

Management's Discussion and Analysis

Mission, Vision and Organization

Mission

The Department of Labor promotes the welfare of the job seekers, wage earners, and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other national economic measurements.

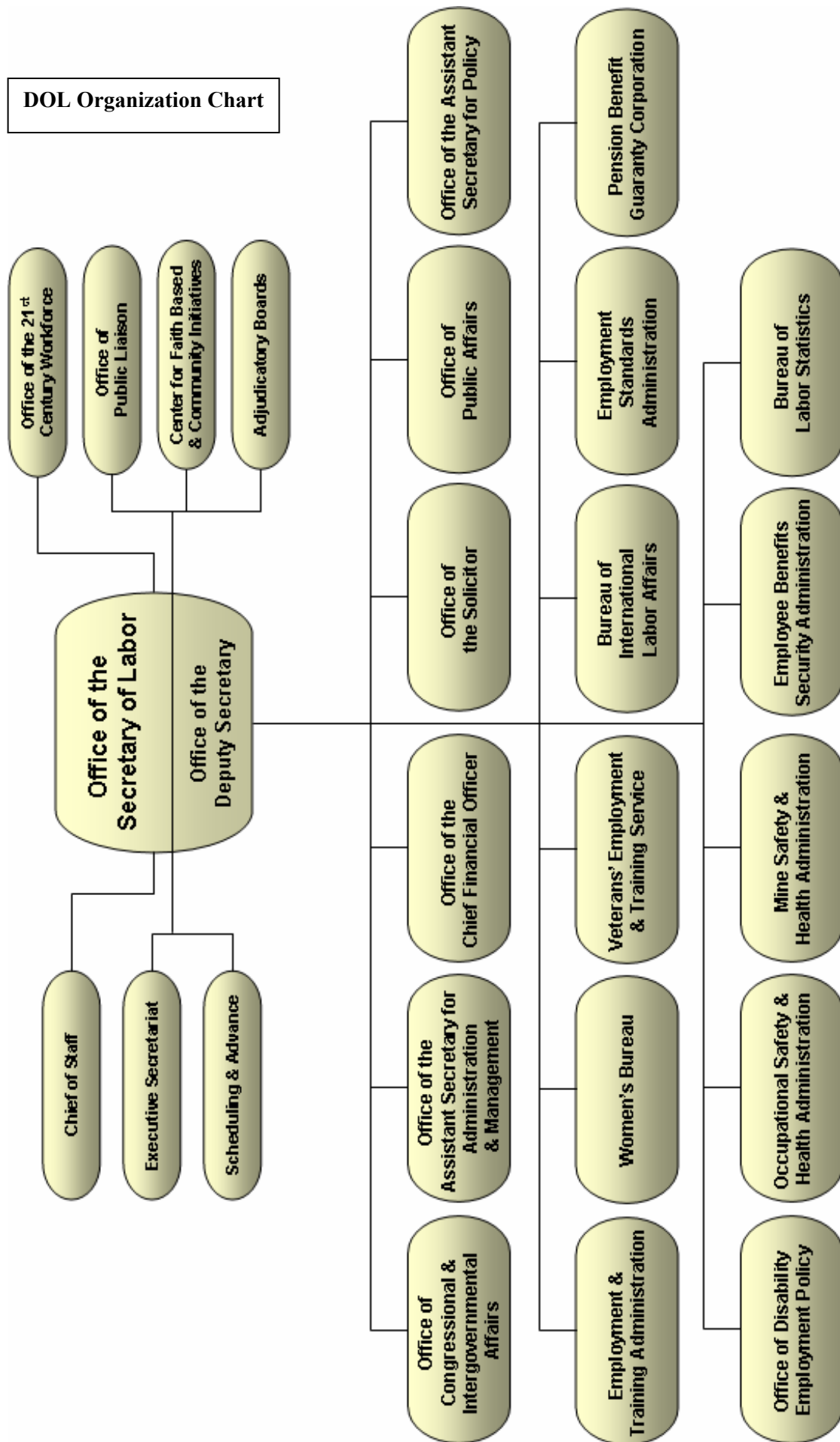
Vision

We will promote the economic well-being of workers and their families; help them share in the American dream through rising wages, pensions, health benefits and expanded economic opportunities; and foster safe and healthful workplaces that are free from discrimination.

Organization

The Department of Labor is organized into component agencies and offices that administer the various statutes and programs for which the Department is responsible. These programs are carried out through a network of regional offices and smaller field, district, and area offices, as well as through grantees and contractors. The largest program agencies, each headed by an Assistant Secretary or Commissioner, are the Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), Pension Benefit Guaranty Corporation (PBGC), Employment Standards Administration (ESA), Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), and Bureau of Labor Statistics (BLS). An organization chart and agency mission statements appear on the following pages.

DOL Organization Chart



Agency Missions

Bureau of Labor Statistics (BLS)

To produce, analyze, and disseminate essential and accurate statistical data in the field of labor economics to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor.

Employee Benefits Security Administration (EBSA)

To protect the retirement, health, and other benefits of over 150 million participants and beneficiaries in private sector employee benefit plans.

Employment Standards Administration (ESA)

To protect the welfare and rights of, and generate equal employment opportunity for, American workers by promoting compliance with the various laws that it administers; and to provide the best possible program for income replacement, medical treatment, and rehabilitation for injured Federal workers, longshore workers, and miners.

Employment and Training Administration (ETA)

To contribute to the more efficient functioning of the U.S. labor market by providing high quality job training, employment, labor market information, and income maintenance services primarily through State and local workforce development systems.

Bureau of International Labor Affairs (ILAB)

To carry out the Secretary's international responsibilities, develop Departmental policy and programs relating to international labor activities, and coordinate Departmental international activities involving other U.S. Government agencies, intergovernmental organizations, and non-governmental organizations.

Mine Safety and Health Administration (MSHA)

To protect the safety and health of the Nation's miners by assuring compliance with Federal safety and health standards through inspections and investigations and working cooperatively with the mining industry, labor, and the States to improve training programs aimed at preventing accidents and occupationally-caused diseases.

Office of the Assistant Secretary for Administration and Management (OASAM)

To develop and promulgate policies, standards, procedures, systems, and materials related to the resource and administrative management of the Department and ensure execution of such policies and directives. OASAM provides leadership and policy guidance in support of the President's Management Agenda, including the Department's efforts to achieve "green" scores on the Executive Branch Management Scorecard. In addition, OASAM produces the Department's Strategic Plan and Annual Performance and Accountability Report.

Office of the Assistant Secretary for Policy (OASP)

To provide advice and assistance to the Secretary and Deputy Secretary in a number of areas, including policy development, regulations, program implementation, compliance assistance strategies, program evaluations, research, budget and performance analysis, and legislation.

Office of the Chief Financial Officer (OCFO)

To shape a fiduciary environment where decision makers readily have and actively use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.

Office of Congressional and Intergovernmental Affairs (OCIA)

To provide direction and coordination for congressional and intergovernmental liaison and outreach activities for the Department of Labor. OCIA assists the Secretary, Deputy Secretary, agency heads, and Departmental staff to develop effective programs and strategies to promote the Department's goals and objectives on Capitol Hill as well as among State and local officials.

Office of Disability Employment Policy (ODEP)

To provide leadership to increase employment opportunities for adults and youth with disabilities on both the supply and demand sides of the labor market, by expanding access to training, education, employment supports, assistive technology, integrated employment, entrepreneurial development, and small-business opportunities; and by building

partnerships with employers and State and local agencies to increase awareness of the benefits of hiring people with disabilities, and to facilitate the use of effective strategies related to employment of people with disabilities.

Office of Inspector General (OIG)

To serve the American worker and taxpayer by conducting audits, investigations, and evaluations that result in improvements in the effectiveness, efficiency, and economy of Departmental programs and operations; prevent fraud and abuse in DOL programs and labor racketeering in the American workplace; and provide advice to the Secretary and the Congress on how to attain the highest possible program performance.

Office of Public Affairs (OPA)

To develop and implement policies and standards governing information and public affairs activities carried out by the Department, including planning and management of comprehensive national and regional public affairs programs and activities in support of the Secretary's goals and Departmental programs and activities. OPA also manages DOL's Internet and Intranet web sites to ensure that content and services are accurate, timely, regularly updated and aligned with the Department's mission and Secretarial goals.

