U.S. Department of Labor
Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS

SPECIAL REPORT RELATING TO THE FEDERAL EMPLOYEES' COMPENSATION ACT SPECIAL BENEFIT FUND

September 30, 2016

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

Elliot P. Lewis
Assistant Inspector General for Audit
U.S. Department of Labor

Date Issued: November 3, 2016
Report Number: 22-17-001-04-431

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U.S. Department of Labor

Office of Inspector General
Washington, DC. 20210

Inspector General's Report

November 3, 2016

To: FEDERAL AGENCIES WITH RESPONSIBILITIES FOR THE FEDERAL EMPLOYEES' COMPENSATION ACT PROGRAM

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund – FY 2016
Report No. 22-17-001-04-431

Attached is the special report on the Federal Employees' Compensation Act (FECA) Special Benefit Fund (Fund) that was prepared to assist in the audit of your agency's annual financial statements. The U.S. Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), administers the Fund, and the DOL Office of Inspector General (OIG) is responsible for auditing the Fund.

The OIG contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to prepare the report on the Fund as of, and for the year ended, September 30, 2016. This special report consists of two reports. The first report is an opinion on the Schedule of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense of the Fund as of, and for the year ended, September 30, 2016, for which KPMG issued an unmodified opinion. In connection with this audit, KPMG performed certain tests of controls and compliance with laws and regulations related to the Fund. Its testing of controls disclosed a deficiency in internal control over reporting of actuarial liability titled "Improvements Needed in the Review of the Federal Employees' Compensation Act (FECA) Actuarial Liability". This significant deficiency is not considered to be a material weakness. KPMG's testing of compliance disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards (GAGAS).

The second report is an agreed-upon procedures (AUP) report on the Schedules of Actuarial Liability, Net Intra-Governmental Accounts Receivable, and Benefit Expense of the Fund by agency as of, and for the year ended, September 30, 2016. This report includes a description of the procedures performed and the results of those procedures.

The sufficiency of the procedures referred to in the AUP is solely the responsibility of the parties specified in this report. Consequently, neither OIG nor KPMG made any representations regarding the sufficiency of the procedures. Because the AUPs performed did not constitute an audit, KPMG did not express an opinion on any elements, accounts, or items as they pertained to the AUP report. Furthermore, neither OIG nor KPMG had any obligation to perform any procedures beyond those listed in the attached report.

KPMG is responsible for the attached reports dated October 31, 2016, and the conclusions expressed therein. We reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we did not express opinions on the schedule of actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund as of, and for the year ended, September 30, 2016; or the AUP report on the schedules of actuarial liability, net intra-governmental accounts receivable and benefit expense of the Fund by agency as of, and for the year ended, September 30, 2016. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS.

If you have any questions or comments, please send your questions or comments via regular mail, facsimile, or e-mail to:

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U.S. Department of Labor
Office of Inspector General
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Attachment

Section 1

Financial Section

KPMG LLP
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Washington, DC 20006

Section 1A

Independent Auditors' Report

Mr. Leonard J. Howie III, Director
Office of Workers' Compensation Programs, U.S. Department of Labor

Report on the Schedule

We have audited the accompanying schedule of actuarial liability and net intra-governmental accounts receivable as of September 30, 2016, and benefit expense for the year then ended (hereinafter referred to as the schedule), of the U.S. Department of Labor's (DOL) Federal Employees' Compensation Act Special Benefit Fund (Fund), and the related notes to the schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 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 schedule.

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

Opinion on the Schedule

In our opinion, the schedule referred to above presents fairly, in all material respects, the actuarial liability and net intra-governmental accounts receivable of DOL's Federal Employees' Compensation Act Special Benefit Fund as of September 30, 2016, and its benefit expenses for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1.b to the schedule, which describes the basis of presentation. The schedule was prepared by management for the purpose of providing information to the Chief Financial Officers Act agencies and other specified agencies to support and prepare their respective financial statements. The schedule is not intended to be a complete presentation of the Fund's financial position, its net costs, changes in net position or budgetary resources. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the schedule as of and for the year ended September 30, 2016, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in Exhibit 1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of schedule amounts. 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 herein under *Government Auditing Standards*.

The Fund's Response to the Finding

The Fund's response to the finding identified in our audit is described in the accompanying Exhibit I. The Fund's response was not subjected to the auditing procedures applied in the audit of the schedule, and accordingly, we express no opinion on the response.

***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 result 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

October 31, 2016

Exhibit

Exhibit 1

Improvements Needed in the Review of the Federal Employees' Compensation Act (FECA) Actuarial Liability

The U.S. Department of Labor's (DOL) Office of Workers' Compensation Programs (OWCP) used an actuarial projection model, comprising two components, to estimate the federal government's total outstanding liability for FECA workers' compensation claims incurred as of September 30, 2016. One of the components estimated the liability for claims billable to other federal agencies, while the other component estimated the liability for non-billable claims, which were primarily related to War Hazards Compensation Act (WHCA) claims.

During our fiscal year (FY) 2016 audit, OWCP management informed us of the steps they took to improve the FECA actuarial model and related controls, which included conducting meetings with internal economists, contracted actuaries, and other federal agencies in order to assess the reasonableness of the models' inputs and assumptions used to calculate the FECA liability. As a result of these meetings, OWCP refined certain assumptions used to estimate the liability. OWCP also developed formal policies for periodically assessing the appropriateness and accuracy of the economic assumptions and for verifying the completeness of the underlying data. However, OWCP had not finalized the policies as of September 30, 2016. Furthermore, we noted the draft policies did not specify the level of detail or precision at which OWCP management's review of the actuarial liability calculation should be performed.

