

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS



LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2021 AND 2020

This report was prepared by KPMG LLP, under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in cursive script that reads "Carolyn R. Hantry".

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

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**LONGSHORE AND HARBOR WORKERS'
COMPENSATION ACT SPECIAL FUND**

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**LONGSHORE AND HARBOR WORKERS'
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Management's Discussion and Analysis

Years ended September 30, 2021 and 2020

Mission and Organizational Structure

The Longshore and Harbor Workers' Compensation Act (LHWCA) provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases sustained by private-sector workers in certain maritime and related employment. The LHWCA also extends benefits to dependents if any injury results in the worker's death. Generally, benefits are paid directly by private entities, either authorized self-insured employers or authorized insurance carriers (herein collectively referred to as carriers). Cases meeting the requirements of the LHWCA are paid from the LHWCA Special Fund (Fund), which is financed primarily through carriers' annual assessments. In Fiscal Years (FY) 2021 and 2020, respectively, 2,727 and 2,769 injured workers and dependents received compensation benefits from the Fund.

The reporting entity is the Fund. The Fund is administered by the Secretary of Labor who has delegated responsibility to the Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), Division of Federal Employees', Longshore and Harbor Workers' Compensation (DFELHWC). Thus, DFELHWC has direct responsibility for administration of the Fund. The Fund supports the program mission by providing compensation and, in certain cases, medical care payments to employees disabled from injuries which occurred under the LHWCA or its extensions.

Administrative services for operating the Fund are provided by OWCP. Funding for these costs is primarily provided by federal appropriations to OWCP's Salaries and Expense account, which is not part of the Fund. The Fund reimburses OWCP for certain direct expenses associated with administrative support of the Fund and for rehabilitation services provided to eligible claimants. The financial accounting functions and reporting duties are the responsibility of the Division of Central Accounting Operations (DCAO) and the Division of Financial Reporting (DFR), respectively.

Financial Highlights

The majority of the Fund's revenue is generated through annual recurring assessments paid by self-insured employers and insurance carriers, and in FY 2021 and FY 2020 totaled \$90,887,469 and \$96,131,557, respectively. Other sources of payments into the Fund include fines and penalties levied under LHWCA Sections 30(e) and 14(g), as well as payments of compensation by employers of \$5,000 under Section 44(c)(1) for each death case where there is no survivor entitled to the benefits, and interest payments on Fund investments. Recoveries from audits conducted to determine proper assessment calculations were \$542,097 in FY 2021 and \$740,308 in FY 2020.

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The Fund's costs of \$94,196,062 in FY 2021 were lower compared to the FY 2020 costs of \$97,778,770. 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; Sections 39(c) and 8(g) for the procurement of medical and vocational rehabilitation services for permanently disabled employees and to provide a maintenance allowance to workers undergoing rehabilitation; Section 18(b) for compensation to injured workers in cases of employer default; and Section 7(e) for the cost of certain medical examinations.

The Fund's budgetary appropriations of \$83,216,857 in FY 2021 decreased in comparison to \$103,193,640 in FY 2020. Similarly, the Fund's budgetary outlays of \$93,635,394 in FY 2021 decreased in comparison to \$100,773,643 in FY 2020.

Performance Goals and Results

DFELHWC's administration of the Fund supports DOL's Strategic Goal 3 – *Administer Strong Workers' Compensation and Benefits Programs*. This goal broadly promotes the economic security of workers and families. In particular, DFELHWC's administration of the Fund supports Strategic Goal 3.1, *Provide workers' compensation benefits for workers who are injured or become ill on the job*. DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate manner. DFELHWC assists in meeting this strategic goal by ensuring sufficient funds are assessed to fund the benefit payments, and payments to the beneficiaries are made promptly. In FY 2021 and FY 2020 assessments were sufficient to cover the costs, and performance goals targeting the timeliness of initial claims processing and benefit delivery outcomes were achieved.

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Internal Controls

DFELHWC's Branch of Financial Management, Insurance and Assessment is composed of four employees and one supervisor. It implements strong internal controls by segregating duties and assigning roles and responsibilities to each function. Much of the oversight, evaluation, monitoring, control, and supervisory activities are face-to-face. Each of the district offices operates like the Branch of Financial Management, Insurance and Assessment.