Occupational Safety and Health Administration (OSHA)

To assure so far as possible for every working man and woman in the Nation safe and healthful working conditions. This includes such strategies as rulemaking, enforcement, compliance assistance, outreach, and partnerships to enable employers to maintain safe and healthful workplaces.

Pension Benefit Guaranty Corporation (PBGC)

To protect retirement-plan participants' pension benefits and support a healthy retirement plan system by encouraging the continuation and maintenance of private pension plans; protecting pension benefits in ongoing plans; providing timely payments of benefits in the case of terminated pension plans; and making the maximum use of resources and maintaining premiums and operating costs at the lowest levels consistent with statutory responsibilities.

Office of the Solicitor (SOL)

To ensure that the Nation's labor laws are forcefully and fairly applied in implementing the priority enforcement initiatives of and defending the actions taken by the Department; and to advise agency officials on legal matters, including the development of regulations, standards, and legislation.

Veterans' Employment and Training Service (VETS)

To provide veterans and transitioning service members with the resources and services to succeed in the 21st century workforce by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans.

Women's Bureau (WB)

To improve the status of wage-earning women, improve their working conditions, increase their efficiency, and advance their opportunities for profitable employment.

Executive Summary

Introduction

This report, prepared in accordance with the Reports Consolidation Act of 2000, presents the results of the Department of Labor's (DOL) program and financial performance for FY 2005. It is divided into four sections:

- The *Secretary's Message* is a letter from the chief executive that identifies the Department's "bottom line" at the mission level. It includes highlights of achievements for the year and communicates direction and priorities.
- *Management's Discussion and Analysis* (MD&A) introduces the Department's mission, vision and organization, summarizes program and financial performance, and addresses major management challenges. The MD&A also reports on DOL's progress in implementing the President's Management Agenda.
- The *Performance Section* narratives and graphic presentations of program results assess progress in achieving the Department's goals as presented in the Strategic Plan and Performance Budget.
- The *Financial Section* demonstrates our commitment to effective stewardship over the funds DOL receives to carry out the mission of the Department, including compliance with relevant financial management legislation. It includes the *Independent Auditor's Report* – an independent opinion on the Financial Statements provided by the Department's Office of Inspector General (OIG); *Management and Performance Challenges* – a report on the top management issues identified by the OIG and the Department's progress in resolving them; and the *Annual Financial Statements*.

In addition, five *Appendices* supplement the performance and financial sections by providing detailed performance information, summaries of significant audits and evaluations, additional information on improper payments reduction, a list of acronyms and a list of Web sites featuring labor programs and issues.

Performance Section

FY 2005 marks the seventh year that the Department of Labor has reported program results under the Government Performance and Results Act (GPRA). Program goals that are key to the accomplishment of Departmental strategic and outcome goals as presented in the FY 2003-2008 Strategic Plan¹ were selected for inclusion in the Department's FY 2006 Performance Budget Overview². These performance goals and their indicators provide the basis for assessments of the Department's effectiveness in this section.

This report includes performance goals from two different reporting periods in that Workforce Investment Act (WIA) programs are "forward-funded," meaning that their spending and performance goals are tracked on a cycle that lags the Federal Fiscal Year (FY) by nine months. This period is referred to as a Program Year (PY); such goals being reported on in this document cover July 1, 2004 to June 30, 2005 (PY 2004). PY 2005 goals will appear in the FY 2006 report.

The Department's goal structure has three levels. Strategic goals describe general aims that emerge from the Department's mission. Each of these goals in turn has several outcome goals that define general results DOL agencies can influence. These are long term objectives that in most cases involve more than one DOL agency. Finally, performance goals that support each outcome goal provide program-level clarity of purpose. Each performance goal has associated indicators and targets to measure our impact on a continuous basis.

Program Performance Overview

DOL's four strategic goals – *A Prepared Workforce*, *A Secure Workforce*, *Quality Workplaces* and *A Competitive Workforce* – express outcomes associated with our mission, vision and theme, and serve to focus Departmental efforts on the links between activities and their higher purpose. The table below indicates FY 2005 program performance goal achievement by strategic goal.

Of the 25 performance goals on which DOL is reporting in FY 2005, the Department achieved nine, substantially achieved³ six and did not achieve ten. The percentage achieved or substantially achieved totals 60 percent – comparable to the FY 2004 average of 63 percent (19 of the 30 performance goals supporting DOL strategic goals).

DOL Strategic Goal	Achieved	Substantially Achieved	Not Achieved	Total
Goal 1 – A Prepared Workforce <i>Enhance Opportunities for America's Workforce</i>	4	1	4	9
Goal 2 – A Secure Workforce <i>Promote the Economic Security of Workers and Families</i>	2	3	1	6
Goal 3 – Quality Workplaces <i>Foster Quality Workplaces that are Safe, Healthy and Fair</i>	2	1	3	6
Goal 4 – A Competitive Workforce <i>Maintain Competitiveness in the 21st Century Economy</i>	1	1	2	4
Total	9	6	10	25

Below is a breakdown, by strategic goal, of FY 2005 achievements and significant developments. A tally of goals achieved, while providing an indication of whether DOL is on schedule with its plan, does not convey any actual performance information. To understand what was achieved in terms of benefits to the public, it is necessary to look not just at whether targets were reached but also at whether observed results indicate positive program impacts. The following summaries focus on significant trends and their implications. Tables present the goal number, responsible agency, goal statement, and result for each performance goal being reported on in this document. The first two digits

¹ http://www.dol.gov/_sec/stratplan/main.htm

² http://www.dol.gov/_sec/Budget2006/overview-pb.htm#app1

³ The assessment category of substantially achieved recognizes results that were very close, which is defined as 80 percent of targeted year-on-year improvement.

of each goal number indicate the funding year. In this report, all “04” goals are reporting on the Program Year period defined above.

Strategic Goal 1 – A Prepared Workforce

As indicated in the Program Performance Goal Achievement table above, DOL had nine performance goals under this strategic goal in FY 2005, of which five were achieved or substantially achieved (56 percent) – slightly below the Department wide average. However, the percentage of goals achieved understates progress, since at the indicator level, 37 of 41 targets were reached (90 percent). Entered employment, retention, education and earnings change, job training common measures tracked in most of the programs supporting this goal, improved over prior year results in every case. Although improving economic conditions helped, DOL had a significant role in facilitating more integrated employment and training service delivery by State Workforce Agency partners and encouraging them to focus on high growth occupations and industries in placement and training services. In addition, Office of Disability Employment Policy pilot programs exceeded expectations for identifying effective practices, and the Bureau of Labor Statistics improved its accuracy over FY 2004 results.

Budget structures for Workforce Investment Act employment and training programs continue to inhibit program performance by duplicating services and necessitating excessive expenditure on administration. DOL has proposed legislation to consolidate several funding streams. Another noteworthy challenge is the Job Corps program’s review of asset management practices for its residential training centers, which the Office of Inspector General has suggested could be a source of improved efficiency.

Goal # Agency	Performance Goal	Result
04-1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.	Achieved
04-1.1B ETA	Improve the outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	Not Achieved
04-1.1C ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program.	Not Achieved
04-1.1D VETS	Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ services.	Achieved
05-1.1A ETA	Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21 st Century.	Achieved
05-1.1B ODEP	Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing testing, and disseminating effective practices.	Achieved
04-1.2A ETA	Increase placements and educational attainments of youth served through the WIA youth program.	Not Achieved
04-1.2B ETA	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.	Not Achieved
05-1.3A BLS	Improve information available to decision-makers on labor market conditions, and price and productivity changes.	Substantially Achieved

Strategic Goal 2 – A Secure Workforce

Of six performance goals, DOL achieved or substantially achieved five (83 percent) – well above the Departmental average of 60 percent. Worker protection targets for processing timeliness, compliance with wage and hour regulations and union report transparency were all reached or substantially reached. In the worker benefits outcome goal, results were better than they appear. Unemployment Insurance (UI) system performance was very good, thanks in part to improving economic conditions. The Federal workers’ compensation program results for return to work, reducing program expenses and customer service met expectations, overall. DOL’s Employee Benefit Security Administration’s (EBSA) enforcement efforts were successful by all measures. The Pension Benefit Guaranty

Corporation (PBGC), while improving satisfaction of plan participants, slipped a bit in the judgment of its practitioner (employer) customers.