Although OWCP took steps to improve internal controls over the FECA actuarial liability in FY 2016, we identified certain exceptions during our current year audit procedures. Specifically, we noted the following:

- In the billable liability component of the model, the formula used to calculate the medical tail factor was incorrectly linked to the compensation tail data, which was inconsistent with the tail factor calculation described in the actuarial report. This resulted in an overstatement of $364.5 million in the calculation of the discounted billable liability. Management informed us that the error was not identified during management reviews because the billable liability was within an acceptable range of precision; however, no evidence was provided to support what management's level of precision was prior to us bringing it to their attention.
- Although the same discount rate was used to calculate the billable and non-billable liabilities, OWCP did not perform an assessment of the average cash flow duration of the non-billable WHCA claims to determine the impact of using the same discount rate for both model components. We noted that the average cash flow duration for WHCA claims was 8.2 years, as compared to 14.7 years for billable compensation claims.

Exhibit 1

This resulted in an understatement of $63.6 million in the calculation of the discounted non-billable liability. Management communicated to us that they used the same discount rate to simplify the model, as they believed it was reasonable and acceptable. However, no evidence was provided to support that an evaluation was performed to determine if this was a reasonable assumption prior to us bringing this to management's attention.

Both of the above errors were subsequently corrected by management.

Per discussion with management, the errors noted above were not detected because of an oversight during the review process.

The Government and Accountability Office *Standards for Internal Control in the Federal Government* (Standards), Sections 12.02 and 12.03 state:

> Management documents in policies the internal control responsibilities of the organization. Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness.

Appendix A, Section II, of Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Controls,* states:

> Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting. Reliability of financial reporting means that management can reasonably make the following assertions:
> - All reported transactions actually occurred during the reporting period and all assets and liabilities exist as of the reporting date (existence and occurrence);
> - All assets, liabilities, and transactions that should be reported have been included and no unauthorized transactions or balances are included (completeness); and,
> - All assets and liabilities have been properly valued, and where applicable, all costs have been properly allocated (valuation).

Without sufficient management review of the actuarial model at an appropriate level of precision, there is an increased risk that errors may not be detected and corrected timely, which could lead to a material misstatement of the actuarial liability. In addition, there is an increased risk that controls over the actuarial liability may not be performed or not performed properly when formal policies have not been finalized and implemented.

Exhibit 1

To address the deficiencies above, the OWCP Director should finalize and implement formal policies that require management to a) periodically assess the FECA actuarial liability assumptions to determine whether they are still appropriate based on the current circumstances and to document how the assessment should be performed; b) review the completeness of the underlying data; and c) validate the mathematical accuracy of the assumptions used to estimate the FECA actuarial liability.

In addition, the aforementioned policies should document a level of precision for the review that is at an appropriately low level to identify material errors in the FECA actuarial liability, and establish documentation requirements for evidencing management's review of the model.

Management's Response: In their audit procedures over the very complex actuarial model, KPMG identified only two instances that management agreed to correct, of which only one we consider an error, see below. We disagree with the KPMG conclusion of significant deficiency on the basis of one error, as no internal control is 100% infallible.

Further, the actuarial liability is an estimate with an inherent uncertainty, given that it is based on economic and methodology assumptions, many of which are based on judgment. We consider a 1% difference is well within a range of acceptable level of precision for actuarial estimate.

1. "…an overstatement of $364.5 million" (1% of the total liability) – the use of the factor different from the one documented in the actuarial report was not noticed by the peer reviewers because it was a reasonable actuarial assumption, and not technically incorrect. It was not identified in further management reviews because it was well within a range of reasonability for actuarial estimates. To mitigate future risk of such errors, OWCP has already developed needed improvements to ensure consistency of the model to the documentation.

2. "…an understatement of $63.6 million in the calculation of the discounted non-billable liability" – our actuaries do not consider this an error. Actuarial projections models require certain simplifications that are reasonable and acceptable. We did not refine the discount rate for the relatively small piece of WHCA claims out of simplicity, not oversight. The fact that only $63 million dollar difference resulted (0.2% of the total liability) is direct evidence of the lack of significance to the result. No action required.

In FY16, OWCP executed a policy of 100% review and enhancements of the actuarial models, methodologies, and underlying assumptions at multiple levels:

Exhibit 1

- internal, by an economist/statistician, other than preparer, for reasonability and accuracy of assumptions and inputs
- the independent actuary firm for reasonability and accuracy of assumptions and inputs
- Program's subject matter experts and external parties for reasonability of assumptions and underlying data
- OCFO staff for impact of the proposed changes in assumption/methodologies to DOL financial statements
- management review for reasonability of assumptions/methodologies and proposed changes to those

On the basis on FY16 developmental experience we plan to finalize and issue review policy in FY17, to include a level of precision for the actuarial liability calculation.

