U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICES OF THE CHIEF FINANCIAL OFFICER AND THE CHIEF INFORMATION OFFICER

MANAGEMENT ADVISORY COMMENTS IDENTIFIED IN AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2025

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.

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

DATE ISSUED: September 14, 2026
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Executive Summary

KPMG LLP (KPMG), under contract to the U.S. Department of Labor's (DOL) Office of Inspector General, audited DOL's consolidated financial statements and its sustainability financial statements as of and for the year ended September 30, 2025, and issued its Independent Auditors' Report on September 11, 2026. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. The objective of the audit engagement was to express opinions on the fair presentation of DOL's consolidated financial statements and its sustainability financial statements.

This report is presented for DOL's consideration of certain matters KPMG noted, as of September 11, 2026, involving deficiencies in internal control identified during the audit. KPMG prepared this report to assist DOL in developing corrective actions for the management advisory comments identified in the Fiscal Year (FY) 2025 audit.

These management advisory comments, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies as summarized in Exhibit I. Included in this report are two comments newly identified in FY 2025 and two prior year comments that continued to exist in FY 2025. Also included in this report are five prior year comments KPMG determined were corrected and closed during FY 2025. See Table 1 for a summary of comments by audit area.

Table 1: Summary of Comments by Audit Area

Audit Areas	New Comments Identified in FY 2025	Prior Year Comments Still Present in FY 2025	Prior Year Comments Closed in FY 2025
Financial Reporting	--	--	--
Unemployment Trust Fund	--	--	--
Federal Employees' Compensation Act	1	1	1
Energy Employees Occupational Illness Compensation	--	--	--
Black Lung	1	--	--
Entity-Wide	--	--	--
Grants and Procurement	--	--	2
Information Technology	--	1	2
Totals	**2**	**2**	**5**

Source: Based on comments in Exhibit I and Exhibit II

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

September 11, 2026

Mr. David Castillo, Chief Financial Officer
Ms. Mangala Kuppa, Chief Information Officer
United States Department of Labor

Mr. Castillo and Ms. Kuppa:

In planning and performing our audits of the United States Department of Labor's (DOL) consolidated financial statements and its sustainability financial statements as of and for the year ended September 30, 2025, 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 in accordance with Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we considered DOL'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 opinions on these financial statements, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control. Accordingly, we do not express an opinion on the effectiveness of DOL'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 and/or significant deficiencies and, therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated September 11, 2026, on our consideration of DOL's internal control over financial reporting in which we communicated certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

KPMG

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. During our audit, we identified certain deficiencies in internal control. These comments and recommendations are summarized in Exhibit I.

Prior year comments and recommendations that were closed in fiscal year 2025 or were reported in the independent auditors' report dated September 11, 2026, are summarized in Exhibit II.

DOL's responses to the comments and recommendations identified in our audit are presented in Exhibit I. DOL's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and sustainability financial statements, and accordingly, we express no opinion on the responses.

The purpose of this letter is solely to describe the deficiencies in internal control identified during our audits. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

KPMG LLP

Comments and Recommendations

New Financial Comments and Recommendations Identified in Fiscal Year 2025

1. Ineffective Controls over the Federal Employees' Compensation Act Periodic Entitlement Review

During our audit procedures, we noted that the Office of Workers' Compensation Programs' (OWCP) periodic entitlement review controls to determine claimants continuing eligibility were not operating effectively. The claims examiners did not properly perform the review in accordance with the Federal Employees' Compensation Act (FECA) Procedure Manual. Specifically, we noted the following for 3 of 77 claimants selected for testing:

- For 1 claimant, the claims examiner inappropriately used a prior year CA-1032 *Request for Information on Earnings, Dual Benefits, Dependents, and Third-Party Settlements* form (CA-1032) to complete the current year Periodic Entitlement Review.

- For 1 claimant, the claims examiner did not identify that the returned CA-1032 was incomplete and required additional information from the claimant.

- For 1 claimant, the claims examiner did not identify that the returned CA-1032 included changes to spouse/dependent information.

This occurred because OWCP management did not sufficiently monitor the control activities for continued effectiveness in achieving the control's objectives and addressing related risks.

