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, 2018

KPMG LLP reports included herein were prepared under contract with the U.S. Department of Labor, Office of Inspector General, and by acceptance, they become reports of the Office of Inspector General.

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

Date Issued: November 2, 2018
Report Number: 22-19-003-04-431

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U.S. Department of Labor

Office of Inspector General
Washington, DC. 20210

November 2, 2018

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 2018
Report No. 22-19-003-04-431

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, 2018. 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, 2018, 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 benefit expense titled, "Improvements Needed in the Claims Examiners' Review of Federal Employees' Compensation Act (FECA) Claims." This significant deficiency is not considered 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, 2018. 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, 2018, 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, 2018; 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, 2018. 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 them via regular mail, facsimile, or e-mail to:

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Audit Director, Financial Statement Audits
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Attachment

Section 1

Financial Section

KPMG LLP
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Section 1A

Independent Auditors' Report

Ms. Julia Hearthway, 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, 2018, 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, 2018, 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, 2018, 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.

KPMG

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 I, 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

Washington, D.C.
October 31, 2018

Exhibit

Exhibit I

Improvements Needed in the Claims Examiners' Review of Federal Employees' Compensation Act (FECA) Claims

During our fiscal year (FY) 2018 audit, we tested controls related to the Claims Examiners' (CEs) review of claimants' files for continuing eligibility and accuracy of compensation payments and schedule award payments made to claimants. As a result, we noted instances in which the CEs' review was not performed in accordance with established procedures.

For a sample of 147 claims selected to test the control related to the CEs' review of claims to verify the claimants' continuing eligibility to receive benefits, we noted the following:

a. For two claims, the CEs completed the Periodic Entitlement Reviews (PERs) although the claimant had not submitted an updated EN-1032 form, which includes information related to earnings, third party settlements, dual benefits, and changes in dependents, at the time of the review. The updated EN-1032 for the two claimants were subsequently received after the PERs were completed.

b. For two claims, the CE completed a PER although the claimant did not submit the medical evidence required by section 2-0812(5)(b) of the *Division of Federal Employees' Compensation* (*DFEC) FECA Procedure Manual* (the Manual). For one claim, the CE did not receive sufficient medical evidence from the physician to determine continuing eligibility. For the other claim, the CE did not follow up with the claimant or the physician to obtain the required medical evidence.

c. For two claims, the claimant indicated that they had received new Social Security benefits within the last year on the most recent EN-1032; however, the CE completed the PER before receiving information from the Social Security Administration (SSA) detailing the amount of the offset. SSA provided the amount of offset to the CE for one of the two claims on September 9, 2018, and on September 21, 2018, the CE reduced the payment to the claimant for the amount of the offset. For the second claim, the CE did not receive a response from SSA to determine if an offset was required.

d. For two claims, the PERs were marked complete; however, there were no electronic sign-off by the CEs and no PER development code or PER closure code listed, as required by section 2-0812(15) of the Manual.

Exhibit I

Further, for a sample of 78 compensation payments selected to test the control related to the CEs' review of payments to determine whether payments were calculated in accordance with the Manual, we noted the following:

a. For one payment, the certifying CE did not detect a payment error in which the compensation rate used to determine the payment amount entered into the Integrated Federal Employees' Compensation System (iFECS) for the period from January 20, 2018, to February 2, 2018, was inconsistent with the dependent status reported on the claimant's form CA-7, *Claim for Compensation*, resulting in an underpayment of $189. The claimant notified the CE of the error on February 21, 2018, and the Office of Workers' Compensation Programs (OWCP) processed a payment adjustment on February 23, 2018.

b. For one payment, the certifying CE did not detect a payment error in which the form CA-7 submitted by the claimant on January 9, 2018, included pay for night differential; however, the night differential pay was not applied in the claimant's weekly pay rate in iFECS, resulting in an underpayment of $59. We noted that the error affected multiple pay periods from January 20, 2018, through April 27, 2018, with a total underpayment of $416. After we raised the issue to management during the audit, the CE addressed the error in a memo dated May 18, 2018, by adjusting the previous entitlement payments.