Auditors' Response: In accordance with auditing standards generally accepted in the United States of America, we considered the deficiencies noted above during our FY 2016 audit individually and in the aggregate. In our professional judgment, the aggregation of these deficiencies results in a significant deficiency. Although management stated that they do not concur with our categorization of these deficiencies as a significant deficiency, they plan to take steps to address them. We will conduct follow-up procedures in FY 2017 to determine whether corrective actions have been developed and implemented.

SECTION 1B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2016, and Benefit Expense For the Year Ended September 30, 2016
(Dollars in Thousands)

Actuarial Liability	$ 36,453,650
Net Intra-Governmental Accounts Receivable	$ 5,384,690
Benefit Expense	$ 4,340,764

See accompanying notes to the Schedule

SECTION 1C

Notes to the Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2016, and Benefit Expense For the Year Ended September 30, 2016

1. Significant Accounting Policies

a. Reporting Entity

The U.S. Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) Special Benefit Fund (Fund) was established by FECA to provide income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The Fund is reimbursed by other federal agencies for FECA benefit payments made on behalf of their workers. The DOL Office of Workers' Compensation Programs (OWCP) is charged with the responsibility of operating the Fund under the provisions of FECA.

b. Basis of Presentation

The Schedule of Actuarial Liability and Net Intra-Governmental Accounts Receivable as of September 30, 2016, and Benefit Expense for the year ended September 30, 2016, of the U.S. Department of Labor's Federal Employees' Compensation Act Special Benefit Fund (schedule) has been prepared to report the actuarial liability estimate, net intra-governmental accounts receivable, and benefit expense of the Fund. OWCP is responsible for providing this information to the Chief Financial Officers Act agencies and other specified agencies to support and prepare their respective financial statements. The schedule has been prepared from the accounting records of the Fund. The actuarial liability, net intra-governmental accounts receivable, and benefit expense of the Fund are considered specified accounts for the purpose of this schedule. The schedule is not intended to be a complete presentation of the Fund's financial position, its net cost, changes in net position or budgetary resources.

c. Basis of Accounting

The Schedule has been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

d. Actuarial Liability Estimate (Future Workers' Compensation Benefits)

The actuarial liability for future workers' compensation benefits reported on the schedule includes the projected liability for death, disability, medical and miscellaneous costs for approved cases as well as an estimate for those cases incurred but not reported. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The preparation of the actuarial liability requires management to make certain estimates and assumptions that affect the reported amount. Actual results could differ from the estimated amounts.

The actuarial liability comprises two components, one associated with claims that are billed to employing agencies and the non-billable component, which includes War Hazards Compensation Act (WHCA) claims. The billable component of the actuarial model uses a Paid Loss Development Method to estimate the billable liability in total, then by defined agency group, and finally for each individual agency. The non-billable component uses a triangle-based approach to estimate the liability that is not billed to employing agencies. Both components use inflation rate assumptions on both past and future indemnity and medical benefits to adjust past data and project forward.

As required under U.S. generally accepted accounting principles, these projected annual benefit payments have been discounted to present value. Consistent with last year's practice, OWCP derived its discount rates from averages of Treasury Nominal Coupon-Issue Yield Curves that are published by the U.S. Department of the Treasury (Treasury). OWCP used discount rates derived from the Treasury Nominal Coupon-Issue Yield Curve based on an average of the quarterly spot rates presented from July 1, 2011, through June 30, 2016. The discount rates were selected by interpolation of the yield curve averages with maturities that matched average FECA compensation and medical cash flow durations.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, a wage inflation factor (cost-of-living allowance) (COLA), and a medical inflation factor (consumer price index-medical) (CPI - Med) are applied to the calculation of projected future benefits. These factors are also used to adjust the historical payments to current-year constant dollars. The liability is determined assuming an annual payment at midyear.

The compensation and medical inflation rates used in the actuarial model represent five-year averages of published inflation rates ending with the benefit payment fiscal year. The compensation inflation rates are derived from FECA COLA rates that are updated March 1st of each year by the Division of Federal

Employees' Compensation. The medical inflation rates are derived from CPI - Med rates published by the Office of Management and Budget.

e. Net Intra-governmental Accounts Receivable

The net intra-governmental accounts receivable is the amount due from federal agencies for benefit payments paid to or on behalf of employees of the employing agency as of September 30, 2016. Intra-governmental accounts receivable are considered fully collectible.

2. <u>Actuarial Liability Estimate (Future Workers' Compensation Benefits)</u>

In FY 2016, the interest rates used to discount billable and non-billable compensation and medical benefits, except WHCA benefits, were 2.781 percent and 2.261 percent, respectively. The interest rate used to discount both compensation and medical non-billable WHCA benefits was 2.012 percent.

The compensation COLA and CPI - Med entered into the actuarial model to calculate FY 2016 liability estimates were as follows:

FY	COLA	CPI-Med
2017	1.31%	2.99%
2018	1.13%	3.09%
2019	1.23%	3.40%
2020	1.45%	3.68%
2021+	1.85%	3.87%

The actuarial liability for future workers' compensation benefits as of September 30, 2016 was attributed to other federal agencies as follows (dollars in thousands):