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

Statutes provide the formal standards where applicable, such as privacy statutes, cash handling procedures manual, and conflict of interest regulations. All codes, statutes, and regulations governing the conduct of federal employees apply to all DFELHWC employees.

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. Five employees review each new case before making the payment to ensure accuracy.

Known Risks and Uncertainties

The Fund is one of the largest payers of indemnity payments under LHWCA. Although there are approximately 547 authorized insurance carriers and self-insured employers, benefit payments are concentrated among relatively few. For example, the top ten carriers and self-insurers alone pay 75 percent of the total industry payments for indemnity, excluding Fund payments. If a major carrier or self-insurer fails, the remainder would face substantially increased assessments.

There is no provision for reserving extra funds for future Fund obligations as the Fund is not liable for payments authorized by the LHWCA that exceed the money or property deposited in or belonging to the Fund. Thus, the Fund's cash requirements are reviewed twice a year through the assessment process in order to meet current expenses. 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 pay claims liabilities as they come due.

**LONGSHORE AND HARBOR WORKERS'
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Management's Discussion and Analysis

Years ended September 30, 2021 and 2020

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 the LHWCA (Title 33, United States Code, and Section 944(j)).
- 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 (OMB), 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.



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Mr. Christopher Godfrey, Director
Office of Workers' Compensation Programs, U.S. Department of Labor:

Report on the Financial Statements

We have audited the accompanying financial statements of the Longshore and Harbor Workers' Compensation Act Special Fund (Fund), a fiduciary fund of the U.S. Department of Labor (DOL), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

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on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor's Longshore and Harbor Workers' Compensation Act Special Fund as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis sections 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 audits 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.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.



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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
February 22, 2023

**LONGSHORE AND HARBOR WORKERS'
COMPENSATION ACT SPECIAL FUND**

Balance Sheets

As of September 30, 2021 and 2020

(in dollars)

Assets	2021	2020
Intragovernmental assets:		
Fund Balance with Treasury (Note 2)	\$ 6,804,893	\$ 17,223,430
Investments in Treasury Securities, Net (Note 3)	<u>45,000,000</u>	<u>45,000,000</u>
Total intragovernmental assets	51,804,893	62,223,430
Accounts receivable, net (Note 4)	<u>9,486,100</u>	<u>2,464,158</u>
Total assets	<u><u>\$ 61,290,993</u></u>	<u><u>\$ 64,687,588</u></u>
Liabilities and Net Position		
Liabilities:		
Benefits due and payable	\$ 306,892	\$ -
Other Liabilities:		
Deferred revenue	22,550,426	23,558,312
Other liabilities (Note 5)	<u>1,794,212</u>	<u>2,658,845</u>
Total liabilities	\$ 24,651,530	\$ 26,217,157
Net position:		
Total Cumulative results of operations	<u>\$ 36,639,463</u>	<u>\$ 38,470,431</u>
Total liabilities and net position	<u><u>\$ 61,290,993</u></u>	<u><u>\$ 64,687,588</u></u>

The accompanying notes are an integral part of these statements.

**LONGSHORE AND HARBOR WORKERS'
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Statements of Net Cost
For the Years ended September 30, 2021 and 2020
(in dollars)

	<u>2021</u>	<u>2020</u>
Goal 3		
Gross Program Costs	<u>\$ 94,196,062</u>	<u>\$ 97,778,770</u>
Net Cost of Operations	<u>\$ 94,196,062</u>	<u>\$ 97,778,770</u>

Strategic Goal 3: Administer Strong Workers' Compensation and Benefits programs

The accompanying notes are an integral part of these statements.

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Statements of Changes in Net Position
For the Years ended September 30, 2021 and 2020
(in dollars)

	2021	2020
Cumulative Results of Operations		
Beginning Balances	\$ 38,470,431	\$ 37,957,579
Budgetary Financing Sources:		
Non-exchange revenues (Note 1i):		
Interest	21,804	365,032
Payments under Sec. 44(c)(i)	40,563	10,000
Fines and penalties (Sec. 30(e) & 14(g))	7,380	7,218
Audit recoveries	542,097	740,308
Assessments	90,887,469	96,131,557
Benefit payments from defaulted carrier bals.	865,781	1,037,507
Total non-exchange revenues	92,365,094	98,291,622
Total budgetary financing sources	\$ 92,365,094	\$ 98,291,622
Net Cost of Operations	(94,196,062)	(97,778,770)
Net change	(1,830,968)	512,852
Cumulative Results of Operations, ending	36,639,463	38,470,431
Net position, end of year	\$ 36,639,463	\$ 38,470,431

The accompanying notes are an integral part of these statements.