The most significant concerns in this area are focused on solvency of the large trust funds for unemployment and pension benefits and integrity of payments to millions of beneficiaries annually by the UI system. To improve UI financial integrity, DOL is establishing processes for improving education of beneficiaries and assessments of their needs for reemployment services and continued eligibility. To improve defined benefit plan security, DOL included in the President's FY 2006 Budget to Congress a proposal to strengthen plan funding rules, improve transparency, and reform the premium structure for insurance provided by PBGC.

Goal # Agency	Performance Goal	Result
05-2.1A ESA	American workplaces legally employ and compensate workers.	Achieved
05-2.1B ESA	Ensure union financial integrity, democracy and transparency.	Substantially Achieved
05-2.2A ETA	Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up unemployment tax accounts promptly for new employers.	Substantially Achieved
05-2.2B ESA	Minimize the impact of work-related injuries.	Substantially Achieved
05-2.2C EBSA	Secure pension, health and welfare benefits.	Achieved
05-2.2D PBGC	Improve service to pension plan customers.	Not Achieved

Strategic Goal 3 – Quality Workplaces

DOL achieved or substantially achieved three of six performance goals (50 percent), which is below the Departmental average of 60 percent. Progress was made in workplace safety and health; fatalities were slightly more frequent but overall injury and illness incidence rates continued to fall, in part due to partnerships with employers and employees and better enforcement targeting. Dramatic, and in some cases record lows, in mine industry injury and fatality rates can be attributed in part to DOL strategies addressing the human factors that impact safety and health decisions of mine operators and miners. Illegal discrimination by contractors remained very rare, and veterans' cases were resolved timely despite increased volume and complexity of complaints due to reserve mobilizations connected with the war in Iraq. Finally, DOL-funded international labor programs continued to demonstrate success by, for example, removing thousands of children from exploitive work and improving work conditions for the vast majority of those targeted for assistance.

A current DOL occupational safety and health challenge is obtaining timely outcome data. The latest available data on non-mining occupational injuries and illnesses are two years old. Mine safety challenges include developing strategies to reduce risks associated with the influx of inexperienced workers that accompanies growth in coal production. Reemployment issues for armed service members continue to emerge with continuation of the war in Iraq. Beginning in FY 2006, the Veterans' Employment and Training Service will monitor Guard and Reserve mobilization and demobilization figures to anticipate needs.

Goal # Agency	Performance Goal	Result
05-3.1A OSHA MSHA	OSHA: Reduce work-related fatalities. Target not reached MSHA: Reduce work-related fatalities. Target reached	Not Achieved

Goal # Agency	Performance Goal	Result
05-3.1B OSHA MSHA	OSHA: Reduce work-related injuries and illnesses. Target reached MSHA: Reduce work-related injuries and illnesses. Targets not reached	Not Achieved
05-3.2A ESA	Federal contractors achieve equal opportunity workplaces.	Achieved
05-3.2B VETS	Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	Not Achieved
05-3.3A ILAB	Contribute to the elimination of the worst forms of child labor internationally.	Substantially Achieved
05-3.3B ILAB	Improve living standards and conditions of work internationally.	Achieved

Strategic Goal 4 – A Competitive Workforce

Of four performance goals, DOL achieved one and substantially achieved one (50 percent) – below the Departmental average of 60 percent. Nevertheless, more indicator targets were reached than not reached (14 vs. 4), and significant progress was made in making America's workforce more competitive by a number of measures. Workforce Information job listings, resume searches and Occupational Information Network resource quality and traffic all posted impressive increases. Foreign Labor Certification (FLC) processing improved over FY 2004 and Trade Adjustment Assistance (TAA) continued to improve participants' employment, retention and earnings. Child labor regulations were updated to eliminate confusion, and DOL proposed a rule to allow financial institutions to distribute the assets of abandoned individual pension plans to participants and beneficiaries. Significant improvement efforts under way include Workforce Information integration of services in programs funded by the Workforce Investment Act and the Wagner-Peyser/VETS-funded employment services; FLC fraud detection/prevention and backlog elimination; and TAA data quality initiatives.

Goal # Agency	Performance Goal	Result
04-4.1A ETA	Build a demand-driven workforce system by increasing accessibility to workforce information.	Substantially Achieved
04-4.1B ETA	Assist employers in meeting their workforce needs by providing them with expeditious determinations on their applications to hire foreign workers.	Not Achieved
05-4.1B ETA	Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.	Not Achieved
05-4.2A OASP	Maximize regulatory flexibility and benefits and promote flexible workplace programs.	Achieved

The next table lists Program Year 2005 goals (July 1, 2005 – June 30, 2006) for which results will be reported in the FY 2006 Performance and Accountability Report.

Goal# Agency	Performance Goal
05-1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.
05-1.1B ETA	Improve the outcomes for job seekers and employers who receive public labor exchange services.
05-1.1C ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act dislocated worker program.

Goal# Agency	Performance Goal
05-1.1D VETS	Increase the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services.
05-1.2A ETA	Increase placements and educational attainments of youth served through the WIA youth program.
05-1.2B ETA	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.
05-4.1A ETA	Build a demand driven workforce.
05-4.1B ETA	Increase accessibility to workforce information.

Costs⁴ devoted toward achieving the Department's strategic goals (see table below) are dominated by the second goal, *A Secure Workforce*, for which net costs in FY 2005 amounted to \$40.811 billion – 82 percent of the total, \$49.912 billion. Ninety two percent (\$37.7 billion) of net costs associated with Strategic Goal 2 were for benefit payments to unemployed workers or workers disabled as a result of work-related injuries or illnesses. The first goal, *A Prepared Workforce*, required \$6.865 billion (14 percent), mostly grants to States and other organizations for job training and a host of employment-related services. Approximately \$1.062 billion (2 percent) went toward the third goal, *Quality Workplaces*, to fund direct services (such as salaries of Federal employees) aimed at improving safety and health in the workplace. The fourth goal, *A Competitive Workforce*, accounted for \$1.163 billion, two percent of the total, which went toward programs aimed at building a demand-driven workforce system.

DOL Program Net Costs (Millions of Dollars)			
Goal	FY 2003	FY 2004	FY 2005
Strategic Goal 1: A Prepared Workforce	\$6923	\$8654	\$6865
Outcome Goal 1.1 – Increase Employment, Earnings, and Assistance	\$3433	\$5412	\$3874
Performance Goal 04-1.1A (WIA adult)	–	–	922
Performance Goal 04-1.1B (One-Stop employment services)	–	–	725
Performance Goal 04-1.1C (WIA dislocated worker)	–	–	1455
Performance Goal 04-1.1D (VETS employment services)	–	–	196
Performance Goal 05-1.1A (Apprenticeship)	–	–	23
Performance Goal 05-1.1B (ODEP)	–	–	52
Other (Senior Community Service Employment Program, Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, etc.)	–	–	503
Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work	\$2957	\$2703	\$2455
Performance Goal 04-1.2A (WIA youth)	–	–	987
Performance Goal 04-1.2B (Job Corps)	–	–	1313
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)	–	–	155
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy	\$533	\$539	\$536
Performance Goal 05-1.3A (BLS)	–	–	536

⁴ Net cost data are presented. *Net Cost* reflects the *full cost* of each program as assigned by DOL entities to the Department's outcome goals *less* any exchange revenue earned. *Full cost* consists of (a) both direct and indirect costs, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities.