Agency for International Development	$22,543
Environmental Protection Agency	45,037
General Services Administration	114,700
National Aeronautics and Space Administration	38,306
National Science Foundation	1,171
Nuclear Regulatory Commission	5,608
Office of Personnel Management	23,623
U.S. Postal Service	16,228,868
Small Business Administration	32,676
Social Security Administration	327,213
Tennessee Valley Authority	366,709
U. S. Department of Agriculture	904,661
U. S. Department of the Air Force	1,247,468
U. S. Department of the Army	1,734,174
U. S. Department of Commerce	206,611
U. S. Department of Defense – other	810,252
U. S. Department of Education	14,789
U. S. Department of Energy	93,810
U. S. Department of Health and Human Services	272,268
U. S. Department of Homeland Security	2,752,677
U. S. Department of Housing and Urban Development	64,435
U. S. Department of the Interior	774,000
U. S. Department of Justice	1,725,538
U. S. Department of Labor	221,560
U. S. Department of the Navy	2,140,650
U. S. Department of State	90,019
U. S. Department of Transportation	874,184
U. S. Department of the Treasury	597,277
U. S. Department of Veterans Affairs	2,322,213
Other agencies[1]	738,870
Non-billable portion	1,661,740
Total Liability	$36,453,650

[1] This amount represents other agencies for which OWCP has not individually calculated an actuarial liability.

3. Net Intra-Governmental Accounts Receivable

Net intra-governmental accounts receivable for the year ended September 30, 2016, consisted of the following (dollars in thousands):

Billed, but not paid as of year end	$ 4,583,640
Benefit payments not yet billed	$ 825,945
Credits due from the Public	$ (24,895)
Total net intra-governmental accounts receivable	$ 5,384,690

The Fund also receives an appropriation for special cases and older cases where employing agencies are not charged for benefit payments.

Each federal agency is required by FECA to include in its annual budget estimate a request for an appropriation in the amount equal to the agency cost. Agencies not receiving an appropriation are required to pay agency costs from funds directly under their control. In addition, certain corporations and instrumentalities are assessed under FECA for a fair share of the costs of administering disability claims filed by their employees. The fair share costs are included in the calculation to determine the net intra-governmental accounts receivable.

4. Benefit Expense

Benefit expense for the year ended September 30, 2016, consisted of the following (dollars in thousands):

Benefits paid for compensation	$ 2,063,235
Benefits paid for medical benefits	$ 1,106,407
Change in accrued benefits	$ 51,272
Change in actuarial liability	$ 1,119,850
Total benefit expense	$ 4,340,764

5. Material Concentration of Risk

The U.S. Postal Service (USPS) represents 45 percent of the actuarial liability and 35 percent of the net intra-governmental accounts receivable to the Fund as of September 30, 2016. The USPS disclosed its lack of liquidity in its FY 2015 audited financial statements and its FY 2016 interim unaudited financial statements. The USPS's portion of the FECA actuarial liability and net intra-governmental accounts receivable as of September 30, 2016, together with the USPS's poor financial condition, represent a material concentration of risk for the Fund.

Public Law, Title 5, United States Code, Section, 8147 requires appropriate and non-appropriated agencies to reimburse DOL for the compensation and medical payments to beneficiaries. In October 2016, the USPS withheld a portion of the scheduled chargeback payment for the 12 months ended June 30, 2016, in the amount of $151 million. However, OWCP considers all intra-governmental receivables fully collectable in general and, specifically, based on the statutory provision requiring the chargeback payment.

Section 2

Agreed-Upon Procedures Section

KPMG LLP
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Washington, DC 20006

Section 2A

Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Leonard J. Howie, III, Director
Office of Workers' Compensation Programs, U.S. Department of Labor

Agencies Specified in Section 2B of this Report

We have performed the procedures enumerated in Section 2C, Agreed-Upon Procedures and Results, which were agreed to by the U.S. Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) and federal agencies participating in the Federal Employees' Compensation (FECA) program specified in Section 2B (federal agencies), solely to assist you in evaluating the accompanying Schedules of Actuarial Liability by Agency and Net Intra-Governmental Accounts Receivable by Agency for the year ended September 30, 2016, and the Schedule of Benefit Expense by Agency for the year then ended, of the DOL FECA Special Benefit Fund (hereinafter referred to as the schedules). DOL OWCP management is responsible for the schedules (Section 2B).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Section 2C either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and the associated results are presented in Section 2C of this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

KPMG

This report is intended solely for the information and use of DOL OWCP and the federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2016

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

I. Schedule of Actuarial Liability by Agency
As of September 30, 2016
(Dollars in Thousands)

AGENCY	Actuarial Liability
Agency for International Development	$22,543
Environmental Protection Agency	45,037
General Services Administration	114,700
National Aeronautics and Space Administration	38,306
National Science Foundation	1,171
Nuclear Regulatory Commission	5,608
Office of Personnel Management	23,623
U.S. Postal Service	16,228,868
Small Business Administration	32,676
Social Security Administration	327,213
Tennessee Valley Authority	366,709
U. S. Department of Agriculture	904,661
U. S. Department of the Air Force	1,247,468
U. S. Department of the Army	1,734,174
U. S. Department of Commerce	206,611
U. S. Department of Defense – other	810,252
U. S. Department of Education	14,789
U. S. Department of Energy	93,810
U. S. Department of Health and Human Services	272,268
U. S. Department of Homeland Security	2,752,677
U. S. Department of Housing and Urban Development	64,435

(continued)

