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 INDEPENDENT AUDITORS' REPORT

## SEPTEMBER 30, 2022, AND 2021

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

Carolyn R. Hantz

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


DATE ISSUED: OCTOBER 30, 2023
REPORT NUMBER: 22-24-002-04-432

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## Mission and Organizational Structure

The District of Columbia Workmen’s Compensation Act of 1928 (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. The DCCA Special Fund (the Fund) also extends benefits to dependents if any injury resulted in the employee’s death. Generally, benefits are paid directly from private funds by an authorized self-insured employer or through an authorized insurance carrier (hereinafter collectively referred to as carriers). Cases meeting the requirements of the Longshore and Harbor Workers’ Compensation Act (LHWCA) and extended to DCCA are paid from the Fund, which is financed primarily through carrier contributions (assessments). In Fiscal Years (FY) 2022 and 2021, respectively, 266 and 328 injured workers and dependents received compensation benefits from the Fund.

The reporting entity is the Fund. Organizationally, the Fund is administered by the Department of Labor (DOL), Office of Workers’ Compensation Programs (OWCP), Division of Federal Employees’, Longshore and Harbor Workers’ Compensation (DFELHWC). DFELHWC has direct responsibility for administration of the Fund.

Effective July 26, 1982, the District of Columbia Workmen’s Compensation Act of 1928 became responsible for the administration and operation of a separate special fund to cover post July 26,1982 injury cases.

Additionally, DCCA incorporates Section 10(h) of LHWCA, which provides annual wage increase compensation (cost of living adjustments) for pre-1972 compensation cases entitled due to total permanent disability or death. Fifty percent of this annual wage increase compensation is paid by the Fund through the annual assessments, and fifty percent is paid by the separate Federal Employees’ Compensation Act Special Benefit Fund.

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 are not part of the Fund. The financial accounting functions and reporting duties are performed by the Division of Central Accounting Operations (DCAO) and the Division of Financial Reporting (DFR), respectively.

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

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## Financial Highlights

The majority of the Fund’s revenue is generated through annual recurring assessments paid by self-insured employers and insurance carriers. Assessment revenue totaled $4,733,150 in FY 2022 and $5,436,487 in FY 2021. Appropriations and revenue were lower in FY 2022 than in FY 2021. The decrease in revenue was caused by a decrease in the number of assessments billed from FY 2021 to FY 2022.

The Fund’s FY 2022 costs of $5,080,795 were lower compared to the FY 2021 costs of $5,829,079. The decrease in net cost reflects the reduction of benefit payments over time due to no new claimants being admitted to the DCCA Program (Program) and natural attrition of the current population. 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. Budgetary obligations totaled $5,074,991 in FY 2022 and $5,812,141 in FY 2021. The decrease in budgetary obligations reflects the reduction of benefit payments over time due to no new claimants being admitted to the Program and natural attrition of the current population totaled.

## Performance Goals and Results

DFELHWC’s administration of the fund supports DOL’s Strategic Goal 3, *Improve Administration of and Strengthen Worker Safety Net Programs.* This goal broadly promotes the economic security of workers and families. In particular, DFELHWC’s administration of the Fund supports OWCP Performance Goal 3.1, *Increase the efficiency and accuracy with which OWCP provides workers’ compensation benefits for certain qualified workers who are injured or become ill on the job and improve return-to-work outcomes for injured workers*. DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate way. DFELHWC assists in meeting this performance goal by ensuring sufficient funds are assessed to fund the benefit payments, and payments to the beneficiaries are made promptly. In FY 2022, the assessments were sufficient to cover the costs due to no new claimants being admitted to the Program. Performance goals targeting the timeliness of initial claims processing and benefit delivery outcomes were achieved.

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

Management's Discussion and Analysis

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## Internal Controls

DFELHWC's Branch of Financial Management, Insurance and Assessment is composed of four employees and one supervisor. It guards against unethical behavior by segregated duties and assigning roles to each function. Much of the oversight, evaluation, monitoring, control and supervisory activity is primarily conducted via Microsoft Teams.