**Longshore and Harbor Workers' Compensation Act Special Fund
Financial Statements and Independent Auditors' Report**

**LONGSHORE AND HARBOR WORKERS'
COMPENSATION ACT SPECIAL FUND**
Statements of Budgetary Resources
For the Years ended September 30, 2021 and 2020
(in dollars)

	2021	2020
Budgetary Resources:		
Unobligated balance from prior year budget authority (mandatory)	\$ 62,223,430	\$ 56,806,782
Appropriations (mandatory)	83,216,857	103,193,640
Total budgetary resources	\$ 145,440,287	\$ 160,000,422
 Status of Budgetary Resources (Notes 7 & 8):		
New obligations & upward adjustments (total)	\$ 93,942,286	\$ 97,776,992
Unobligated balances, end of year		
Exempt from apportionment, unexpired accounts	51,498,001	62,223,430
Unobligated balance, end of year (total)	51,498,001	62,223,430
Total budgetary resources	\$ 145,440,287	\$ 160,000,422
 Outlays, Net:		
Agency outlays, net (mandatory)	\$ 93,635,394	\$ 100,773,643

The accompanying notes are an integral part of these statements.

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(1) Summary Of Significant Accounting Policies

The principal accounting policies which have been followed in preparing the accompanying financial statements for the Longshore and Harbor Workers' Compensation Act (LHWCA) Special Fund (Fund) are set forth below.

(a) Reporting Entity

The Fund was established by Title 33, United States Code, Section 944(j), when the LHWCA was enacted in 1927. The Fund is currently administered by DOL, OWCP, and DFELHWC. DFELHWC has direct responsibility for the administration of the Fund. The Fund offers compensation, and in certain cases, medical care payments to employees disabled from injuries which occurred on the navigable waters of the United States, or in adjoining areas used for loading, unloading, repairing, or building a vessel.

Prior to 1972, weekly and aggregate lifetime amounts of indemnity payments were capped at statutorily set limits. In 1972, the benefit scheme was radically altered by eliminating the aggregate limit and tying weekly indemnity payment amounts to the national average weekly wage which is recalculated each year. In order to equalize benefits payable for pre-1972 cases, LHWCA Section 10(h) established a one-time increase, as well as annual benefit increases for pre-1972 cases entitled to compensation for permanent total disability or death. Fifty percent of this annual benefit increase for pre-1972 compensation cases is paid by the Fund through annual assessment. The remaining fifty percent is paid by the separate Federal Employees' Compensation Act's Special Benefit Fund through federal appropriations.

(b) Basis of Accounting and Presentation

These financial statements are not intended to present, and do not present, the full cost of the LHWCA 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 Program and allocated costs of OWCP and other DOL agencies incurred in support of the Program. These financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of the Fund, 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. The full cost of the Program is included in the DOL consolidated financial

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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

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. Accordingly, the fiduciary assets and liabilities are not recognized on the consolidated balance sheet. The Fund is described in accordance with SFFAS 31 under Reporting Entity and in Note 22, Fiduciary Activity of DOL's consolidated financial statements and related notes.

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 by management pursuant to OMB directives, used to monitor the Fund's use of budgetary resources.

(c) *Fund Balance with Treasury*

The Fund's cash receipts and disbursements are processed by the U.S. Department of the Treasury (Treasury). Funds with the Treasury represent obligated and unobligated balances available to pay current liabilities and finance authorized purchase commitments.

(d) *Investments in Treasury Securities, Net*

Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts, if any, 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 one-day investments to maturity. No provision is made for unrealized gains or losses on these securities because 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 insurance carriers or self-insured employers.

(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 of assessments receivable and the

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Fund's benefit overpayments made to individuals primarily from amended compensation orders and corrections of payment computations.