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

I. Schedule of Actuarial Liability by Agency
As of September 30, 2016
(Dollars in Thousands)

AGENCY	Actuarial Liability
U. S. Department of the Interior	774,000
U. S. Department of Justice	1,725,538
U. S. Department of Labor	221,560
U. S. Department of the Navy	2,140,650
U. S. Department of State	90,019
U. S. Department of Transportation	874,184
U. S. Department of the Treasury	597,277
U. S. Department of Veterans Affairs	2,322,213
Other agencies[1]	738,870
Non-billable	1,661,740
Total - all agencies	$36,453,650

[1] This amount represents other agencies for which OWCP has not individually calculated an actuarial liability

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

II. Schedule of Net Intra-Governmental Accounts Receivable by Agency As of September 30, 2016 (Dollars in Thousands)

AGENCY	**Amounts Billed Not Yet Paid** (1)	**Amounts Expended Not Yet Billed** (2)	**Credits Due from Public** (3)	**Net Intra-Governmental Accounts Receivable** (4)
Agency for International Development	7,420	925	(28)	8,317
Environmental Protection Agency	8,247	1,081	(33)	9,295
General Services Administration	25,083	3,114	(94)	28,103
National Aeronautics and Space Administration	7,729	1,025	(31)	8,723
National Science Foundation	342	45	(1)	386
Nuclear Regulatory Commission	1,221	145	(4)	1,362
Office of Personnel Management	5,092	718	(22)	5,788
United States Postal Service	1,484,345	390,890	(11,782)	1,863,453
Small Business Administration	5,938	661	(20)	6,579
Social Security Administration	50,369	6,628	(200)	56,797
Tennessee Valley Authority	47,165	11,048	(333)	57,880
U. S. Department of Agriculture	139,837	19,756	(595)	158,998
U. S. Department of the Air Force	230,428	29,571	(891)	259,108
U. S. Department of the Army	245,895	32,186	(970)	277,111
U. S. Department of Commerce	26,371	3,794	(114)	30,051
U. S. Department of Defense – other	181,337	26,822	(808)	207,351
U. S. Department of Education	3,011	352	(11)	3,352
U. S. Department of Energy	15,713	2,755	(83)	18,385

(continued)

1 Amount billed through June 30, 2016 (including prior years) but not yet paid as of September 30, 2016.

2 Amounts paid and accrued but not yet billed for the period July 1, 2016 through September 30, 2016.

3 Allocation of credits due from the public through September 30, 2016.

4 Total amount due to the fund for each agency as of September 30, 2016.

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

II. Schedule of Net Intra-Governmental Accounts Receivable by Agency
As of September 30, 2016
(Dollars in Thousands)

AGENCY	**Amounts Billed Not Yet Paid** (1)	**Amounts Expended Not Yet Billed** (2)	**Credits Due from Public** (3)	**Net Intra-Governmental Accounts Receivable** (4)
U. S. Department of Health and Human Services	51,848	7,105	(214)	58,739
U. S. Department of Homeland Security	408,032	59,398	(1,790)	465,640
U. S. Department of Housing and Urban Development	13,440	1,768	(53)	15,155
U. S. Department of the Interior	113,099	14,951	(451)	127,599
U. S. Department of Justice	249,486	33,919	(1,022)	282,383
U. S. Department of Labor	42,342	6,427	(194)	48,575
U. S. Department of the Navy	402,599	56,204	(1,694)	457,109
U. S. Department of State	18,235	2,657	(80)	20,812
U. S. Department of Transportation	174,655	22,858	(689)	196,824
U. S. Department of the Treasury	103,293	14,699	(443)	117,549
U. S. Department of Veterans Affairs	431,101	58,832	(1,773)	488,160
Other agencies	89,967	15,611	(472)	105,106
Total - all agencies	4,583,640	825,945	(24,895)	5,384,690

1 Amount billed through June 30, 2016 (including prior years) but not yet paid as of September 30, 2016.

2 Amounts paid and accrued but not yet billed for the period July 1, 2016 through September 30, 2016.

3 Allocation of credits due from public through September 30, 2016.

4 Total amount due to the fund for each agency as of September 30, 2016.

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

III. Schedule of Benefit Expense by Agency
As of September 30, 2016
(Dollars in Thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
Agency for International Development	$3,547	$(2,189)	$1,358
Environmental Protection Agency	3,955	(1,129)	2,826
General Services Administration	12,135	(7,118)	5,017
National Aeronautics and Space Administration	3,800	(4,766)	(966)
National Science Foundation	181	(44)	137
Nuclear Regulatory Commission	545	(432)	113
Office of Personnel Management	2,660	798	3,458
United States Postal Service	1,418,117	492,175	1,910,292
Small Business Administration	2,827	985	3,812
Social Security Administration	24,774	(2,186)	22,588
Tennessee Valley Authority	39,860	(20,566)	19,294
U. S. Department of Agriculture	71,126	11,540	82,666
U. S. Department of the Air Force	111,607	(39,159)	72,448
U. S. Department of the Army	157,860	(14,930)	142,930
U. S. Department of Commerce	13,789	(2,693)	11,096
U. S. Department of Defense – other	62,303	6,470	68,773
U. S. Department of Education	1,537	240	1,777
U. S. Department of Energy	9,197	(1,999)	7,198
U. S. Department of Health and Human Services	26,476	1,070	27,546
U.S. Department of Homeland Security	217,928	246,017	463,945

(continued)

SECTION 2B

U.S. Department of Labor
Office of Workers' Compensation Programs
Federal Employees' Compensation Act Special Benefit Fund