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

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

## 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 Fund only assesses based on payments for cases that arose prior to July 26, 1982. The annual fund assessment is assessed against a shrinking base of industry payments. Although there are approximately 95 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 93 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 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.

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

Management's Discussion and Analysis

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## 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 Longshore and Harbor Workers' Compensation Act (Title 33, United States Code (33 U.S.C), 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.

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# Independent Auditors' Report

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

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the District of Columbia Workmen's 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, 2022 and 2021, and the related statements of net costs, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2022 and 2021, 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.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2022, 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*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibit I, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in Exhibit I to be a material weakness.

**Report on 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, 2022 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*.

### Fund’s Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the findings identified in our audit and described in Exhibit I. The Fund’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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.
October 30, 2023

**Exhibit I**

## 1. Improvements Needed in Management's Review of the District of Columbia Workmen's Compensation Act Special Fund Financial Statements

The Office of Chief Financial Officer's (OCFO) control for preparing and reviewing the District of Columbia Workmen's Compensation Act Special Fund financial statements was not properly designed and implemented. As a result, the preparer did not utilize the correct version of the trial balance to create the initial draft of the financial statements, and incorrectly prepared the closing journal entries for prior year on-top adjustments.

In addition, management's review of the financial statements did not consider the elevated risks associated with determining the impact of prior year on-top adjustments to ensure that the correct adjustments were included in the current year financial statements.

Ineffective review controls can result in misstatements in the financial statements going undetected. Specifically, as a result of the above conditions, we identified overstatements in the following financial statement captions:

- Fund Balance with Treasury of $10,119;
- Gross Program Costs of $147,755;
- Assessments of $157,873;
- Unobligated Balance, brought forward, Oct 1 of $151,381;
- Appropriations Received of $309,254;
- Obligations Incurred of $147,755;
- Unobligated balances, exempt from apportionment of $10,118; and
- Outlays, Net of $147,755.

The following criteria are relevant to the condition noted above:

> The United States Government Accountability Office's Standards for Internal Control in the Federal Government, GAO-14-704G (the Standards), Section 10.08, states:
>
> Management designs control activities for appropriate coverage of objectives and risks in the operations. Operational process transform inputs into outputs to achieve the organization's objectives. Management designs entity-level control activities, transaction control activities, or both depending on the level of precision needed so that the entity meets its objectives and addresses related risks.

To address the deficiencies noted above, we recommend that Deputy Chief Financial Officer consider an additional reviewer and/or additional review procedures for non-routine adjustments and accurate presentation of the financial statements.

***Management's Response***

OCFO has a robust internal control process for the preparation and review of annual financial statements for the Department of Labor. Given the various types of financial statements and special reports prepared by the OCFO, both Preparation and Reviewer checklists are utilized for our Financial Reports process. Our checklist steps include but are not limited to verification of the trial balances used for financial statement preparation, verification of relationship tests and closing logic rules for all United States Standard General Ledger (USSGL) accounts, and reviews of footnote disclosures. In this case, the controls were not properly followed during the preparation and reviewer processes for the DCCA financial statements.

Although management's review of the FY 2022 DCCA financial statements did not identify the discrepancies timely in this instance, OCFO initiated immediate corrective measures to rectify the situation and prevent it from occurring in the future. While our internal controls are designed to prevent such errors, in this instance, the controls were not fully followed as designed. OCFO has since taken substantial steps to further enhance our review process for financial data used in reporting. This includes implementing additional layers of verification and validation by additional staff and management within OCFO to ensure the accuracy of data before it is incorporated into the financial statements and accompanying footnote disclosures. OCFO is planning to leverage system-generated financial statements from Oracle to verify and validate the presentation of the DCCA Special Fund Financial Statements, including footnote disclosures.

***Auditors' Response***

We will conduct follow-up procedures during the performance of the FY 2023 audit to determine whether corrective actions have been developed and implemented.