DOL Program Net Costs (Millions of Dollars)			
Goal	FY 2003	FY 2004	FY 2005
Strategic Goal 2: A Secure Workforce	\$59,969	\$46,957	\$40,811
Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws	\$273	\$296	\$277
Performance Goal 05-2.1A (Wage and Hour)	–	–	214
Performance Goal 05-2.1B (Labor-Management Standards)	–	–	63
Outcome Goal 2.2 – Protect Worker Benefits ⁵	\$57,718	\$46,661	\$40,534
Performance Goal 05-2.2A (Unemployment Insurance)	–	–	34,243
Performance Goal 05-2.2B (Workers' compensation)	–	–	6131
Performance Goal 05-2.2C (EBSA)	–	–	160
Outcome Goal 2.3 – Increase Employment and Earnings for Retrained Workers	\$1978	–	–
Strategic Goal 3: Quality Workplaces	\$991	\$1021	\$1062
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities	\$815	\$812	\$823
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces	\$118	\$112	\$115
Performance Goal 05-3.2A (Federal Contractor Compliance)	–	–	99
Performance Goal 05-3.2B (USERRA)	–	–	16
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets	\$58	\$97	\$124
Performance Goal 05-3.3A (Child Labor)	–	–	74
Performance Goal 05-3.3B (International Labor Standards)	–	–	43
Other (Other ILAB programs)	–	–	7
Strategic Goal 4: A Competitive Workforce	–	\$6	\$1163
Outcome Goal 4.1 – Build a Demand-Driven Workforce System to Address Worker Shortages and Equip Workers to Adapt to the Competitive Challenges of the 21 st Century	–	–	\$1163
Performance Goal 04-4.1A (Workforce Information)	–	–	106
Performance Goal 05-4.1A (Foreign Labor Certification)	–	–	60
Performance Goal 05-4.1B (Trade Adjustment Assistance)	–	–	846
Other (Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, and H-1B Technical Skills Training)	–	–	151
Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden ⁶	–	\$6	–
Costs Not Assigned to Goals	\$44	\$38	\$11
Total ⁷ (may not be equal to sum of individual goal totals due to rounding)	\$67,927	\$56,676	\$49,912

Charts that display net costs from FY 1999-FY 2005 to illustrate trends are provided in each outcome goal summary; brief explanations of significant changes since FY 2004 are provided, as well. This is the first year for which DOL has had the capability of reporting costs at the performance goal level – thanks to more sophisticated cost models in

⁵ Costs for Performance Goal 05-2.2D (PBGC) are not included because the corporation's financial statements are separate from those of the Department and are not included in this document.

⁶ Costs associated with this goal in FY 2004 were allocated to program performance goals in FY 2005. See the explanation in the Outcome Goal 4.2 narrative under Net Cost of Programs.

⁷ The total net costs for FY 2005 included in this table are \$452 million less than the total net costs included in the Consolidated Statements of Net Cost as certain costs in this table are presented on a program year basis vs. a fiscal year basis in the Consolidated Statements of Net Cost.

our managerial cost accounting system, Cost Analysis Manager (CAM), that describe relationships between resources, activities, outputs and performance goals.

Reporting Performance Results

The Performance Section presents, by strategic goal, summaries of performance at each level. Each strategic goal section is introduced by an overview of the goal, its component outcome goals, results for FY 2005 and near term plans for improvement. Each outcome goal section similarly begins with a summary of results, adds net cost information and highlights and concludes with a brief discussion of future plans. Finally, within each outcome goal section are individual performance goal narratives that present results, describe the program and its operating environment, analyze performance and disclose management issues such as data quality and studies of program cost-effectiveness. Appendix 1 contains performance goal histories and Appendix 2 summarizes significant audits and evaluations of DOL programs completed during FY 2005 that have implications for performance goals.

Performance measurement is inherently difficult, especially for a large, diverse organization like DOL that works to accomplish its mission indirectly – in partnership and by assisting others. The Department seeks continuous improvement in its selection of indicators and in policies and procedures for collecting and reporting program performance data so that managers and other decision makers can rely on them. However, each program must consider the costs and benefits of gathering and managing such information. Changes take time to implement and reporting requirements can impose considerable burdens on staff, partners, beneficiaries and regulated entities. Timeliness is another important consideration in utility of performance data; most programs use real-time, monthly and quarterly reporting systems and estimate/reconcile annual totals or averages.

New indicators often lack data needed to establish targets. For such indicators, the first year's target may be to establish a baseline, and thus the Department gives the program a positive rating for gathering the data as planned and establishing targets for the subsequent year.



The Office of Inspector General assesses the internal controls of DOL agencies – systems used to validate, verify and record data submitted by field staff and partners (e.g., grantees). These systems are identified as Data Sources in Appendix 1 at the bottom of each performance goal history. Material inadequacies, if any, are disclosed in this report in the Secretary's Message. Lack of findings does not imply that data are factual; we can only infer that current practices and data are acceptable given available knowledge and resources. In other words, unless noted otherwise, performance data in this report should be considered sufficiently accurate and timely.

Financial Section

Financial Performance Report

At the end of FY 2004, the Department received green on the President’s Management Agenda (PMA) scorecard for financial management. Since then, the Office of the Chief Financial Officer (OCFO) under the direction of the Secretary has devoted significant resources to secure its achievement of excellence in financial management in the Federal Government. Successes include updating the Department’s Cost Accounting Manager (CAM) models for all participating agencies, providing accurate and timely financial statements on a quarterly basis, migrating the Department’s payroll function to the National Finance Center, and beginning the implementation of a new core financial management system. While working on these key initiatives, the OCFO anticipated the new requirements related to internal controls by preparing and submitting an implementation plan to the Office of Management and Budget (OMB). As in previous years, the Department’s financial systems remained in substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), ensuring that the systems support full disclosure of the costs of the Department’s programs and activities. In addition, the Department continued to comply with the Federal Managers’ Financial Integrity Act (FMFIA), a sign that the Department’s accounting systems and internal controls were sufficient to safeguard its resources. Further, no material weaknesses were found in the audit of the Department’s financial statements for the fiscal year ended 2005.

Financial Management Scorecard (as of 9/30/05)

<p>Current Status</p> 	<ul style="list-style-type: none"> • Received ninth consecutive unqualified and timely audit opinion on annual financial statements; no material auditor-reported internal control weaknesses. • Produced accurate and timely financial information that is used by management to drive results in key areas of operations. • Integrated financial and performance management systems to support day-to-day operations. • Met FFMIA requirements.
<p>Continued Progress</p> 	<p><i>To Implement a New Core Financial Management Information System:</i></p> <ul style="list-style-type: none"> • Select Center of Excellence <p><i>To Integrate Financial Data into Management:</i></p> <ul style="list-style-type: none"> • Complete design of working capital fund model. • Continue efforts to automate non-financial data. • Revise CAM models to support Budget and Performance Integration (BPI) efforts. <p><i>To Implement OMB A-123 revisions</i></p> <ul style="list-style-type: none"> • Assess, test, and report on the adequacy of the Department’s internal controls.

For the ninth consecutive year, the Department received an unqualified opinion on its consolidated financial statements. During FY 2005, the OCFO provided timely quarterly audited financial statements to OMB, 21 days after the end of each quarter.

The Department successfully implemented CAM, its managerial cost accounting system. CAM supports decision-making by providing program managers with cost of outputs and activities to better understand the cost of programs from an operational perspective. CAM information will be used to support Departmental initiatives related to Budget and Performance Integration and OMB PART efficiency measures.

The Department continues to work on the implementation of a new core financial management information system that will provide readily available, transparent data to managers and decision-makers for use on a day-to-day basis. This JFMIP-compliant COTS package will make available timely, accurate, and reliable financial information, and will provide the tools to conduct sophisticated financial analyses to better manage program resources. This will result in an increased use of integrated financial and performance information that will empower superior decision making through better business intelligence. When fully implemented, the new system will be a strategic asset for the Department allowing managers to create customized reports online at their desktops to meet their management needs in real time. The Department’s new core financial management system will be hosted by a Center of Excellence (CoE). The CoE is scheduled to be selected in FY 2006.

The Department is committed to implementing the requirements outlined in the revised OMB's Circular A-123, Management's Responsibility for Internal Control over Financial Reporting. Strong internal controls already exist in the Department as evidenced by numerous clean audit opinions and no material weaknesses. OCFO continues to administer a Quarterly Financial Management Certification program, which requires managers at all levels to attest to the adequacy of program controls. OCFO will continue to work with program agencies to ensure effective management controls over program resources, financial systems and reporting. The Department has developed an implementation plan to establish an oversight committee consisting of representatives from the financial, administrative and information systems communities. OCFO will build upon existing processes to meet the requirements of A-123. The result of these efforts will support the Secretary's annual FMFIA certification in the Performance and Accountability Report. Internal controls improve transparency to the public ensuring that resources are being wisely used to bring results that support the Department's strategic goals – *A Prepared Workforce, A Secure Workforce, Quality Workplaces, and A Competitive Workforce*.

Financial Statement Presentation

We are proud to report our ninth consecutive unqualified audit opinion issued by the Department's Office of Inspector General (OIG). Annually, we are challenged with improving and maintaining financial management practices and policies. This independent assessment provides assurance that the money entrusted to the Department's stewardship is accounted for properly.