In addition, for a sample of 50 schedule award payments selected to test the control related to the CEs' review of the payments to determine whether claimants were eligible to receive schedule awards and that the payments were calculated in accordance with the Manual, we noted the following:

a. For four schedule award payments, DFEC was unable to provide evidence that the CEs signed the decision letters that were sent to the claimants as required by FECA Bulletin No. 16-01, *Signatures on Outgoing Correspondence*.

b. For five schedule award payments, there were no decision letters completed by the CEs and sent to the claimants. After we raised the issue to management during the audit, the decision letters were completed and sent to these claimants.

The exceptions noted above were due to insufficient controls to ensure that the CEs' review of the claims were adequately performed and in accordance with the Manual and the applicable FECA Bulletins.

Insufficient controls over the CEs review of claims increases the risk of errors in benefit payments made to claimants.

Exhibit I

The following criteria were considered in the determination and evaluation of the findings noted above:

- Section 2-0812(5) of the Manual provides the requirement for the CE to obtain medical and non-medical evidence to determine continued entitlement. This includes requirements for completion of Form EN-1032 and review of medical evidence on a yearly basis.

- Section 2-0812(6) of the Manual provides the requirement for the CE to follow up with the physician and the claimant in the event that medical evidence is not submitted timely.

- Section 2-0812(9) of the Manual provides the requirement for the CE to review the Form EN-1032 for receipt of dual benefits to determine if an offset to the claimant's benefits is required.

- Section 2-0812(15) of the Manual provides the requirement for the CE to enter PER Development Codes in iFECS when further case development action is required, and to enter PER Closure Codes when the periodic entitlement review is complete.

- Section 2-0808(8) of the Manual provides the requirement for the CE to promptly issue a formal decision outlining the schedule award details after the payment has been certified.

- FECA Bulletin 16-01 provides the requirement that all Formal Decisions, including Proposed Decisions, addressed in DFEC PM 2-1400 must bear a signature.

- Section 2-0900(6) of the Manual provides the requirement for determining the pay rate when the claimant receives night differential pay.

- Section 2-0901(12) of the Manual provides the requirement when the claimant has one or more eligible dependents as defined in section 8110 of the FECA.

- The Government and Accountability Office *Standards for Internal Control in the Federal Government*, Section 16 provides the requirements related to management monitoring of the internal control system.

Exhibit I

Recommendations:

We recommend that the Director of OWCP:

1. Complete follow-up actions to obtain the information required to determine the claimants' continuing eligibility and recover any associated overpayments, if necessary;

2. Require the PERs performed by the CEs to be reviewed by a second CE to ensure that such reviews are properly conducted;

3. Provide additional training to the CEs to address deficiencies identified; and

4. Update DFEC's policies and procedures to require that CEs scan signed copies of all schedule award decision letters into iFECS timely following certification of payment to ensure documentation is readily available.

Management's Response:

DFEC agrees to complete follow-up actions to obtain the information required to determine the claimants' continuing eligibility and recover any associated overpayments.

DFEC agrees that additional review of PERSs performed by CEs would be beneficial. However, DFEC does not agree with the recommendation to have a second CE conduct a review on every case. Instead, DFEC will implement a new internal audit process in quarter two of FY 2019 in which program subject matter experts will perform an extensive review of PER records closed by each employee in each District Office. The audit will identify claims examiners that are consistently closing PER records in accordance with established procedure as well as those that are making mistakes and need additional training and support. In addition to reviews by subject matter experts, DFEC's end to end case management initiative that was effective on October 1, 2018, allowed the program to distribute work to more CEs. Now every CE across the country is responsible for PERs, as opposed to the prior method of assignment that resulted in a smaller group of CEs being responsible for them all. This also affords the opportunity for all supervisors to provide oversight of PERs. DFEC distributed standardized workbooks to all supervisors to ensure PERs will be reviewed consistently and tracked. If corrective action is necessary, appropriate personnel in the District Offices and/or National Office will design training specifically for CEs in need of improvement and needed corrections are completed.

DFEC agrees to provide additional training to individual CEs to address identified deficiencies. DFEC's preparation for the shift to end to end case management on

Exhibit I

October 1, 2018, included robust training sessions with staff across the country on Compensation Payments, PERs, and Schedule Awards. Training for the majority of CEs involved in the identified cases has already been conducted by District Office personnel, and DFEC will ensure that training is completed for each staff member responsible for one of the errors found.