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

Balance Sheets

As of September 30, 2022 and 2021

(in dollars)

| **Assets** | **2022** | **2021** |
|---|---|---|
| Intragovernmental assets: | | |
| Fund Balance with Treasury (Note 2) | $ 1,289,012 | $ 1,999,594 |
| Investments, Net (Note 3) | 2,000,000 | 900,000 |
| Total Intragovernmental assets | 3,289,012 | 2,899,594 |
| Accounts Receivable, net (Note 4) | 26,884 | 1,022,408 |
| Total assets | $ 3,315,896 | $ 3,922,002 |
| **Liabilities and Net Position** | | |
| Liabilities: | | |
| Benefits due and payable | $ 34,364 | $ 61,479 |
| Other Liabilities | | |
| Deferred revenue | 1,159,625 | 1,349,913 |
| Other Liabilities (Note 5) | - | 62,231 |
| Total liabilities | $ 1,193,989 | $ 1,473,623 |
| Net position: | | |
| Total Cumulative results of operations | $ 2,121,907 | $ 2,448,379 |
| Total liabilities and net position | $ 3,315,896 | $ 3,922,002 |

The accompanying notes are an integral part of these statements

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

Statements of Net Cost
Years ended September 30, 2022 and 2021
(in dollars)

| | 2022 | 2021 |
|---|---|---|
| Goal 3 | | |
| Gross Program Costs | $ 5,080,795 | $ 5,829,079 |
| Net Cost of Operations (Note 7) | $ 5,080,795 | $ 5,829,079 |

Strategic Goal 3: Improve Administration of and Strengthen Worker Safety Net Programs

The accompanying notes are an integral part of these statements.

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

Statements of Changes in Net Position
Years ended September 30, 2022 and 2021
(in dollars)

| | 2022 | 2021 |
|---|---|---|
| Cumulative Results of Operations | | |
| Beginning Balance | $ 2,448,379 | $ 2,839,450 |
| Budgetary financing sources: | | |
| Non-exchange revenues (Note1i): | | |
| Investment interest | 21,173 | 1,521 |
| Assessments | 4,733,150 | 5,436,487 |
| Total non-exchange revenues | 4,754,323 | 5,438,008 |
| Total bugetary financing sources | $ 4,754,323 | $ 5,438,008 |
| Net cost of operations | (5,080,795) | (5,829,079) |
| Net change | (326,472) | (391,071) |
| Cumulative Results of Operations, ending | 2,121,907 | 2,448,379 |
| Net Position, end of year | $ 2,121,907 | $ 2,448,379 |

The accompanying notes are an integral part of these statements.

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

Statements of Budgetary Resources
Years ended September 30, 2022 and 2021
(in dollars)

| | 2022 | 2021 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance from prior year budget authority (mandatory) | $ 2,838,115 | $ 3,880,813 |
| Appropriations (mandatory) | 5,491,525 | 4,769,443 |
| **Total budgetary resources** | $ 8,329,640 | $ 8,650,256 |
| **Status of Budgetary Resources (Note 6 and 7):** | | |
| New obligations and upward adjustments total | $ 5,074,991 | $ 5,812,141 |
| Unobligated balances, end of year: | | |
| Exempt from apportionment, unexpired accounts | 3,254,649 | 2,838,115 |
| Unobligated balance, end of year (total) | 3,254,649 | 2,838,115 |
| **Total budgetary resources** | $ 8,329,640 | $ 8,650,256 |
| **Outlays, Net:** | | |
| Agency outlays, net (mandatory) | $ 5,102,106 | $ 5,750,662 |

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, 2022 and 2021

## Note 1 – Summary of Significant Accounting Policies

The principal accounting policies which have been followed in preparing the accompanying financial statements for the District of Columbia Workmen's Compensation Act (DCCA) Special Fund (Fund) are set forth below.