Ineffective controls over the periodic entitlement review increase the risk of errors in compensation benefit payments made to claimants, including the risk of payments to ineligible claimants. This may result in a misstatement of compensation benefit expenses and the related impact on the FECA actuarial liability as of September 30, 2025.

The Government Accountability Office *Standards for Internal Control in the Federal Government* (GAO Standards), Principle 12 – *Implement Control Activities,* states:

> Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

The GAO Standards, Principle 16 – *Performing Monitoring Activities*, states:

> Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

The FECA Procedure Manual, Section 2-0901 7 a (6), states:

> If a schedule award extends for more than one year into the future, a periodic entitlement review should be conducted annually. At a minimum, this review should consist of releasing Form CA-1032 to determine the status of any dependents.

Current Year Recommendation

We recommend the Director of the Office of Workers' Compensation Programs:

1. Design and implement additional monitoring procedures to periodically review the control activities for effectiveness and develop appropriate action steps based on such results.

Management's Response

Management concurs with the finding and recommendation. To ensure consistency in the periodic entitlement review process and compliance with the FECA Procedure Manual, OWCP will implement a system control in fiscal year 2026 that prevents claims examiners from closing a periodic entitlement review with a CA-1032 form received prior to the current periodic entitlement review cycle. Supervisory reviews and periodic evaluations by the Branch of Regulations and Procedures will continue as part of our established monitoring framework to promote operational integrity, reinforce accountability, and minimize the risk of errors.

Auditors' Response

Management indicated that corrective action will be taken in FY 2026 to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2026 to determine whether corrective actions have been implemented.

2. Ineffective Controls over the Review and Approval of Changes to Black Lung Claimant Information

During our audit procedures, we noted that the controls for the OWCP claims examiner review and approval of changes to Black Lung claimant information were not operating effectively to ensure that existing claimants were still eligible and that related compensation payments were adjusted, as needed. Specifically, the claims examiner did not identify that the claimant reported the death of a dependent on the CM-929 *Report of Changes That May Affect Your Black Lung Benefits* form for 1 out of 15 dependents selected for testing. As a result, the claims examiner did not adjust the compensation payment accordingly and DOL overpaid the claimant benefits totaling $7,405 from April 2024 through September 2025.

This occurred because the OWCP management did not sufficiently monitor the control activities for continued operating effectiveness in achieving the control's objectives and related risks.

In addition to the error noted above, ineffective review controls over changes to Black Lung claimant information increases the risk of errors in compensation benefit payments made to claimants, including the risk of payments to ineligible claimants or dependents. This ultimately may result in a misstatement of compensation benefit expenses and the related impact on the Black Lung actuarial liability.

The GAO Standards, Principle 12, states:

> Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

The GAO Standards, Principle 16, states:

> Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

Current Year Recommendation

We recommend the Director of the Office of Workers' Compensation Programs:

2. Design and implement additional monitoring procedures to periodically review the control activities for effectiveness and develop appropriate action steps based on such results.

Management's Response

Management concurs with the finding and recommendation. To address potential inconsistencies in the CM-929 review process specifically as it pertains to date of death updates, the program launched the Do Not Pay Analytic initiative. In collaboration with the U.S. Department of the Treasury, we are analyzing the active status of individuals listed in the program's eligibility file to identify any matches with death records across Treasury's data sources.

The Black Lung program is committed to maintaining strong oversight and internal controls to help ensure the integrity of its operations. As part of this effort, the program applies measures designed to reinforce accountability, support program accuracy, and reduce the risk of payment errors. Claims examiners receive ongoing feedback and, when appropriate, targeted training to encourage consistent performance and support continuous improvement.

Auditors' Response

Management indicated that corrective action is ongoing to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2026 to determine whether corrective actions have been implemented.