III. Schedule of Benefit Expense by Agency
As of September 30, 2016
(Dollars in Thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
U. S. Department of Housing and Urban Development	6,385	(4,223)	2,162
U. S. Department of the Interior	54,717	(799)	53,918
U. S. Department of Justice	124,145	71,219	195,364
U. S. Department of Labor	18,510	3,504	22,014
U. S. Department of the Navy	198,578	(76,503)	122,075
U. S. Department of State	8,260	1,843	10,103
U. S. Department of Transportation	86,412	(59,960)	26,452
U. S. Department of the Treasury	53,304	10,133	63,437
U. S. Department of Veterans Affairs	220,177	78,607	298,784
Other agencies and non-billable (1)	266,202	433,945	700,147
Total - all agencies	$3,220,914	$1,119,850	$4,340,764

[1] This amount represents other agencies for which OWCP has not individually calculated an actuarial liability, as well as the amounts associated with non-billable payments.

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
1) Compare the actuarial liability, by agency, as of September 30, 2016, as reported in the *Memorandum to the Chief Financial Officers (CFO) of Executive Departments*, issued by DOL's Office of the Chief Financial Officer (OCFO), to the liability calculated by the DOL Loss Development[1] actuarial model (DOL model) as of September 30, 2016. Report any differences.	No differences were noted as a result of applying this procedure.
2) Calculate the actuarial liability as of September 30, 2016, using KPMG's loss development actuarial model[2] (KPMG model), and compare it to the actuarial liability per the DOL model as of September 30, 2016. Report any differences exceeding 1 percent.	The actuarial liability calculated using the KPMG model was greater than the actuarial liability per the DOL model by $950,761,300 or 2.61 percent of the actuarial liability per the DOL model, as of September 30, 2016.

(continued)

[1] The DOL model uses a Paid Loss Development Method by agency, by defined agency groups, and in total using inflation rate assumptions on both past and future indemnity and medical benefits to adjust past data and project forward.
[2] The KPMG model uses actual data to evaluate trends and project future payments. In addition, the KPMG model uses an interest rate by agency based on the average duration of cash flows for the particular agency.

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
3) Recalculate the actuarial liability as of September 30, 2016, using the DOL model, and compare it to the liability calculated by DOL in its DOL model as of September 30, 2016. For any identified difference(s), determine if DOL corrected the difference(s) in its final DOL model by agreeing (a) KPMG's recalculated actuarial liability as of September 30, 2016, using the final DOL model, to (b) the actuarial liability reported in the Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund. Report any differences.	As a result of applying this procedure, we identified a difference of $364,507,110 in the calculation of the actuarial liability. The difference was corrected by DOL in its final model.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>4) Compare the interest rate and inflation (Cost-of-living allowance (COLA), Consumer price index – medical (CPI - Med)) assumptions used by the DOL model as of September 30, 2016, to the interest rate and inflation (COLA, CPI - Med) assumptions used by the KPMG model as of September 30, 2016. Report any differences.</td><td>The DOL model calculated the duration of expected cash flow payments for compensation and medical separately in total, for all agencies combined. KPMG's model included separate interest rate by agency based on the average duration of cash flows for the particular agency. See below for the DOL and KPMG interest rates:

<table><tr><th>Projection</th><th>DOL Interest Rate</th><th>KPMG Interest Rate</th></tr><tr><td>Compensation</td><td>2.781%</td><td>2.479%-2.975%</td></tr><tr><td>Medical</td><td>2.261%</td><td>2.448%-2.940%</td></tr></table>
In addition, KPMG's model uses an implicit inflation rate included in the loss development patterns selected and therefore does not use an explicit inflation rate assumption.</td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>5) Compare the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2015, to the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2016. Report any variances.</td><td>The average interest rate and inflations rate variances are as follows:
<table>
<tr><th>Average Rate</th><th>2015 Rate</th><th>Variance Increase/ (Decrease)</th></tr>
<tr><td>Interest – compensation</td><td>3.13%</td><td>(0.35)%</td></tr>
<tr><td>Interest – medical</td><td>2.50%</td><td>(0.24)%</td></tr>
<tr><td>COLA</td><td>1.63%</td><td>0.15%</td></tr>
<tr><td>CPI-Med</td><td>3.62%</td><td>0.18%</td></tr>
</table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>6) Calculate the percentage change in the actuarial liability for each agency by subtracting their respective actuarial liability as of September 30, 2015, from the September 30, 2016 balance, based on the DOL model, and by dividing this difference by the actuarial liability balance as of September 30, 2015. Identify agencies whose actuarial liability changed by more than 10 percent during fiscal year (FY) 2016, and for those agencies, calculate the percentage change in benefit payments by subtracting the benefit payment amounts in the Chargeback Agency Billing List Summary for the year ended September 30, 2015, from the benefit payment amounts from the Chargeback Agency Billing List Summary for the year ended September 30, 2016, and by dividing this difference by the benefit payment amounts for the year ended September 30, 2015. Report the name of any agency whose actuarial liability changed by more than 10 percent during FY 2016 and the percentage change in the benefit payment for those agencies.</td><td>As a result of the procedure performed, we identified the following agencies that had a change in actuarial liability of greater than 10 percent during fiscal year 2016. For these agencies, we noted the following changes in benefit expenses from September 30, 2015, to September 30, 2016.