The principal financial statements summarize the Department's financial position, net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2005 and FY 2004. Highlights of the financial information presented in the principal financial statements are shown below:

Financial Position

The Department's Balance Sheet presents its financial position through the identification of agency assets, liabilities and net position. Total assets increased from \$62.4 billion at the end of FY 2004 to \$71.5 billion in FY 2005 primarily due to the increase in unemployment taxes. Seventy seven percent of assets are invested in U.S. Government securities, compared to 73 percent in FY 2004. Liabilities totaled \$20 billion and \$15 billion at the end of FY 2005 and FY 2004 respectively, leaving a difference, or net position, of \$51.4 billion and \$47.4 billion at the end of each year.

Balance Sheet (in thousands)	
Fund Balance with Treasury	\$ 9,219,660
Investments	\$54,952,644
Accounts Receivable	\$ 5,034,288

Net Cost of Operations

Crosscutting Programs (in thousands)	
Income Maintenance	\$42,236,284
Employment and Training	\$ 6,009,384
Labor, Employment and Pension Standards	\$ 714,351
Worker safety and health	\$ 794,420
Statistics	\$ 525,011

The total net cost of operations in FY 2005 was \$50.4 billion, an 11 percent decrease from the prior year. This decrease in program costs is mainly attributable to a decrease in unemployment claims during the fiscal year.

Income Maintenance programs continue to comprise the major portion of costs. These programs include costs such as unemployment benefits paid to individuals who are laid off or out

of work and seeking employment as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job.

Employment and training programs comprise the second largest cost. These programs are designed to help individuals deal with the loss of a job, research new opportunities, find training to acquire different skills, start a new job, or make long-term career plans.

Financing

The Statement of Financing reconciles the net cost of operations with the obligation of budgetary resources. The Department’s operations are funded primarily by Unemployment Insurance (UI) program employer taxes, appropriations received, and investment interest earned from various trust funds.

Statement of Budgetary Resources



This statement reports the amount of resources received to effectively carry out the activities of the Department as well as the status of these resources at the end of the fiscal year. The Department had direct obligations of \$51.3 billion in FY 2005, a decrease of \$10.3 billion from FY 2004.

Limitations on the Principal Financial Statements

As required by the Government Management Reform Act of 1994 (31 U.S.C. 3515 (b)), the principal financial statements report the Department’s financial position and results of operations. While the statements have been prepared from the Department’s books and records, in accordance with formats prescribed by OMB, the statements differ from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity, and that liabilities reported in the financial statements cannot be liquidated without legislation providing resources to do so.

IPIA Compliance

Eliminating Improper Payments (as of 9/30/05)

<p>Current Status</p> 	<ul style="list-style-type: none"> • Corrective action plan in place with OMB approved targets • Evidence that improper payment reduction targets are being met. • Recovery targets in place and evidence that targets are being met.
<p>Continued Progress</p> 	<ul style="list-style-type: none"> • Work with OMB on WIA and FECA measurement and reporting requirements based on FY 2005 results. • Continue to roll-out the National Database for New Hires cross-match across multiple States for the Unemployment Insurance program.

Over the past several years, identifying and reducing improper payments has been a major financial management focus of the Federal Government. A PMA key component is to improve agency financial performance through reductions in improper payments. OMB originally provided Section 57 of Circular A-11 as guidance for Federal agencies to identify and reduce improper payments for selected programs.⁸ The Improper Payments Information Act of 2002 (IPIA) broadened the original erroneous payment reporting requirements to programs and activities beyond those originally listed in Circular A-11.

IPIA defines improper payments as those payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient. IPIA requires a Federal agency to identify all of its programs that are risk susceptible to improper payments. It also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets. The act also requires the agency to report annually on the extent of its improper payments and the actions taken to increase the accuracy of payments.

⁸ Section 57 identified Unemployment Insurance (UI), Federal Employees’ Compensation Act (FECA) and Workforce Investment Act (WIA) as programs required to report annual erroneous payments.

To coordinate and facilitate the Department's efforts under IPIA, the Chief Financial Officer (CFO) is the Erroneous Payment Reduction Coordinator for the Department. OCFO worked with program offices to develop a coordinated strategy to perform annual reviews for all programs and activities susceptible to improper payments. This cooperative effort included developing actions to reduce improper payments, identifying and conducting ongoing monitoring techniques, and establishing appropriate corrective action initiatives.

Methodology

Due to the inherent differences in managing and accounting for funds in a benefit versus a grant program, the Department conducted its FY 2005 risk assessment using different methodologies to assess their improper payment risk. Per OMB guidance, all Section 57 programs are deemed to be high risk irrespective of the determined improper payment error rate. The Department has two Section 57 benefit programs, Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA). It also has one Section 57 grant program, Workforce Investment Act (WIA).

FY 2005 benefit programs with FY 2004 outlays totaling less than \$200 million were deemed to be low risk, unless a known weakness existed in the program management based on reports issued by oversight agencies such as the Department's Inspector General (IG) and/or the U.S. Government Accountability Office (GAO). Hence, these benefit programs were not statistically sampled. For benefit programs with outlays greater than \$200 million, the Department conducted sampling to determine their improper payment rates. This sampling included FECA, UI, Black Lung Disability Trust Fund, and Energy Employees Occupational Illness Compensation Fund. UI was the only program determined to be susceptible to risk⁹ as a result of this approach. However, the Department is also reporting on FECA's improper payment rate since it is a Section 57 designated program.

As mentioned earlier, the Department used a separate methodology to assess the risk of improper payments in grant programs except for Job Corps which was sampled. The Department analyzed all FY 2003 Single Audit Reports¹⁰ to identify questioned costs, which were used as a proxy for improper payments, and to estimate an approximate risk for each of the Department's grant programs. The improper payment rate was determined by calculating the projected questioned costs and dividing this total projection by the corresponding outlays.¹¹ All error rates were determined to be well below the 2.5 percent threshold; therefore, no grant programs were determined to be susceptible to risk as a result of this approach. However, like FECA, the Department is reporting on WIA's improper payment rate since it is a Section 57 designated program, even though its improper payment rate is well below the 2.5 percent threshold.

Challenges for IPIA Compliance

Like many other Federal agencies, the Department faces challenges in meeting its improper payment reduction and recovery targets, particularly with programs that are sensitive to the U.S. economy fluctuations, such as the UI program. Furthermore, meeting improper payment reduction and recovery targets of programs, such as UI and WIA, are contingent upon the cooperation and support of State agencies and other outside stakeholders who are intricately involved in the day-to-day management of these programs' activities.

Accomplishments and Plans for the Future

In FY 2005, the Department conducted the required risk assessment. It also established reduction and recovery targets and developed corrective action plans for those programs for which it is required to report. Furthermore, the Department met its reduction and recovery improper payment targets set in FY 2004.

In addition to implementing its corrective action plans, the Department also conducted pilot programs within the UI and WIA programs in an effort to identify new ways to detect and reduce these programs' improper payments. During FY 2005, OCFO and the Employment and Training Administration (ETA) initiated the UI National Directory

⁹ OMB Implementation Guidance, M-03-13 defines programs to be susceptible to risk if the improper payment rate exceeds 2.5 percent and the amount of overpayment exceeds \$10 million.

¹⁰ The Single Audit Act of 1996 provides for consolidated financial and single audits of State, local, non-profit entities, and Indian tribes administering programs with Federal funds. The most recent year available for Single Audit Reports is 2003.

¹¹ In the case of the WIA program, the projection was based on the WIA-specific questioned costs. For the non-WIA grant programs, the projection was made for all programs as an aggregate. The improper payment rate was determined by dividing this aggregate projection of questioned costs by the total outlays for all non-WIA grant programs.

of New Hires (NDNH) pilot across three states to determine how a cross-match between NDNH¹² and State UI claimant data would help identify and reduce improper payments. The result of this pilot clearly indicated that a substantial amount of additional overpayments could be detected using NDNH. As a result of these positive experiences and the overall success of the pilot, many states have expressed interest in implementing the NDNH cross-match. ETA is already moving ahead with the implementation of the NDNH cross-match with five states (Utah, Virginia, Texas, Connecticut, and Washington). An additional 24 states have expressed interest in the use of NDNH by the end of FY 2006. The ultimate goal is for all states to use NDNH to detect and reduce the occurrence of Benefit Year Ending (BYE)¹³ overpayments. The WIA pilot entailed gathering and analyzing data using the Department's single audits for FY 2002 and FY 2003 that identified WIA grant funds. The results indicate that questioned costs identified in the audits are less than one percent of WIA expenditures. The analysis also confirmed that the most efficient means to gather data regarding Federal grant programs is to use the existing infrastructure provided by the Single Audit Act. The Department used the single audits for the first time to estimate error rates for all grant programs except for Job Corps.