(f) Benefits Due and Payable

The Fund provides compensation and medical benefits for work-related injuries to workers in certain maritime employment. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period. Ultimate responsibility for payment of such claims rests with the employer organizations.

(g) Other Liabilities

Other liabilities primarily consist of a carrier deposit due to the District of Columbia Workmen's Compensation Act Special Fund (DCCA Fund) and 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. In accordance with 20 CFR 703, once the Fund, within its discretion, determines amounts seized from a carrier are no longer needed, it must return the funds to the insolvent carrier's estate. As a result, the Fund reports these amounts as a liability until the related benefits are paid. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees.

Also included in other liabilities are assessment overpayments by carriers, which are to be refunded at the carriers' request or applied to reduce future assessments.

(h) Deferred Revenue

Deferred revenue represents the unearned assessment revenue as of September 30. The annual assessments cover a calendar year, and accordingly, the portion extending beyond September 30 has been deferred.

(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

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Years ended September 30, 2021 and 2020

as non-exchange revenue when due. In the case of amounts received by the Fund from defaulted carriers which are being held as security by authority of Section 32 of LHWCA, revenue is recognized at the time benefits are paid. In FY 2018, OWCP began presenting revenue related to defaulted carriers as a separate line item on the Statement of Changes in Net Position instead of including it with the assessment revenue. The Fund also 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.

(j) Other Conforming Changes

In accordance with the requirements of OMB Circular A-136, in FY 2021 Longshore made other conforming changes to the financial statements and notes as described below:

The Balance Sheet has been updated to be consistent with Note 22 of DOL's FY 2021 Agency Financial Report (AFR).

The Note 2 name and the line label have been updated to Fund Balance with Treasury to conform with Note 22 of DOL's FY 2021 AFR.

The Note 8 name has been changed to Reconciliation of Net Cost to Net Outlays.

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(2) Fund Balance with Treasury

Fund Balance with Treasury at September 30, 2021 consisted of the following:

(In Dollars)	Obligated Balance Not Yet Disbursed	Entity Assets		Total Entity Assets	Non-entity Assets	Total
		Unobligated Balance Available	Unobligated Balance Unavailable			
Fund Balance with Treasury	\$ 6,804,893	\$ -	\$ -	\$ 6,804,893	\$ -	\$ 6,804,893

Fund Balance with Treasury at September 30, 2020 consisted of the following:

(In Dollars)	Obligated Balance Not Yet Disbursed	Entity Assets		Total Entity Assets	Non-entity Assets	Total
		Unobligated Balance Available	Unobligated Balance Unavailable			
Fund Balance with Treasury	\$ 17,223,430	\$ -	\$ -	\$ 17,223,430	\$ -	\$ 17,223,430

Fund Balance with Treasury on September 30, 2021 and 2020 consisted of cash deposits of \$6,804,893 and \$17,223,430, respectively. These cash deposits on September 30, 2021 and 2020 included \$364 and \$397, respectively, which are 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 self-insured employers.

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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(3) Investments in Treasury Securities, Net

Investments in Treasury Securities, net at September 30, 2021 and 2020 consisted of the following:

		2021			
(In Dollars)	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>	
Intragovernmental securities:					
Non-marketable:					
Par value	<u>\$ 45,000,000</u>	<u>\$ -</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	
		2020			
(In Dollars)	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>	
Intragovernmental securities:					
Non-marketable:					
Par value	<u>\$ 45,000,000</u>	<u>\$ -</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	

A portion of the investments are assets being held as security by authority of Section 32 of the LHWCA for compensation and medical benefits to covered employees of defaulted carriers; these investments were \$1,790,300 and \$2,564,900 September 30, 2021 and 2020, respectively. Investments on September 30, 2021 and 2020 consist of overnight securities. Investments on September 30, 2021 and 2020 bear an interest rate of 0.07 and 0.09 percent, respectively. Interest rates on securities bought and sold during FYs 2021 and 2020 ranged from 0 and 0.10 percent and between 0 and 1.91 percent, respectively.