<table><tr><th>Agency</th><th>Percentage change in actuarial liability</th><th>Percentage change in benefit payments</th></tr><tr><td>PCC</td><td>(10.26)%</td><td>(5.76)%</td></tr><tr><td>NASA</td><td>(11.07)%</td><td>(4.91)%</td></tr></table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
7) Compare the interest rate (used to derive the discount rate) and inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2016, to the interest rates and inflation rates (COLA and CPI-Med) published by the U.S. Department of the Treasury and Office of Management and Budget (OMB) in the FY 2017 OMB Mid-Session Review, respectively. Report any differences.	No differences were noted as a result of applying this procedure.
8) Compare both the benefit payments, by agency, for the chargeback year ended June 30, 2016, and the aggregate benefit payments for the chargeback years ended June 30, 2011 through 2016, used in the DOL model, with the benefit payments, by agency, for the chargeback year ended June 30, 2016, and the aggregate benefit payments for the chargeback years ended June 30, 2011 through 2016, as reported in the *Chargeback Agency Billing List Summary*. Report any differences.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed-Upon Procedures Performed	Results of Procedures
9) Compare the estimated benefit payments calculated by FY 2015 DOL model for the chargeback year ended June 30, 2016, to the actual benefit payments for the chargeback year ended June 30, 2016, from the DOL *Chargeback Agency Billing List Summary.* Identify and report the agencies where the FY 2015 DOL model estimated benefit payments varied by more than 20 percent and $2 million from the actual benefit payments made during the year ended June 30, 2016, from the DOL *Chargeback Agency Billing List Summary*.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
10) For a selection of 27 federal agencies, obtain a list of appropriate representatives from the Office of Workers' Compensation Programs (OWCP), and send letters to confirm the total accounts receivable balances due per the bills sent to the agencies, dated August 15, 2016, for the chargeback year July 1, 2015, through June 30, 2016. Compare the confirmed accounts receivable balances, less any pre-payments received prior to September 30, 2016, to the billed and due in FY 2017 and FY 2018 amounts reported by the OCFO in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016, posted on the DOL website. Report any differences.	No differences were noted as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>11) Recalculate the September 30, 2016, net intra-governmental accounts receivable balances for each agency by: a) adding the bills sent to federal agencies, dated August 15, 2016, to the prior-year ending balance from the Special Report Relating to the FECA Special Benefit Fund as of September 30, 2015; b) subtracting the current year's cash collections as reported by the OCFO on the CARS IPAC supporting listing and collection voucher support listing reports; and c) adding the change in the fourth quarter unbilled accounts receivable from FY 2015.

Compare the recalculated September 30, 2016, net intra-governmental accounts receivable balances to the FY 2016 amount reported in the detailed subsidiary ledger less the FY 2016 change in other credits due from the public reported in the detailed general ledger. Report any differences.</td><td>As a result of the procedures performed, we identified the following difference:

<table><tr><th>Agency</th><th>Difference</th></tr><tr><td>DOD</td><td>$37,745</td></tr><tr><td>OPM</td><td>$331</td></tr><tr><td>USPS</td><td>$859,099</td></tr></table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
12) Compare the total recalculated September 30, 2016, net intra-governmental accounts receivable balance less the FY 2016 change in other credits due from the public reported in the detailed subsidiary ledger to the FY 2016 net intra-governmental accounts receivable balance reported in the general ledger. Report any differences.	The total recalculated September 30, 2016, net intra-governmental accounts receivable balance was less than the general ledger balance by $987,865.
13) Compare the recalculated September 30, 2016, net intra-governmental accounts receivable balance for each agency to the balances reported by the OCFO in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016. Report any differences exceeding 1 percent.	No differences above 1 percent were identified as a result of applying this procedure.
14) Compare the total amount on the *Chargeback Agency Billing List Summary* for the period of July 1, 2015, through June 30, 2016, for each agency to the Total Benefit Costs line on the bill sent to the agency dated August 15, 2016. Report any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
15) Compare accrued benefits as of September 30, 2016, recorded on the OCFO *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016, to the accrual calculation worksheet prepared by DOL as of September 30, 2016. Report any differences.	No differences were identified as a result of applying this procedure.
16) Recalculate the allocation of accrued benefits for each agency as of September 30, 2016, as the ratio between the amount reported for the agency per the Chargeback Period Ending September 30, 2016, column presented in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016, and the total for all agencies reported in that column. Multiply the agency's ratio by total accrued benefits presented on the accrual calculation worksheet prepared by DOL. Compare the allocation of accrued benefits for each agency to the allocation of accrued benefits recorded on the OCFO's *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016. Report any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed-Upon Procedures Performed	Results of Procedures
17) Compare the amount per the Chargeback Period Ending September 30, 2016, column presented in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2016, to the FY 2016 fourth quarter benefit payments reported on the *Chargeback Agency Billing List Summary.* Report any differences.	The FY 2016 fourth quarter accounts receivable reported on the Liability for Current Federal Employees' Compensation Act Benefits was less than FY 2015 fourth quarter benefit payments reported on the Summary Chargeback Billing Report by $12,958.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. **Benefit Expense**