Other Significant Information

Audit Follow up

The Inspector General Act Amendments of 1988 require Federal agencies to provide the status of their audit resolutions for all audit reports with recommendations open for more than one year. The Department's management and auditors agree that some of Labor's corrective action plans will take several years to complete. As of September 30, 2005, 183 audit reports have been open for over one year. The total monetary value of open audit findings is \$65.2 million, which covers 936 separate recommendations.

Departmental agencies and the OIG jointly manage and update the audit tracking system where the current status of each open audit finding is maintained. Final closure of the audit finding is determined solely by the reviewing OIG officials. Due to the complexity of implementing some of the audit resolutions, many of these decisions take years before being rendered and the audit finding is closed.

The most significant of the non-monetary open audit findings are discussed in this report. A listing of all open audits is available upon request from the Department's OCFO.

FY 2005 OIG Audit Recommendations Greater than One Year (amounts in thousands)	
Affected accounts in 183 audit findings with 936 recommendations	\$ 65,236
• 42 open recommendations under administrative law or Federal appeal	\$ 3,302
• Funds put to better use	\$ 5,669
• Referred/in the process of being referred to Department of the Treasury	\$ 2,726
Balance of open audit findings	\$ 53,539

Debt Management

The Debt Collection Improvement Act of 1996 (DCIA) designated the Department of the Treasury as the central agency for collection of Federal debts over 180 days delinquent. The Department cross services all delinquent debts in accordance with this statute. Debt management accounts for a relatively small part of our financial management activity. The majority of debts managed by the Department relate to the assessment of fines and penalties in our enforcement programs. During FY 2005, the Department referred \$67.7 million, which represents 70 percent of all eligible delinquent debt, to Treasury for collection. The Department continues to monitor and aggressively pursue its debt greater than 180 days old.

User Charges - Policy Review

In accordance with the Chief Financial Officers Act of 1990 (CFO Act) and OMB Circular A-25, department-wide guidance has been developed to establish policies, procedures, and responsibility for implementing and managing user charges within the Department. The guidance includes the biennial review requirements of the CFO Act.

¹² NDNH is a nationally consolidated database that contains employment and UI information on the nation's workforce and is maintained by the Department of Health and Human Services (HHS).

¹³ BYE violations are defined as individuals who return to work and continue to claim and receive UI benefits.

Prompt Payment Act

The Department works effortlessly to meet guidance and regulations outline in the Prompt Payment Act. The Prompt Payment Act requires Executive agencies to pay commercial obligations within discreet time periods and to pay interest penalties when those time constraints are not met.

In FY 2005, of approximately \$1.9 billion in gross payments, \$481,430 was paid in interest fees and penalties. Additionally, during FY 2005, there were over 69,000 payments made to vendors and travelers. Of this amount, 2,773 invoices were paid late, resulting in only 4% of the total payments incurring interest penalties.

Electronic Fund Transfer (EFT)

The Department has worked aggressively with its agencies during this fiscal year to increase the number of vendors receiving payments electronically. As the chart below displays, this cooperative effort resulted in improved results across the board. The low rates for ESA programs are due to the low EFT participation and the heavy volume within its medical and benefits programs.

DOL EFT Payments					
	FY01	FY02	FY03	FY04	FY05
Administrative Vendors	69%	74%	96%	78%	86%
Travel & Miscellaneous	99%	99%	99%	99%	99%
Salary & Awards	96%	98%	99%	99%	99%
ESA Programs	26%	28%	53%	44%	46%
Total	38%	39%	65%	53%	57%

Source: DOL DOLAR\$ and Payroll System EFT reports.

Major Management Challenges

The table below lists management challenges the Department considers most important in terms of their impact on the accomplishment of goals in this report and their impact on the American workplace and taxpayers, overall.

Management challenges for Goal 1, *A Prepared Workforce*, pertain to managing employment and training programs, foreign labor certification, and safeguarding real property. The GAO identified the management of employment and training programs as one of the three major challenges remaining for the Department in 2005. The Department’s OIG identified the foreign labor certification and the management of real property challenges for this goal.

Management challenges for Goal 2, *A Secure Workforce*, include reducing overpayments (improper payments) of unemployment insurance and safeguarding funds for Employee Benefit Plan Assets and unemployment insurance and real property. These challenges are well documented and were identified by the OIG, the GAO, and the Department.

For Goal 3, *Quality Workplaces*, the GAO identified a challenge to fostering safe workplaces that the Department recognizes as important.

The achievement of all the Department’s goals is influenced by the successful management of its procurement operations, its information technology capabilities, and its data quality. These challenges have been identified by the Department’s OIG and are included in the table, as well.

This year’s list includes ten items, each of which has been identified as a concern by DOL’s Office of Inspector General (OIG), the U.S. Government Accountability Office (GAO), DOL’s Office of the Chief Financial Officer (OCFO), or some combination thereof:

- Reducing Improper Payments
- Foreign Labor Certification
- Security of Employee Benefit Plan Assets
- Manage Employment and Training Programs to meet the Demands for the Workforce of the 21st Century
- Procurement System Concerns
- Foster Safe Workplaces
- Real Property
- Information Technology Systems
- Data Quality
- Safeguarding Unemployment Insurance

Summaries of the issue, actions taken and those remaining are presented for each item. More information on many of them may be found elsewhere in this report in discussions of program performance or in the Financial Section. The Department aggressively pursues corrective action for all significant challenges, whether identified by the OIG, the GAO, OCFO or other sources within the Department.

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Reducing Improper Payments</i>		
Improper payments are payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient.	Reducing improper payments is a Departmental initiative under the President’s Management Agenda.	
Unemployment Insurance (UI) made up most of DOL’s \$ 3.9 billion in improper payments in FY 2004. Reducing UI improper payments impacts Goal 05-2.2A, <i>Make timely and accurate benefit payments to unemployed workers.</i>	DOL proposed legislative changes to prevent and recover overpayments of Unemployment Insurance benefits, saving an estimated \$4.7 billion over 10 years	Focus Departmental efforts to detect, prevent, and recover improper payments so that taxpayers can be assured that their dollars are spent as intended: FY 2006