Prior Year Financial Comments and Recommendations Still Present in Fiscal Year 2025

3. Insufficient Review of FECA Compensation Payments

During our audit procedures, we noted that the OWCP controls related to the claims examiner's review of compensation payments was not operating effectively. Specifically, the supervisory claims examiner did not properly review the claims forms and compensation calculations to ensure the compensation payments were in accordance with the FECA Procedure Manual. We noted the following for 4 out of 103 compensation payments selected for testing:

- For 1 compensation payment, the claims examiner entered an inaccurate Sunday premium weekly rate.
- For 1 compensation payment, the claims examiner miscalculated and entered an inaccurate weekly rate.
- For 2 compensation payments, the claims examiner miscalculated and entered an inaccurate payment when calculating a case correction.

This occurred because management did not sufficiently monitor the control activities for continued effectiveness in achieving the controls' objectives and addressing related risks.

This resulted in an understatement of compensation benefit expense of $200 and an overpayment of $48,451 compensation benefit expense. In addition to these errors, ineffective controls over the compensation payments increase the risk of errors in compensation benefit payments made to claimants which may result in misstatements of compensation benefit expenses and the related impact on the FECA actuarial liability as of September 30, 2025.

The GAO Standards, Principle 12, states:

> Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

The GAO Standards, Principle 16, states:

> Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity's operations,

> performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

The FECA Procedure Manual, Section 2-901-3 states:

> Payments will not be issued without being properly certified. By certifying a payment, the certifier is verifying that the adjudication and calculation of the payment (including all pay elements) are correct, that all payment data is entered correctly in the case management system, and that all pay elements entered correspond with the documentation in the file.

Prior and Current Year Recommendation

We recommend the Director of the Office of Workers' Compensation Programs:

- Design and implement monitoring procedures to periodically review control activities for effectiveness and develop action steps as appropriate based on such results.

Management's Response

Management concurs with the finding and recommendation. OWCP will implement a third-level pre-payment review for all direct compensation payments exceeding $50,000 to strengthen oversight and reduce the risk of material errors as well as a post-payment periodic sample review for amounts less than $50,000. OWCP remains committed to maintaining high standards of internal control and oversight. Supervisory reviews and periodic evaluations by the Branch of Regulations and Procedures will continue as part of our established monitoring framework to promote operational integrity, accountability, and reduce the risk of errors in compensation benefit payments. Additionally, feedback is consistently provided to claims examiners throughout the fiscal year.

Auditors' Response

Management indicated that corrective action is ongoing to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2026 to determine whether corrective actions have been implemented.

Prior Year Information Technology Comments and Recommendations Still Present in Fiscal Year 2025

4. <u>Insufficient Password Configurations</u>

During our audit procedures, we noted that DOL did not effectively implement the password configurations for an operating system in FY 2025. These password configurations were not in accordance with the policies outlined in the DOL Cybersecurity Policy Portfolio (CPP) and National Institute Standards Technology Special Publication 800-53 Revision 5.1, Release 5.1.1. Specifically, the password configurations did not meet:

- Complexity requirements of prohibiting dictionary words within passwords; and

- Complexity requirements for prohibiting passwords that are found on the list of commonly-used, expected, or compromised passwords.

These deficiencies occurred because of issues in the monitoring of Departmental procedures and controls. Control deficiencies related to password configuration increase the risk that inappropriate actions could occur within the application, database, or operating systems without immediate detection or management knowledge.

The specific nature of these deficiencies, their specific causes, and the systems impacted by them have been communicated separately to management.

The GAO Standards, Principle 11 – *Design Activities for the Information System,* states:

> Management designs control activities for security management of the entity's information system for appropriate access by internal and external sources to protect the entity's information system.

The GAO Standards, Principle 16, states:

> Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

The *DOL CPP, Volume 1: Access Control (AC), Section 2.5.1: Authenticator Management | Password Based Authentication,* states:

> The Security Officer or designee shall, in coordination with the [Information System Security Manager/Information System Owner] or designee, for password-based authentication ensures that IT and system security personnel:
>
> h. Enforce the following composition and complexity rules:
> 2. Passwords and other memorized secrets may not be dictionary words or passwords found on the list of commonly-used, expected, or compromised passwords in IA- 5(1)(a).

Prior Year Recommendations

We recommend the Chief Information Officer:

- Configure the systems to adhere to the password requirements from the U.S. Department of Labor Cybersecurity Policy Portfolio; and

- Implement monitoring controls to periodically assess security configurations in the systems to determine adherence to the U.S. Department of Labor Cybersecurity Policy Portfolio.