Agreed-Upon Procedures Performed	Results of Procedures
18) Compare the total of: 1) benefit payments recorded in the Integrated Federal Employees Compensation System (iFECS); 2) benefit payments recorded in the Central Bill Process (CBP) auto roll payment database; and 3) manual payments recorded in the general ledger for the months of March 31, 2016, and September 30, 2016, to the benefit payments reported in Treasury's CARS Agency Location Code (ALC) transactions reports for the ALCs assigned to FECA, for the same two months. Report any differences.	As a result of applying this procedure, we identified a difference of $625,029 and $1,171,653 for the months of March 2016 and September 2016, respectively.
19) Calculate the difference between the total benefit payments per the *Chargeback Agency Billing List Summary* and the total benefit payments per the iFECS and CBP databases for each agency, as reported in the *Chargeback Reconciliation Reports* prepared by OWCP for the periods October 1, 2015, through June 30, 2016, and July 1, 2016, through September 30, 2016, and then divide the difference by the total benefit payments per the *Chargeback Agency Billing List Summary*. Report differences for any agency exceeding 1 percent.	No differences above 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
20) For the *Chargeback Reconciliation Reports* for the periods October 1, 2015, through June 30, 2016, and July 1, 2016, through September 30, 2016: a) Compare the total benefit payments in the *Chargeback Agency Billing List Summary* reported in the reconciliation to the actual *Chargeback Agency Billing List Summary*. b) Compare the total benefit payments from the iFECS and CBP databases reported in the reconciliation to the actual iFECS and CBP databases. Identify and report any differences more than 1 percent.	No differences above 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

<table>
<tr><th>Agreed-Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>21) For all agencies, compare compensation and medical bill payments by agency for the fiscal year ending September 30, 2016, from the Chargeback Agency Billing List Summary prepared by DOL, to the compensation and medical bill payments by agency reported for the FY ending September 30, 2015, for the Chargeback Agency Billing List Summary prepared by DOL. Report any variances over 10 percent.</td><td>As a result of applying this procedure, we identified the following agencies that had variances over 10 percent:
<table>
<tr><th>Agency</th><th>Variance</th></tr>
<tr><td>EOP</td><td>(42.55)%</td></tr>
<tr><td>NCS</td><td>(10.00)%</td></tr>
<tr><td>PCE</td><td>(17.56)%</td></tr>
<tr><td>NRC</td><td>(12.39)%</td></tr>
<tr><td>HUD</td><td>(10.02)%</td></tr>
<tr><td>EDU</td><td>12.51%</td></tr>
</table></td></tr>
</table>

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
22) For a selection of 86 compensation payments for initially eligible claimants, compare beneficiary name, beneficiary social security number (SSN), date of birth, pay rate or grade/step at the time of injury, benefit amount, payment date, date of injury or date disability began, and dependent information from the applicable Forms CA-1, *Federal Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation*, and CA-2, *Notice of Occupational Disease and Claim for Compensation* to the beneficiary name, beneficiary SSN, date of birth, pay rate or grade/step at the time of injury, benefit amount, payment date, date of injury or date disability began, and dependent information in the iFECS database. Report any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
23) For a selection of 86 compensation payments for initially eligible claimants, recalculate the compensation pay rate in accordance with chapter 2-0900 of the FECA Procedure Manual. Compare the recalculated compensation pay rate to the rate in the iFECS database. Report any differences.	No differences were identified as a result of applying this procedure.
24) For a selection of 184 compensation payments for continuing eligibility and file maintenance, compare the related beneficiaries' name, SSN, date of birth, date of injury or date disability began, and dependent information from applicable Forms CA-7 *Claim for Compensation*, and CA-1032 *Request for Information on Earnings, Dual Benefits, Dependents, and Third Party Settlements* to the beneficiaries' name, SSN, date of birth, date of injury or date disability began, and dependent information in the iFECS database. Report any differences in claimant information.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2C

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed-Upon Procedures Performed	Results of Procedures
25) For a selection of 96 medical payments, compare the vendor name and date from the medical bill, and payment amount on the summary sheet from the Achieve system to the vendor name, payment amount and date in the CBP database. Report any differences.	No differences were identified as a result of applying this procedure.
26) Compare the FY 2016 fourth quarter benefit expense estimate as reported on the *Liability for Current Federal Employees' Compensation Act Benefits* report to the sum of the actual FY 2016 fourth quarter benefit expenses recorded in the iFECS and CBP databases. Report any differences.	The FY 2016 fourth quarter benefit expense estimate as reported on the *Liability for Current Federal Employees' Compensation Act Benefits* was less than the FY 2016 benefit expenses recorded in the iFECS and CBP databases by $12,958.

Appendix

ACRONYMS and ABBREVIATIONS

CBP	Central Bill Processing System
CFO Act	Chief Financial Officers Act
COLA	Cost-of-Living Allowance
CPI-Med	Consumer Price Index for Medical
DOD	U.S. Department of Defense
DOL	U.S. Department of Labor
EDU	U.S. Department of Education
EOP	Executive Office of the President
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
HUD	U.S. Department of Housing and Urban Development
iFECS	Integrated Federal Employees' Compensation System
NASA	National Aeronautic and Space Administration
NCS	Corporation for National and Community Service
NRC	Nuclear Regulatory Commission
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PCC	Panama Canal Commission
PCE	Peace Corps Enrollees
SSN	Social Security Number
USPS	U.S. Postal Service
WHCA	War Hazards Compensation Act

TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

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Fax:	202-693-7020
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