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
	<p>Formed partnerships with States, other Federal agencies and the OCFO to prevent UI fraud and abuse</p> <p>Facilitated and funded State access to the National Directory of New Hires to identify individuals claiming benefits after returning to work (the number one cause of UI overpayments).</p> <p>Awarded grants to 21 States to conduct in-person claimant interviews in One-Stop Career Centers to assess beneficiaries' need for reemployment services and their continued eligibility</p> <p>Issued a State-level Detection of Over-Payments Core Measure in States' performance budget plans, giving States an additional incentive to prevent and detect UI overpayments</p>	<p>Facilitate States' use of the National Directory of New Hires and issue report on use of the directory: ongoing</p> <p>Collect information on results of grants to conduct in-person claimant interviews: May 2006</p> <p>Implement beneficiary eligibility reviews in One-Stop Career Centers that are projected to save up to \$225 million annually</p>
<p>The Federal Employees' Compensation Act provides income replacement and medical cost protection to covered Federal civilian and Postal Service employees injured on the job, and to employees with work-related diseases (and their beneficiaries). Cases were found without current medical information on file, resulting in payments to claimants who were no longer disabled. Without adequate controls over the processing of medical bill payments, amounts paid are not always calculated in accordance with fee schedules. Impacts Goal 05-2.2C, <i>Minimize the impact of work-related injuries.</i></p>	<p>Rolled-out a new case management and benefit payment system (Integrated Federal Employee Compensation System) that automatically tracks the due dates of medical evaluations</p>	<p>Full functionality of Integrated Federal Employee Compensation System: March 31, 2006</p>
<i>Foreign Labor Certification</i>		
<p>Labor's OIG investigations revealed that corrupt employers, labor brokers, and lawyers file fraudulent applications. Problems with integrity of the labor certification process and fraud may result in economic hardship for American workers, the abuse of foreign workers, and may have national security implications when applications are not adequately screened before being certified. This management challenge impacts Outcome Goal 1.1, <i>Increase Employment, Retention and Earnings.</i></p>	<p>Amended regulations governing the filing and processing of labor certification applications for the permanent employment of aliens to implement a new system for filing and processing such applications. The system allows for electronic filing of some applications and requires employers to conduct recruitment before filing their applications. The rule applies to labor certification applications for the permanent employment of aliens filed on or after that date.</p> <p>Developed a module for the permanent application processing system that validates applicant information and highlights signs of risk or fraud.</p>	<p>Change the current regulation to: 1) eliminate the current practice of allowing the substitution of alien beneficiaries on applications and approved labor certifications; 2) implement a 45-day deadline to file approved permanent labor certifications in support of a petition with Homeland Security; 3) prohibit the sale, barter, or purchase of permanent labor certifications or applications, as well as related payments; and 4) provide enforcement mechanisms to protect program integrity, including debarment with appeal rights: FY 2006</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Security of Employee Benefit Plan Assets</i>		
<p>The Pension Benefit Guaranty Corporation (PBGC) encourages continuation and maintenance of voluntary private defined benefit pension plans, provides timely and uninterrupted payment of benefits and is self-financing. PBCG experienced a substantially increased workload in FY 2005.</p>	<p>PBGC implemented performance plans, performance-based and fixed price contracts; sought to use technology to improve customer service and leverage resources; implemented a new investment policy and strong internal controls environment; and improved risk management.</p>	<p>Work with DOL/EBSA and IRS to implement electronic processing of information about private pension plans: FY 2006</p>
<p>DOL safeguards approximately 730,000 private pension plans and 6 million health and welfare plans by ensuring that annual audits of large employee benefit plans meet requirements. These pension plans hold over \$4.5 trillion in assets and cover more than 150 million American workers. Areas of concern include ensuring security of employee benefit plan assets, pension plan fraud, cash balance plans, and corrupt multiple employer welfare arrangements.</p>	<p>The Administration proposed pension reform to streamline, simplify and strengthen regulations.</p> <p><u>Security of Employee Benefit Plan Assets</u></p> <ul style="list-style-type: none"> - Inspected operations of CPAs performing significant numbers of plan audits and, with the American Institute of Certified Public Accountants (AICPA), created the Employee Benefit Plan Audit Quality Center - Referred deficient audit work to State boards of accountancy or the AICPA's Professional Ethics Division 	<p>Implement CPA firm inspection program, augment reporting compliance cases with audit work paper reviews, refer deficient audit work for disciplinary action, and, with professional organizations, develop accounting and auditing guidance: FY 2006</p>
	<p><u>Pension Plan Fraud</u></p> <ul style="list-style-type: none"> - 69 indictments were returned as a result of criminal investigations (as of the third quarter of FY 2005) - DOL entered convictions or pleas in 43 cases and recovered over \$2.5 million. 	<p>Make criminal enforcement a top priority: FY 2006</p>
	<p><u>Cash Balance Plans</u></p> <ul style="list-style-type: none"> - Confer with the IRS concerning guidance on calculations for benefits from cash balance pension plans. 	<p>Continue to confer with the IRS concerning guidance on calculations for benefits from cash balance pension plans: FY 2006</p>
	<p><u>Corrupt Multiple Employer Welfare Arrangements</u></p> <ul style="list-style-type: none"> - From 1995 to Q3 FY 2005, initiated 670 civil and 134 criminal investigations - Obtained monetary results of over \$162 million - Filed 75 civil complaints - Indicted 112 individuals with 76 convictions resulting in prison terms 	<p>Place a top priority on stopping abusive practices: FY 2006</p> <p>Work closely with Department of Justice to prosecute these complex financial, white-collar crimes and include these as an emerging area of health care fraud: FY 2006</p>
	<i>Manage Employment and Training Programs to meet the Demands for the Workforce of the 21st Century</i>	
<p>The goal of the Workforce Investment Act of 1998 (WIA) is to increase employment, retention, and earnings of</p>	<p>Implemented requirements for WIA Standardized Record Data to facilitate reporting across DOL employment and</p>	<p>President's FY 2006 Budget includes proposal for reforming job training programs and consolidating the WIA</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<p>participants and thus improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. Authorization for WIA ended in 2003. Reauthorization is pending before Congress. WIA is significant both in terms of its impact on the Nation's workers and the extent of funding.</p> <p>The program is large and complex and impacts Goals 04-1.1A, 04-1.1B, 04-1.1C and 04-4.1A. WIA could be improved through changes to increase training provider participation, improve dislocated worker program services and outcomes, and better document youth program outcomes and assess State WIA funding availability.</p> <p>The Workforce Investment Act (WIA) Youth program authorizes services to low-income youth (ages 14-21) with barriers to employment. The program serves in- and out-of-school youth, including those with disabilities and those requiring assistance to complete an educational program or to secure and hold employment</p> <p>DOL is challenged to connect dropouts to WIA youth programs. This challenge pertains to Goal 04-1.2A, <i>Increase placements and educational attainments of youth served through the WIA youth program</i>. A recent GAO study found that despite DOL's guidance, local areas faced challenges in identifying and retaining out-of-school youth, providing youth with mentoring and follow-up services, and using interim measures for ongoing program assessment.</p>	<p>training programs</p> <p>Provided States with software, handbooks, training and assistance to validate annual reports and a sampling mechanism to select files from each program for manual review</p> <p>Held forums of education agencies, workforce development, juvenile justice and child welfare agencies from 45 States to identify opportunities to align services and create strategies for improvement</p> <p>Created Federal/State support teams to provide guidance and assistance</p> <p>Funded demonstration grants to:</p> <ul style="list-style-type: none"> - assist youth transitioning out of foster care in accessing employment and training opportunities; and - prepare youth offenders to enter high growth and high demand industries <p>Provided assistance to help States meet performance goals through the Performance Enhancement Project</p> <p>Emphasized accountability, particularly by implementing Federal Job Training Program Common Measures</p> <p>Conducted on-site assessments to determine the effectiveness of youth programs and help regional offices improve outcomes</p>	<p>Adult, Dislocated Worker, and Youth funding streams and the Employment Service proposal allow governors to restructure for results, achieve administrative savings, and increase the number of workers receiving training: FY 2006</p> <p>Feasibility study on final reporting design: FY 2007</p> <p>Work with States to develop a more complete reporting system that will provide greater comparability and clarity of performance data: FY 2006</p> <p>Require States to validate annual reports and perform annual data element validation to improve quality of data in performance reports: FY 2006</p> <p>Work with States to identify best practices and technology solutions to collect and report customer information: FY 2006</p> <p>Invest in innovative solutions to address challenges in high growth industries and efforts to improve the skills and expertise of youth service providers: FY 2006</p> <p>Collaborate with Education and the other Federal partner agencies through the Federal/State support teams: FY 2006</p>
<i>Procurement System Concerns</i>		
<p>The Chief Acquisition Officer (CAO) oversees DOL's procurement functions. DOL's ability to effectively execute and manage its procurements affects the attainment of all goals. Recently, the DOL OIG noted a reportable condition and identified weaknesses in file documentation and organization, and compliance with Federal Acquisition Regulations regarding contract competition.</p> <p>There are several appropriated funds</p>	<p>Improved internal policy and procedures and controls</p> <p>Set a goal to provide effective contract and procurement policy support and compliance to be accomplished by audits, performance metrics, use of the E-procurement system, managerial oversight, and timely issuance of procurement guidance</p> <p>CAO and Procurement Executive disseminated policy information</p>	<p>Pursue excellence by enhancing the training, professionalism and commitment of the staff: FY 2006</p> <p>Meet for FY 2006 targets for:</p> <ul style="list-style-type: none"> - percent audits with major findings - percent satisfactory procurement management reviews met - percent contracts awarded in compliance with customers' requests/requirements