DFEC agrees to update its policies to ensure schedule award decisions go into iFECS timely. In FY 2019, DFEC included this a requirement in the new prototype CE performance standards: a signed schedule award decision (CA-181) must be issued and in the file within 3-5 calendar days of the payment certification date. Every CE across the country now has the same standards and will be evaluated on this item. DFEC also created a new process whereby the National Office will review schedule award payments to help ensure necessary documentation is readily available in the case file.

Auditors' Response:

Although management stated that they do not concur with our recommendation to implement a second review by the Claims Examiners for all Periodic Entitlement Reviews, they concurred with the findings noted and plan on taking steps to address them.

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, 2018, and Benefit Expense For the Year Ended September 30, 2018
(Dollars in Thousands)

Actuarial Liability	$	37,575,800
Net Intra-Governmental Accounts Receivable	$	5,049,173
Benefit Expense	$	2,953,628

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, 2018, and Benefit Expense For the Year Ended September 30, 2018

1. Significant Accounting Policies

a. Reporting Entity

The U.S. Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) Special Benefit Fund (the Fund) was established by the 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 the 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 Special Benefit 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, 2018, and Benefit Expense for the year ended September 30, 2018, of the U.S. Department of Labor's Federal Employees' Compensation Act Special Benefit Fund (the 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 (CFO 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 (GAAP).

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 of two components, one associated with claims that are billed to employing agencies and the other 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. GAAP, 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, 2013 through June 30, 2018. 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 specifics for the effects of inflation on the liability for future workers' compensation benefits, a wage inflation factor "Cost of Living Adjustment" (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 mid-year.

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, 2018. Intra-governmental accounts receivable are considered fully collectible.

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

In fiscal year (FY) 2018, the interest rates used to discount compensation and medical benefits were 2.716 percent and 2.379 percent, respectively.

The compensation COLA and CPI - Med entered into the actuarial model to calculate FY 2018 liability estimates were as follows:

FY	COLA	CPI - Med
2019	1.313%	3.209%
2020	1.507%	3.484%
2021	1.887%	3.676%
2022	2.160%	3.707%
2023+	2.207%	4.091%

The actuarial liability for future workers' compensation benefits as of September 30, 2018 was attributed to other federal agencies as follows (dollars in thousands):

Agency for International Development	$23,405
Environmental Protection Agency	43,679
General Services Administration	111,735
National Aeronautics and Space Administration	38,289
National Science Foundation	1,265
Nuclear Regulatory Commission	5,259
Office of Personnel Management	24,939
U.S. Postal Service	16,548,700
Small Business Administration	34,854
Social Security Administration	314,463
Tennessee Valley Authority	331,756
U. S. Department of Agriculture	891,519
U. S. Department of the Air Force	1,220,779
U. S. Department of the Army	1,750,309
U. S. Department of Commerce	187,092
U. S. Department of Defense – other	778,241
U. S. Department of Education	13,015
U. S. Department of Energy	95,132
U. S. Department of Health and Human Services	275,574
U. S. Department of Homeland Security	2,963,318
U. S. Department of Housing and Urban Development	62,585
U. S. Department of the Interior	759,629
U. S. Department of Justice	1,835,943
U. S. Department of Labor	219,825
U. S. Department of the Navy	2,108,691
U. S. Department of State	93,081
U. S. Department of Transportation	874,091
U. S. Department of the Treasury	583,212
U. S. Department of Veterans Affairs	2,399,242
Other agencies[1]	698,229
Non-billable portion	2,287,949
Total Liability	$37,575,800

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

3. <u>Net Intra-Governmental Accounts Receivable</u>

Net intra-governmental accounts receivable for the year ended September 30, 2018, consisted of the following (dollars in thousands):

Billed, but not paid as of year end	$ 4,271,389
Benefit payments not yet billed	$ 803,874
Credits due from the Public	$ (26,090)
Total net intra-governmental accounts receivable	$ 5,049,173

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. <u>Benefit Expense</u>

Benefit expense for the year ended September 30, 2018, consisted of the following (dollars in thousands):

Benefits paid for compensation	$ 2,135,271
Benefits paid for medical benefits	$ 949,478
Change in accrued benefits	$ 23,774
Change in actuarial liability	$ (154,895)
Total benefit expense	$ 2,953,628

5. Material Concentration of Risk

The U.S. Postal Service (USPS) represents 44 percent of the actuarial liability and 35 percent of the net intra-governmental accounts receivable to the Fund as of September 30, 2018. The USPS disclosed its lack of liquidity in its audited financial statements for FY 2017 and its interim unaudited financial statements for the third quarter of FY 2018. The USPS's portion of the FECA actuarial liability and net intra-governmental accounts receivable as of September 30, 2018, together with the USPS's poor financial condition, represent a material concentration of risk for the Fund. OWCP received payment related to the Fiscal Year 2018 Chargeback bill from USPS on October 15, 2018 in the amount of $1,383,405,146.