### *(a) Reporting Entity*

The Fund was established by Section 44 (33 U.S.C. 944) when the DCCA was enacted in 1928. It was originally funded by Congressional Appropriation and is administered by DOL, OWCP, and DFELHWC. DFELHWC has direct responsibility for administration of the Fund. The Fund offers compensation, and in certain cases, medical care payments to employees who are employed in the District of Columbia for work related injuries or death incurred on or before July 26, 1982. Effective July 26, 1982, the DCCA was amended whereby the Mayor of the District of Columbia became responsible for the administration and operation of a separate special fund to cover post July 26, 1982, cases. These financial statements do not include the special fund administered by the Mayor of the District of Columbia for cases occurring after July 26, 1982.

Additionally, LHWCA (Section 10(h)) provides annual wage increase compensation (cost of living adjustments) for pre-1972 compensation cases entitled due to total permanent disability or death. Fifty percent of this annual wage increase 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 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 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. The full cost of the Program is

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Years ended September 30, 2022 and 2021

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. Accordingly, the fiduciary assets and liabilities are not recognized on the consolidated balance sheet. The Fund is described in accordance with Statements of Federal Financial Accounting Standards 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 for the Fund 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, 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 (hereinafter collectively referred to as carriers).

***(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

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Years ended September 30, 2022 and 2021

balances. Accounts receivable comprise of a carrier deposit due from the LHWCA Special Fund, assessments receivable, and the Fund's benefit overpayments to individuals primarily from awarded compensation orders and corrections of payment computations.

***(f) Benefits Due and Payable***

The Fund provides compensation and medical benefits for work-related injuries to employees who are employed in 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 of assessment overpayments by insurance carriers or self-insured employers which are to be refunded at the carrier's request or applied to reduce future assessments. Also included in other liabilities are amounts received by the Fund from defaulted carriers 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 carriers. 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.

***(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.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

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. 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 that benefits are paid. 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.

***(j) Other Conforming Changes***

In accordance with the requirements of OMB Circular A-136, there were no conforming changes to the financial statements as of FY 2022.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 2 – Fund Balance with Treasury

Fund Balance with Treasury at September 30, 2022 consisted of the following:

| | | | Entity Assets | | | |
|---|---|---|---|---|---|---|
| (In Dollars) | Obligated Balance Not Yet Disbursed | Unobligated Balance Available | Unobligated Balance Unavailable | Total Entity Assets | Non-entity Assets | Total |
| Fund Balance with Treasury | $ 1,289,012 | $ - | $ - | $ 1,289,012 | $ - | $ 1,289,012 |

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

| | | | Entity Assets | | | |
|---|---|---|---|---|---|---|
| (In Dollars) | Obligated Balance Not Yet Disbursed | Unobligated Balance Available | Unobligated Balance Unavailable | Total Entity Assets | Non-entity Assets | Total |
| Fund Balance with Treasury | $ 1,999,594 | $ - | $ - | $ 1,999,594 | $ - | $ 1,999,594 |

Fund Balance with Treasury at September 30, 2022 and 2021 consisted of cash deposits of $1,299,131 and $1,999,594, respectively. These cash deposits at September 30, 2022 and 2021 included $0 and $31, 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 defaulted companies.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 3 – Investments Net

Investments, Net at September 30, 2022 and 2021 consisted of the following:

| | 2022 | | | |
|---|---|---|---|---|
| (in Dollars) | Face Value | Premium (Discount) | Net Value | Market Value |
| Intragovernmental securities: | | | | |
| Non-marketable: | | | | |
| Par value | $ 2,000,000 | $ - | $ 2,000,000 | $ 2,000,000 |

| | 2021 | | | |
|---|---|---|---|---|
| (in Dollars) | Face Value | Premium (Discount) | Net Value | Market Value |
| Intragovernmental securities: | | | | |
| Non-marketable: | | | | |
| Par value | $ 900,000 | $ - | $ 900,000 | $ 900,000 |

