefit overpayments \$	(14,016)	-	\$ 991	\$ (13,025)
Assessment receivable	(1,248)	-	1,218	(30)
	<u>\$ (15,264)</u>	<u>-</u>	<u>\$ 2,209</u>	<u>\$ (13,055)</u>

	<u>2013</u>			
	<u>Allowance October 1, 2012</u>	<u>Write Offs</u>	<u>Bad Debt</u>	<u>Allowance September 30, 2013</u>
Entity assets:				
Benefit overpayments \$	-	-	\$ (14,016)	\$ (14,016)
Assessment receivable	(517)	-	(731)	(1,248)
	<u>\$ (517)</u>	<u>-</u>	<u>\$ (14,747)</u>	<u>\$ (15,264)</u>

**DISTRICT OF COLUMBIA WORKMEN'S
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Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(5) Other Liabilities

Other liabilities at September 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Other liabilities:		
Assessment overpayments by carriers	\$ 624,013	\$ 36,962
Defaulted employer liability:		
Held in investments	\$ 58,800	\$ 58,800
Held in cash	84	63
	<u>\$ 58,884</u>	<u>\$ 58,863</u>
Total other liabilities	<u>\$ 682,897</u>	<u>\$ 95,825</u>

Assessment overpayments are to be refunded upon request or applied to reduce future assessments.

Defaulted employer liability relates to the funds and investments held by the District of Columbia Special Fund which are being held as security by authority of Section 32 of LHWCA. These funds and investments are available for compensation and medical benefits to covered employees of the defaulted companies. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees.

(6) Status of Budgetary Resources

(a) Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in FYs 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Direct Obligations:		
Exempt from apportionment	\$ 8,221,423	\$ 8,463,564

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

Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(b) Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Statement of Budgetary Resources to amounts included in the Budget of the United States government for the year ended September 30, 2013, is shown below:

<u>(Dollars in Millions)</u>	2013		
	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Gross Outlays</u>
Statement of Budgetary Resources - LHWCA, reported separately	\$ 180	124	123
Statement of Budgetary Resources - DCCA	16	9	8
Total Statement of Budgetary Resources	<u>196</u>	<u>133</u>	<u>131</u>
Budget of the United States Government	\$ <u>196</u>	<u>133</u>	<u>131</u>

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

	<u>2014</u>	<u>2013</u>
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$ 8,221,423	\$ 8,463,564
Total resources used to finance activities	<u>8,221,423</u>	<u>8,463,564</u>
Total resources used to finance the net cost of operations	<u>8,221,423</u>	<u>8,463,564</u>
Components of net cost of operations that will not require or generate resources in the current period		
Benefit Overpayments	(991)	14,016
Other	<u>(25,145)</u>	<u>(7,535)</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>(26,136)</u>	<u>6,481</u>
Net cost of operations	\$ <u>8,195,287</u>	\$ <u>8,470,045</u>

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

Notes to the Financial Statements

Years ended September 30, 2014 and 2013

(8) Concentration of Risk

The Fund makes assessments to authorized insurers and self-insurers one year at a time for current expenses, and there is no reserve for future Fund obligations. In keeping with the requirement of Section 44 of LHWCA, obligations are paid as they are incurred. Assessments are based on compensation and medical benefits paid in the prior calendar year. As previously discussed, the DCCA has been repealed and the Fund only assesses based on payments in cases that arose on or before July 26, 1982. Therefore, the annual assessment is assessed for a shrinking population of claims.

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Appendices

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OWCP's Response to the Draft Report


U.S. Department of Labor

Office of Workers' Compensation Programs
Washington, D.C. 20210



File Number:

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

FROM: LEONARD J. HOWIE III 
Director
Office of Workers' Compensation Programs

SUBJECT: District of Columbia Workmen's Compensation
Act Special Fund Audit
Draft Report No. 22-15-016-04-432

This memorandum responds to the above referenced draft report. We concur with the Office of Inspector General's opinion on the financial statements. The results of this audit demonstrate that the Office of Workers' Compensation Programs produced accurate financial statements; established and maintained effective internal controls over financial reporting; and complied with laws, regulations applicable to the Fund. As always, we appreciate the opportunity to provide input and look forward to continued collaboration with your office.

cc: Gary Steinberg, Deputy Director, OWCP
Antonio Rios, Director, Longshore Harbor Workers' Compensation, OWCP
Sam Shellenberger, Director, Financial Administration, OWCP
Jatin Wahi, Accounting Officer, Financial Administration, OWCP
Jennifer Valdivieso, Acting Branch Chief of Financial Management, OWCP
Kenneth Ossman, Accountant, Financial Administration, OWCP

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Appendix B

Acknowledgements

Key contributors to this report were Joseph Donovan (Audit Director), Mark Lemke, Andrew Loomis, Patrick Trager, and Christine Allen.

TO REPORT FRAUD, WASTE, OR ABUSE, PLEASE CONTACT:

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