Section 2

Agreed-Upon Procedures Section

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

Section 2A

Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Scott S. Dahl, Inspector General
Office of Inspector General, U.S. Department of Labor

Ms. Julia K. Hearthway, Director
Office of Workers' Compensation Programs, U.S. Department of Labor

Specified Parties Listed in Section 2B

We have performed the procedures enumerated in Section 2D, Agreed-Upon Procedures and Results, which were agreed to by the U.S. Department of Labor (DOL) Office of Workers' Compensation Programs (OWCP) and the specified parties listed in Section 2B, solely to assist you in evaluating the accompanying Schedules of Actuarial Liability by Agency and Net Intra-Governmental Accounts Receivable by Agency as of September 30, 2018, 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 2C). The sufficiency of these procedures is solely the responsibility of the parties specified in Section 2B of this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Section 2D 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 2D of this report.

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

KPMG

The purpose of this report is to present our findings as a result of performing the agreed-upon procedures enumerated in Section 2D. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
October 31, 2018

Section 2B
Specified Parties

- Agency for International Development
- National Aeronautics and Space Administration
- National Science Foundation
- Nuclear Regulatory Commission
- Office of Personnel Management
- Social Security Administration
- U.S. Department of Agriculture
- U.S. Department of the Air Force
- U.S. Department of Defense – Other
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- U.S. Department of the Navy
- U.S. Department of State
- U.S. Department of Veterans Affairs

As well as the following agencies and their auditors:

- General Services Administration
- Small Business Administration
- U.S. Department of the Army
- U.S. Department of Commerce
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Homeland Security
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of the Interior
- U.S. Department of Transportation
- U.S. Department of the Treasury

SECTION 2C

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, 2018
(Dollars in Thousands)

AGENCY	Actuarial Liability
Agency for International Development	$23,405
Environmental Protection Agency	43,679
General Services Administration	111,735
National Aeronautics and Space Administration	38,289
National Science Foundation	1,265
Nuclear Regulatory Commission	5,259
Office of Personnel Management	24,939
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U. S. Department of Homeland Security	2,963,318
U. S. Department of Housing and Urban Development	62,585

(continued)

SECTION 2C

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, 2018
(Dollars in Thousands)

AGENCY	**Actuarial Liability**
U. S. Department of the Interior	759,629
U. S. Department of Justice	1,835,943
U. S. Department of Labor	219,825
U. S. Department of the Navy	2,108,691
U. S. Department of State	93,081
U. S. Department of Transportation	874,091
U. S. Department of the Treasury	583,212
U. S. Department of Veterans Affairs	2,399,242
Other Agencies (1)	698,229
Non-Billable	2,287,949
Total	$37,575,800

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

SECTION 2C

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, 2018 (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	7,149	964	(31)	8,082
Environmental Protection Agency	7,882	1,058	(34)	8,906
General Services Administration	21,440	2,816	(91)	24,165
National Aeronautics and Space Administration	6,968	982	(32)	7,918
National Science Foundation	404	56	(2)	458
Nuclear Regulatory Commission	935	113	(4)	1,044
Office of Personnel Management	4,393	510	(17)	4,886
United States Postal Service	1,383,408	379,678	(12,322)	1,750,764
Small Business Administration	5,243	675	(22)	5,896
Social Security Administration	46,514	6,113	(198)	52,429
Tennessee Valley Authority	42,179	10,246	(333)	52,092
U. S. Department of Agriculture	126,666	17,569	(570)	143,665
U. S. Department of the Air Force	202,486	28,977	(940)	230,523
U. S. Department of the Army	224,095	31,149	(1,011)	254,233
U. S. Department of Commerce	23,303	3,468	(113)	26,658
U. S. Department of Defense – other	162,787	25,295	(821)	187,261
U. S. Department of Education	2,460	358	(12)	2,806
U. S. Department of Energy	14,656	2,330	(76)	16,910