Current Year Recommendation

We recommend the Chief Information Officer:

3. Design and implement monitoring controls to ensure that security configurations for servers are in compliance with the DOL Cybersecurity Policy Portfolio and the National Institute Standards Technology Special Publication 800-53, Revision 5.1, Release 5.1.1.

Management's Response

Management concurs with the finding and recommendation. The servers in question were recently provisioned, and the baseline image used to build them had the password check inadvertently misconfigured and disabled. These servers were provisioned using this baseline image, and we did not correct the misconfiguration. Since then, DOL has corrected the misconfiguration on these servers as well as in our baseline image.

Auditors' Response

Management indicated that corrective action has been taken to address the matters identified in this comment. Follow-up procedures will be conducted in FY 2026 to determine whether corrective actions have been properly implemented.

Prior Year Comments and Recommendations Closed in Fiscal Year 2025

The following comments reported in the *Management Advisory Comments (MAC) Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2024*, dated December 18, 2024, were closed in FY 2025 or were reported in the independent auditors' report dated September 11, 2026.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2024 MAC	Recommendations Reported in the FY 2024 MAC
2024-01	2024	Ineffective Operation of the Monthly Quality Review of Federal Employees' Compensation Act Medical Bills	We recommend the Director of the Office of Workers' Compensation Programs: • Develop policies and procedures for the monthly quality control review, provide training to the control operators, and monitor that the reviews are performed in accordance with such policies and procedures.
2024-02	2024	Insufficient Controls over Undelivered Orders	We recommend the Deputy Chief Financial Officer: • Develop policies and procedures to ensure all non-GAAP policies are identified and reported to the Division of Financial Reporting timely.
2024-04	2024	Ineffective monitoring of Delinquent Grant Cost Reports	We recommend the Assistant Secretary for the Employment and Training Administration design and implement monitoring controls to:

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2024 MAC	Recommendations Reported in the FY 2024 MAC
			• Ensure Federal Project Officer responses are obtained and reviewed for all delinquent cost reports; and • Enforce current policies and procedures for Federal Project Officers to timely review cost reports.
2024-05	2024	Misconfigured Operating System Servers	We recommend the Chief Information Officer: • Perform an analysis of the other operating system servers within the U.S. Department of Labor environment to determine if other servers were incorrectly configured; and • Implement the proper configurations for the impacted operating system servers.
2024-07	2024	Improvements Needed in Account Management	We recommend the Assistant Secretary for Administration and Management and the Chief Information Officer: • Perform risk assessments in order to design and implement procedures for effective internal communication over access provisioning controls; and • Design and implement controls to ensure the completeness and accuracy of the users and user roles used in the semi-annual privileged access reviews and reauthorizations.

Prior Year Comment Number	Fiscal Year Comment Originated	Title of Comment Reported in FY 2024 MAC	Recommendations Reported in the FY 2024 MAC
			• Design and implement controls to monitor the deprovisioning of system users access to ensure such access is removed in accordance with DOL policies, and enforce adherence to DOL's policies over the timely removal of inactive accounts.[1]
2024-07	2019	Improvements Needed in Account Management	We recommend the Chief Information Officer: • Update OCIO privileged account recertification standard operating procedures to require OCIO to recertify all administrators that are not OCIO employees and have access to DOL General Support System servers and databases; and • Retain supporting documentation evidencing performance of the privileged user account review and recertification.

[1] Although this recommendation is presented as closed, a similar comment and recommendations were reissued in the FY 2025 Independent Auditors' Report on DOL's Consolidated Financial Statements, Report No. 22-26-002-13-001 (September 11, 2026).

Appendix A

Acronyms and Abbreviations

CPP	Cybersecurity Policy Portfolio
DOL	U.S. Department of Labor
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO Standards	Government Accountability Office's *Standards for Internal Control in the Federal Government*
KPMG	KPMG LLP
MAC	Management Advisory Comments
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OWCP	Office of Workers' Compensation Program
U.S.	United States

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