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 $0 and $62,200 at September 30, 2022 and 2021, respectively. Investments at September 30, 2022 and 2021 consist of overnight securities. Investments at September 30, 2022 and 2021 bear an interest rate of 2.54 and 0.07 percent, respectively. Interest rates on securities bought and sold during FYs 2022 and 2021 ranged from 0.01 and 2.72 percent and between 0 and 0.10 percent, respectively.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 4 – Accounts Receivable, Net

Accounts receivable, net at September 30, 2022 and 2021 consisted of the following:

| (In Dollars) | 2022 Gross Receivables | 2022 Allowance | 2022 Net Receivables |
|---|---|---|---|
| Entity assets: | | | |
| Benefit overpayments | $ 238,396 | $ (211,511) | $ 26,884 |
| Assessments receivable | - | | - |
| | $ 238,396 | $ (211,511) | $ 26,884 |

| (In Dollars) | 2021 Gross Receivables | 2021 Allowance | 2021 Net Receivables |
|---|---|---|---|
| Entity assets: | | | |
| Benefit overpayments | $ 247,749 | $ (215,061) | $ 32,688 |
| Assessments receivable | 989,720 | | 989,720 |
| | $ 1,237,469 | $ (215,061) | $ 1,022,408 |

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 withholding of benefit payments, to the extent possible.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 5 – Other Liabilities

Other liabilities a September 30, 2022 and 2021 consisted of the following:

| (In Dollars) | 2022 | 2021 |
|---|---|---|
| Other liabilities: | | |
| Defaulted carrier liability: | | |
| Held in DCCA Investments | $ - | $ 62,200 |
| Held in cash | - | 31 |
| Total other liabilities | $ - | $ 62,231 |

Defaulted employer liability relates to the funds 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. There are no current portions of the defaulted carrier liability for FY 2022 and FY 2021.

# DISTRICT OF COLUMBIA WORKMEN'S COMPENSATION ACT SPECIAL FUND

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 6 – 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 (SBR) to amounts included in the Budget of the United States Government for the year ended September 30, 2021 is shown below:

| | 2021 | | |
|---|---|---|---|
| (Dollars in Millions) | Budgetary Resources | New Obligations & Upward Adjustments and outlays, net | Outlays, Net |
| Statement of Budgetary Resources - DCCA | $ 9 | $ 6 | $ 6 |
| Add: LHWCA Stmt. of Budgetary Resources | 145 | 94 | 94 |
| Less: Rounding Difference | 1 | 1 | 1 |
| Total Statement of Budgetary Resources | $ 155 | $ 101 | $ 101 |
| Budget of the United States Government | $ 155 | $ 101 | $ 101 |

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 7 – Reconciliation of Net Costs 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 the 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.

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 7 – Reconciliation of Net Costs to Net Outlays – Continued

**The reconciliation for the year ended September 30, 2022, is shown below. All amounts shown are With the Public**

| **(Dollars in thousands)** | **Total** |
|---|---|
| **NET COST OF OPERATIONS** | $ 5,081 |
| **Increase/(Decrease) in Assets not affecting Budgetary Outlays:** | |
| Accounts receivable, net | (6) |
| **Increase/(Decrease) in Liabilities not affecting Budgetary Outlays:** | |
| Benefits due and payable | 27 |
| **Total Components of net operating cost not part of the budgetary outlays** | 21 |
| **Total Net Outlays** | $ 5,102 |
| **Budgetary Agency Outlays, net (SBR)** | |
| Budgetary Agency Outlays, net | $ 5,102 |

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

Notes to the Financial Statements

Years ended September 30, 2022 and 2021

## Note 7 – Reconciliation of Net Costs 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** | $ 5,829 |
| **Increase/Decrease in Assets not affecting Budgetary Outlays:** | |
| Accounts receivable, net | (17) |
| **Increase/Decrease in Liabilities not affecting Budgetary Outlays:** | |
| Benefits due and payable | (61) |
| **Total Components of net operating cost not part of the budgetary outlays** | (78) |
| **Total Net Outlays (calculated)** | $ 5,751 |
| **Budgetary Agency Outlays, net** | $ 5,751 |

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