(continued)

1 Amount billed through June 30, 2018 (including prior years) but not yet paid as of September 30, 2018.

2 Amounts paid and accrued but not yet billed for the period July 1, 2018, through September 30, 2018.

3 Allocation of credits due from the public through September 30, 2018.

4 Total amount due to the fund for each agency as of September 30, 2018.

SECTION 2C

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, 2018 (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	49,776	6,724	(218)	56,282
U. S. Department of Homeland Security	417,237	64,234	(2,085)	479,386
U. S. Department of Housing and Urban Development	11,986	1,517	(49)	13,454
U. S. Department of the Interior	102,853	14,568	(473)	116,948
U. S. Department of Justice	241,370	36,505	(1,185)	276,690
U. S. Department of Labor	39,091	6,973	(226)	45,838
U. S. Department of the Navy	369,346	49,813	(1,617)	417,542
U. S. Department of State	17,641	2,572	(83)	20,130
U. S. Department of Transportation	159,800	22,262	(723)	181,339
U. S. Department of the Treasury	96,706	13,644	(443)	109,907
U. S. Department of Veterans Affairs	395,269	58,022	(1,883)	451,408
Other agencies	87,346	14,683	(476)	101,553
Total - all agencies	4,271,389	803,874	(26,090)	5,049,173

1 Amount billed through June 30, 2018 (including prior years) but not yet paid as of September 30, 2018.

2 Amounts paid and accrued but not yet billed for the period July 1, 2018, through September 30, 2018.

3 Allocation of credits due from public through September 30, 2018.

4 Total amount due to the fund for each agency as of September 30, 2018.

SECTION 2C

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, 2018
(Dollars in Thousands)

AGENCY	Benefits Paid and Change in Accrued Benefits	Change in Actuarial Liability	Total Benefit Expense
Agency for International Development	3,364	(3,533)	(169)
Environmental Protection Agency	3,996	(1,565)	2,431
General Services Administration	10,645	(1,526)	9,119
National Aeronautics and Space Administration	3,592	433	4,025
National Science Foundation	214	15	229
Nuclear Regulatory Commission	422	(111)	311
Office of Personnel Management	1,977	(61)	1,916
United States Postal Service	1,322,247	(7,854)	1,314,393
Small Business Administration	2,438	(34)	2,404
Social Security Administration	23,314	(4,966)	18,348
Tennessee Valley Authority	36,344	(24,827)	11,517
U. S. Department of Agriculture	61,159	(9,067)	52,092
U. S. Department of the Air Force	100,613	(9,752)	90,861
U. S. Department of the Army	146,401	(24,220)	122,181
U. S. Department of Commerce	12,277	(13,244)	(967)
U. S. Department of Defense – other	56,724	(8,238)	48,486
U. S. Department of Education	1,293	(749)	544
U. S. Department of Energy	8,048	(614)	7,434
U. S. Department of Health and Human Services	24,710	(2,848)	21,862
U.S. Department of Homeland Security	220,513	81,412	301,925

(continued)

SECTION 2C

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, 2018
(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	5,727	(2,295)	3,432
U. S. Department of the Interior	51,957	2,898	54,855
U. S. Department of Justice	124,487	50,023	174,510
U. S. Department of Labor	18,723	(497)	18,226
U. S. Department of the Navy	179,430	(35,739)	143,691
U. S. Department of State	8,071	(1,606)	6,465
U. S. Department of Transportation	79,393	(12,102)	67,291
U. S. Department of the Treasury	48,643	(9,956)	38,687
U. S. Department of Veterans Affairs	203,110	3,185	206,295
Other agencies and non-billable (1)	348,691	(117,457)	231,234
Total - all agencies	3,108,523	(154,895)	2,953,628

[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 2D

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed Upon Procedures Performed	Results of Procedures
1) Compared the actuarial liability, by agency, as of September 30, 2018, 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, 2018, and reported any differences.	No differences were identified as a result of applying this procedure.
2) Recalculated the actuarial liability as of September 30, 2018, using the DOL model, and compared it to the liability calculated by DOL in its DOL model as of September 30, 2018. For any identified difference(s), determined if DOL corrected the difference(s) in its final DOL model by agreeing (a) KPMG's recalculated actuarial liability as of September 30, 2018, 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* and reported any differences.	No differences were identified as a result of applying this procedure.