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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(4) Accounts Receivable, Net

Accounts receivable, net at September 30, 2021 and 2020 consisted of the following:

<u>(In Dollars)</u>	2021		
	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity assets:			
Benefit overpayments	\$ 582,611	\$(132,153)	\$ 450,458
Assessments receivable	<u>9,346,705</u>	<u>(311,063)</u>	<u>9,035,642</u>
	<u>\$ 9,929,316</u>	<u>\$(443,216)</u>	<u>\$ 9,486,100</u>
<u>(In Dollars)</u>	2020		
	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity assets:			
Benefit overpayments	\$ 630,068	\$(222,272)	\$ 407,796
Assessments receivable	<u>2,070,989</u>	<u>(14,627)</u>	<u>2,056,362</u>
	<u>\$ 2,701,057</u>	<u>\$(236,899)</u>	<u>\$ 2,464,158</u>

Assessments receivables 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 being primarily recovered by partial withholding of benefit payments, to the extent possible.

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Notes to the Financial Statements

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(5) Other Liabilities

Other liabilities at September 30, 2021 and 2020 consisted of the following:

<u>(In Dollars)</u>	<u>2021</u>	<u>2020</u>
Other liabilities:		
Assessment overpayments by carriers	<u>\$ 3,548</u>	<u>\$ 3,548</u>
Defaulted carrier liability:		
Held in LS Fund investments	1,790,300	2,654,900
Held in cash	<u>364</u>	<u>397</u>
	<u>1,790,664</u>	<u>2,655,297</u>
Total other liabilities	<u>\$1,794,212</u>	<u>\$2,658,845</u>

Defaulted employer liability relates to cash and investments held by the 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. The current portions of the defaulted carrier liability for FY 2021 and FY 2020 are \$1,172,886 and \$1,225,734, respectively.

(6) Transfers to OWCP

The Fund reimburses OWCP (a related entity within DOL) for rehabilitation services provided to eligible claimants and certain direct expenses associated with administrative support of the Fund. Approved transfers to OWCP were \$2,177,000 in both FY 2021 and FY 2020. Transfers are made from the Fund in accordance with Sections 39(c), 44(d), and 44(j) of LHWCA.

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(7) Status of Budgetary Resources

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

A reconciliation of budgetary resources, new obligations and upward adjustments, and outlays as presented in the Statement of Budgetary Resources to the amounts included in the Budget of the United States Government for the year ended September 30, 2020 is shown below:

<u>(Dollars in Millions)</u>	2020		
	Budgetary Resources	New Obligations and Upward Adjustments	Outlays Net (Total)
Statement of Budgetary Resources - Longshore	\$ 159	\$ 98	\$ 101
Add: DCCA Stmt. of Budgetary Resources	10	6	6
Less: Rounding Difference	1	-	
Total Statement of Budgetary Resources	170	104	107
Budget of the United States Government	\$ 170	\$ 104	\$ 107

(8) Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

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Notes to the Financial Statements

Years ended September 30, 2021 and 2020

(8) Reconciliation of Net Cost to Net Outlays – continued

The reconciliation for the year ended September 30, 2021, is shown below. All amounts shown are With the Public

(Dollars in thousands)	Total
NET COST OF OPERATIONS	\$ 94,196
Increase/(Decrease) in Assets not affecting Budgetary Outlays:	
Accounts receivable, net	(254)
Increase/(Decrease) in Liabilities not affecting Budgetary Outlays:	
Benefits due and payable	(307)
Total Components of net operating cost not part of the budgetary outlays	<u>(561)</u>
Total Net Outlays	<u>\$ 93,635</u>
Budgetary Agency Outlays, net (SBR)	
Budgetary Agency Outlays, net	<u>\$ 93,635</u>

**LONGSHORE AND HARBOR WORKERS'
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Years ended September 30, 2021 and 2020

(8) Reconciliation of Net Cost to Net Outlays - continued

The reconciliation for the year ended September 30, 2020 is shown below. All amounts shown are With the Public.

(Dollars in thousands)	<u>Total</u>
NET COST OF OPERATIONS	\$ 97,778
Increase/(Decrease) in Assets not affecting Budget Outlays:	
Accounts receivable, net	(2)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:	
Benefits due and Payable	<u>2,997</u>
Total Components of Net Operating Cost Not Part of the Budget Outlays	<u>2,995</u>
Net Outlays	<u>\$ 100,773</u>
Related Amounts on the Statement of Budgetary Resources	
Outlays, net	<u>100,773</u>
Agency Outlays, Net	<u>\$ 100,773</u>

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Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210