(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.

SECTION 2D

Agreed-Upon Procedures and Results

I. Actuarial Liability

<table>
<tr><th>Agreed Upon Procedures Performed</th><th>Results of Procedures</th></tr>
<tr><td>3) Compared the average interest rate and average inflation rate (Cost of Living Adjustment (COLA) and Consumer Price Index – Medical (CPI-Med)) assumptions used in the DOL model as of September 30, 2017, to the average interest rate and average inflation rate (COLA and CPI-Med) assumptions used in the DOL model as of September 30, 2018, and reported any variances.</td><td>The average interest rate and inflation rate variances are as follows:
<table><tr><th>Average Rate</th><th>2018 Rate</th><th>Increase/ (Decrease)</th></tr><tr><td>Interest – compensation</td><td>2.72%</td><td>0.04%</td></tr><tr><td>Interest – medical</td><td>2.38%</td><td>0.16%</td></tr><tr><td>COLA</td><td>2.15%</td><td>(0.02)%</td></tr><tr><td>CPI-Med</td><td>4.03%</td><td>0.16%</td></tr></table></td></tr>
</table>

(continued)

SECTION 2D

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) Obtained the DOL model as of September 30, 2018, and September 30, 2017 and Chargeback Agency Billing List Summary for the years ended September 30, 2018, and September 30, 2017, and performed the following procedures:
a) Calculated the percentage change in the actuarial liability for each agency by subtracting their respective actuarial liability as of September 30, 2017, from the September 30, 2018, balance, based on the DOL model, and by dividing this difference by the actuarial liability balance for the respective agency as of September 30, 2017.
b) Identified agencies whose actuarial liability changed by more than 10 percent during FY 2018.</td><td>As a result of the procedure performed, we identified the following agency that had a change in actuarial liability of greater than 10 percent during fiscal year 2018 and noted the percentage change in benefit payments from September 30, 2017, to September 30, 2018 for this agency.
<table><tr><th>Agency</th><th>Percentage change in actuarial liability</th><th>Percentage change in benefit payments</th></tr><tr><td>AID</td><td>(13.12)%</td><td>(30.57)%</td></tr></table></td></tr>
</table>

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed Upon Procedures Performed	Results of Procedures
c) For those agencies identified in step b) above, calculated the percentage change in benefit payment amounts by subtracting the benefit payment amounts in the *Chargeback Agency Billing List Summary* for the year ended September 30, 2017, for each agency, from the benefit payment amounts in the *Chargeback Agency Billing List Summary* for the year ended September 30, 2018, for the respective agencies and by dividing this difference by the benefit payment amounts for the respective agencies for the year ended September 30, 2017. d) Reported the name of any agency whose actuarial liability changed by more than 10 percent during FY 2018 and the percentage change in the benefit payment for those agencies.	

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed Upon Procedures Performed	Results of Procedures
5) Compared 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, 2018, 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 2019 OMB Mid-Session Review, respectively, and reported any differences.	No differences were identified as a result of applying this procedure.
6) Compared both the benefit payments, by agency, for the chargeback year ended June 30, 2018, and the aggregate benefit payments for the chargeback years ended June 30, 2013, through 2018, used in the DOL model, with the benefit payments, by agency, for the chargeback year ended June 30, 2018, and the aggregate benefit payments for the chargeback years ended June 30, 2013, through 2018, as reported in the *Chargeback Agency Billing List Summary* and reported any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

I. Actuarial Liability

Agreed Upon Procedures Performed	Results of Procedures
7) Compared the estimated benefit payments calculated by the FY 2017 DOL model for the chargeback year ended June 30, 2018, to the actual benefit payments for the chargeback year ended June 30, 2018, from the DOL *Chargeback Agency Billing List Summary.* Identified and reported the agencies for which the benefit payments estimated by the FY 2017 DOL model varied by more than 20 percent and $2 million from the actual benefit payments made during the chargeback year ended June 30, 2018, from the DOL *Chargeback Agency Billing List Summary*.	As a result of the procedure performed, we identified the following agency where the benefit payments estimated by the FY 2017 DOL model for the chargeback year ended June 30, 2018 varied by more than 20 percent and $2 million from the actual benefit payments made during the year ended June 30, 2018, from the DOL *Chargeback Agency Billing List Summary*. **Agency** \| **Difference ($)** | **Difference (%)** PCE | $2,492,878 | 26.58%

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed Upon Procedures Performed	Results of Procedures
8) For a selection of 21 federal agencies, obtained a list of appropriate representatives from the Office of Workers' Compensation Programs (OWCP), and sent letters to confirm the total accounts receivable balances due per the bills sent to the agencies, dated August 13, 2018, for the chargeback year July 1, 2017, through June 30, 2018. Compared the confirmed accounts receivable balances, less any pre-payments received prior to September 30, 2018, to the billed and due in FY 2019 and FY 2020 amounts reported by the OCFO in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2018, posted on the DOL website and reported any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed Upon Procedures Performed	Results of Procedures
9) Recalculated the September 30, 2018, net intra-governmental accounts receivable balances for each agency by: a) adding the bills sent to federal agencies, dated August 13, 2018, to the prior-year ending balance from the *Special Report Relating to the FECA Special Benefit Fund* as of September 30, 2017; 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; c) adding the change in the fourth quarter unbilled accounts receivable from FY 2017; and d) subtracting the FY 2018 credits due from the public reported in the detailed subsidiary ledger. Compared the recalculated September 30, 2018, net intra-governmental accounts receivable balances for each agency to the FY 2018 amount reported in the detailed subsidiary ledger and reported any differences exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.
10) Compared the total recalculated September 30, 2018, net intra-governmental accounts receivable balance to the September 30, 2018, net intra-governmental accounts receivable balance reported in the general ledger and reported any differences exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed Upon Procedures Performed	Results of Procedures
11) Compared the recalculated September 30, 2018, 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, 2018 and reported any differences exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.
12) Compared the total amount on the *Chargeback Agency Billing List Summary for* the period of July 1, 2017, through June 30, 2018, for each agency, less the chargeback amounts coded as non-billable, to the Total Benefit Costs line on the bill sent to the agency dated August 13, 2018, and reported any differences.	No differences were identified as a result of applying this procedure.
13) Compared accrued benefits as of September 30, 2018, recorded on the OCFO *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2018, to the accrual calculation worksheet prepared by DOL as of September 30, 2018, and reported any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

II. Net Intra-governmental Accounts Receivable

Agreed Upon Procedures Performed	Results of Procedures
14) Recalculated the allocation of accrued benefits for each agency as of September 30, 2018, as the ratio between the amount reported for the agency per the Chargeback Period Ending September 30, 2018, column presented in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2018, and the total for all agencies reported in that column. Multiplied the agency's ratio by total accrued benefits presented on the accrual calculation worksheet prepared by DOL. Compared 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, 2018 and reported any differences.	No differences were identified as a result of applying this procedure.
15) Compared the amount per the Chargeback Period Ending September 30, 2018, column presented in the *Liability for Current Federal Employees' Compensation Act Benefits* report as of September 30, 2018, to the FY 2018 fourth quarter benefit payments reported on the *Chargeback Agency Billing List Summary*, less the chargeback amounts coded as non-billable and reported any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
16) Compared 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, 2018, and September 30, 2018, to the gross disbursements (which relate to benefit payments) reported in Treasury's CARS Government-Wide Accounting and Reporting (GWA) Account Statement for the Agency Location Codes (ALCs) assigned to FECA, for the same two months, and reported any differences exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
17) Calculated 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, 2017, through June 30, 2018, and July 1, 2018, through September 30, 2018, and then divided the difference by the total benefit payments per the *Chargeback Agency Billing List Summary* and reported differences for any agency exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
18) For the *Chargeback Reconciliation Reports* for the periods October 1, 2017, through June 30, 2018, and July 1, 2018, through September 30, 2018: a) Compared the total benefit payments in the *Chargeback Agency Billing List Summary* reported in the reconciliation to the actual *Chargeback Agency Billing List Summary*. b) Compared the total benefit payments from the iFECS and CBP databases reported in the reconciliation to the actual iFECS and CBP databases. Identified and reported any differences exceeding 1 percent.	No differences exceeding 1 percent were identified as a result of applying this procedure.

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
19) For all agencies, compared compensation and medical bill payments by agency for the fiscal year ended September 30, 2018, from the *Chargeback Agency Billing List Summary* prepared by DOL, to the compensation and medical bill payments by agency reported for the fiscal year ended September 30, 2017, from the *Chargeback Agency Billing List Summary* prepared by DOL and reported any variances over 10 percent.	As a result of applying this procedure, we identified the following agencies that had variances over 10 percent:

Agency	Variance
EOP	(15.27)%
DOL	10.76%
PCE	(16.24)%
OPC	(27.67)%
OPM	(13.11)%
NRC	(14.57)%
AID	(13.09)%

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
20) For a selection of 81 compensation payments made for initially eligible claimants during the fiscal year ended September 30, 2018, compared beneficiary name, beneficiary social security number (SSN), date of birth, pay rate or grade/step at the time of injury, date of injury or date disability began, dependent information, and employing agency from the applicable Forms CA-1, *Federal Notice of Traumatic Injury and Claim for Continuation of Pay/Compensation,* CA-2, *Notice of Occupational Disease and Claim for Compensation,* CA-5, *Claim for Compensation by Widow, Widower, or Children,* CA-6, *Official Supervisor's Report for Employee's Death,* CA-7 *Claim for Compensation,* and supporting agency wage details to the beneficiary name, beneficiary SSN, date of birth, pay rate or grade/step at the time of injury, date of injury or date disability began, dependent information, and chargeback code in the iFECS database and reported any differences.	No differences were identified as a result of applying this procedure.

(continued)

SECTION 2D

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 a selection of 81 compensation payments for initially eligible claimants during the fiscal year ended September 30, 2018, recalculated the compensation pay rate and benefit amount in accordance with chapter 2-0900 of the FECA Procedure Manual. Compared the recalculated compensation pay rate and benefit amount to the compensation pay rate and benefit amount in the iFECS database and reported any differences.</td><td>As a result of applying this procedure, we noted the following differences between the recalculated pay rate and benefit amount and the iFECS database for one of the selected compensation payments:

<table><tr><th>Compensation Pay Rate Difference</th><th>Benefit Amount Difference</th></tr><tr><td>($44.54)</td><td>($59.36)</td></tr></table></td></tr>
<tr><td>22) For a selection of 125 compensation payments made during the fiscal year ended September 30, 2018 for continuing eligibility and file maintenance, compared 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 and reported any differences in claimant information.</td><td>No differences were identified as a result of applying this procedure to 123 out of 125 compensation payments selected. However, the procedure was not performed for the remaining two payments selected because Form CA-1032 was not available.</td></tr>
</table>

(continued)

SECTION 2D

Agreed-Upon Procedures and Results

III. Benefit Expense

Agreed Upon Procedures Performed	Results of Procedures
23) For a selection of 54 medical payments made during the fiscal year ended September 30, 2018, compared 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 and reported any differences.	No differences were identified as a result of applying this procedure.
24) Compared the FY 2018 fourth quarter benefit expense estimate as reported in the OCFO *Liability for Current Federal Employees' Compensation Act Benefits* report to the sum of the actual FY 2018 fourth quarter benefit expenses recorded in the iFECS and CBP databases and reported any differences.	As a result of applying this procedure, we noted that the FY 2018 fourth quarter benefit expense estimate as reported on the *Liability for Current Federal Employees' Compensation Act Benefits* was less than the FY 2018 benefit expenses recorded in the iFECS and CBP databases by $16,336.

Appendix

ACRONYMS and ABBREVIATIONS

AID	U.S. Agency for International Development
CARS	Central Accounting Reporting System
CBP	Central Bill Processing System
CFO Act	Chief Financial Officers Act
COLA	Cost-of-Living Adjustment
CPI-Med	Consumer Price Index for Medical
DOL	U.S. Department of Labor
EOP	Executive Office of the President
FECA	Federal Employees' Compensation Act
FY	Fiscal Year
CBO	Congressional Budget Office
iFECS	Integrated Federal Employees' Compensation System
IPAC	Intragovernmental Payment and Collection
NRC	Nuclear Regulatory Commission
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget
OPC	Office of Peace Corps
OPM	Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PCE	Peace Corps Enrollees
SSN	Social Security Number
USPS	U.S. Postal Service
WHCA	War Hazards Compensation Act

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