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<p>procurement activities under the CAO; the Office of Procurement Services (full delegation); BLS (limited delegation); MSHA (full delegation); ETA (full delegation); regional offices (limited delegation). DOL’s OIG has independent procurement authority.</p> <p>The OIG found deficiencies in two other procurement audits – one of a major DOL contract and the other of an agency with full procurement delegation – and recommended that DOL put effective controls in place and separate procurement and programmatic responsibilities.</p>	<p>Provided extensive written guidance to customers and staff and others in procurement functions to increase standardization and knowledge</p> <p>Replaced and/or supplemented management and contracting officers with staff having more current acquisition training</p> <p>Added Federal and contract staff to attain staffing levels in order to process actions in accordance with regulations and sound business judgment and to undertake corrective actions</p> <p>Trained incumbent procurement staff</p> <p>The agency where deficiencies were found made changes, including review by the DOL solicitor of certain contracts, hiring a Certified Professional Contract Manager and contracting professionals, and training senior executives, managers, and acquisition staff.</p> <p>The CAO considered the delegations of the various procurement offices to determine if acquisition staffing levels and DOL-wide training initiatives were still appropriate.</p>	<p>– percent agencies compliant with DOL procurement policy</p> <p>Acquisition staff complete core courses and 40 hours per year training: September 30, 2006</p>
<i>Foster Safe Workplaces</i>		
<p>DOL’s occupational safety and health agencies – OSHA and MSHA – face challenges in establishing performance measurement systems that accurately assess success in fostering safe and healthful workplaces. The GAO identified this as one of the three major management challenges at DOL. GAO has stated that “MSHA is not effectively monitoring the timeliness of certain aspects of mine plans nor always ensuring that hazards found during inspections are corrected promptly.... In addition, while OSHA’s voluntary compliance programs appear to have yielded many positive outcomes, much of the agency’s data are insufficient for evaluation. Finally, OSHA’s oversight of its regional and area office activities has limitations.” This challenge affects Outcome Goal 3.1 – <i>Reduce Workplace Fatalities, Injuries, and Illnesses.</i></p>	<p>MSHA headquarters monitored reports from the Mine Plan Approval database to ensure that mine plans were approved by MSHA and entered in timely fashion into their database. MSHA’s supervisors used a tracking system to monitor hazard abatement</p> <p>Collected information on OSHA Voluntary Protection Program (VPP) site injury and illness data and the costs and benefits of participating in VPP</p> <p>Developed a new Field Audit Program that provides for tracking and review of OSHA and Regional Area Office adherence to established policies and procedures</p>	<p>Implement OSHA’s Management Accountability Program, a new field audit system: FY 2006</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Real Property</i>		
<p>Executive Order 13327 addresses the Federal Asset Management initiative of the President's Management Agenda. The lack of reliable and useful property data impacts the Department's ability to use funds most efficiently and therefore attain its goals. A financial audit conducted in FY 2004 revealed that Job Corps was not adequately accounting for real property, and that DOL's property reporting and tracking system did not establish sufficient controls to ensure that real property was safeguarded and accurately reported in tracking and general ledger systems. Later in 2004, an OIG audit of management controls over Federal equity in State Workforce Agency real property found that DOL had not established adequate management controls over accounting for DOL's equity interest. This challenge affects Goal 05-1.2B – <i>Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education</i> and Goal 05-2.2 A – <i>Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.</i></p>	<p>Established a Departmental real property workgroup lead by DOL's Senior Real Property Officer</p> <p><u>Job Corps</u> Revised entries in the Capitalized Asset Tracking And Reporting System</p> <p>Strengthened control systems to ensure that data remain accurate and current.</p> <p>Completed corrective action plan with two OIG recommendations closed and the remaining items resolved with closure pending</p> <p><u>State Workforce Agencies</u> Issued instructions requiring States to report changes and/or updates to their real property data and re-emphasizing the requirement that they remit proceeds from property sales to DOL</p> <p>Issued instructions requiring regional offices to ensure that States promptly update property inventory records and provide these for inclusion in the national property inventory</p>	<p>Job Corps Centers complete online training to ensure proper preparation of the ETA-2110: December 31, 2005</p> <p>Complete State Workforce Agency property inventory: December 31, 2007</p>
<i>Information Technology Systems</i>		
<p>DOL relies heavily on Information Technology. Developing efficient and effective systems to perform daily activities remains a significant challenge. OIG audits found that IT system development life-cycle activities need strengthening in the areas of planning, project management, and decision making. OIG audit identified weaknesses in OSHA's \$12.6 million IT project to redesign its integrated management information system and a DOL procurement of software to store use of electronic signatures securely to enable use of IT to transact business with the public. In addition, DOL is likely to experience security threats associated with wireless technology and needs to plan to protect its informational assets and confidential and sensitive information. This challenge affects all outcome goals.</p>	<p>Implemented IT Governance Structure</p> <p>Defined outcomes desired:</p> <ul style="list-style-type: none"> - Value for dollars expended and staff time invested - Expert guidance and assistance for agencies on resource management issues <p>Assessed IT initiatives via an established Control Review Process and bi-annual assessments of compliance with Enterprise Architecture, Capital Planning and Investment Control, and Security through an internal eGov scorecard</p> <p>Provided IT Project Management training</p> <p>Emphasized the importance of Systems Development Lifecycle Methodology</p>	<p>Improve the IT governance process and procedures: FY 2006</p> <p>Conduct quarterly reviews, Internal eGov reviews, and Federal Information Security Management Act (FSMA) reviews, Enterprise Vulnerability Management System (EVMS) reports, etc: FY 2006</p> <p>Maintain over 90 percent of major IT investments within 10 percent of cost, schedule, performance and compliance with target Enterprise Architecture: FY 2006</p> <p>Identify a shared service provider to enable DOL to accept and protect electronic signatures: FY 2006</p> <p>100 percent of DOL major information systems operating securely: FY 2006</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
	<p>for IT projects (documentation from concept to design, pilot, and production) so acquisition of unacceptable software should not occur</p> <p>Issued a standard for implementing wireless technologies via the DOL's Technical Security Standards Manual</p>	
<i>Data Quality</i>		
<p>DOL strives to have the most timely financial data possible, a well functioning managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits. Much of DOL's program results data required are generated by States and other sources below the Federal level. OIG audit work has disclosed high error rates in grantee-reported performance data. DOL relies on audits conducted under the Single Audit Act to provide oversight of more than 90 percent of its expenditures. DOL's OIG expressed concern about the adequacy of information from these audits, which are conducted by public accountants or State auditors and procured with DOL grant funds. This challenge affects all goals.</p>	<p>Further implemented the Department wide managerial cost accounting system, Cost Analysis Manager (CAM). Developed cost models for most major DOL agencies and continued to improve capabilities for integrating cost and performance information.</p> <p>Developed a data validation program to improve the reliability of program data. OIG quality control reviews since 2002 have revealed serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable.</p>	<p>Expand and refine agency cost models and reporting capabilities, map CAM outputs to agency performance goals, and provide cost information for selected efficiency measures using CAM: FY 2006</p> <p>OIG audit of ETA's data validation system: FY 2006</p> <p>Receive and respond to recommendations from the report on the National Single Audit Sampling Project which is designed to determine the quality of Single Audits by providing a statistically reliable estimate of the extent that Single Audits conform to applicable requirements and standards: FY 2006</p>
<i>Safeguarding Unemployment Insurance</i>		
<p>The Department faces challenges in safeguarding the funds in the Unemployment Trust Fund (UTF). Over-charging for Unemployment Trust Fund administration by the Internal Revenue Service (IRS) poses a major challenge for the Department. In addition, investigations found increasingly complex, costly and pervasive UI fraud schemes involving identify theft and organized crime resulting in program losses in the millions of dollars. Safeguarding UI funds impacts Goal 05-2.2A, <i>Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.</i></p>	<p>DOL requested that the Treasury Inspector General for Tax Administration audit the new methodology's adequacy for charging UTF administrative expenses.</p>	<p>Treasury Inspector General for Tax Administration Audit of IRS methodology for charging the Unemployment Trust Fund for administrative expenses: FY 2006</p> <p>Contingent upon the appropriation of funds and the passage of the Integrity Act included in the DOL FY 2006 budget request, DOL will prevent and detect fraudulent unemployment benefit claims using stolen personal information – otherwise known as identity theft – that would result in annual trust fund savings of as much as \$105 million.</p>

The President's Management Agenda











On June 30, 2005, The US Department of Labor became the first Executive Branch department or agency to achieve a green status for all five government-wide President's Management Agenda (PMA) initiatives. This achievement is not an end in itself — it represents an ongoing commitment to good management to bring quality services to the American people. Commenting on this accomplishment, Secretary Elaine L. Chao said, "This is a tremendous achievement by DOL employees who are committed to excellence on behalf of American workers and taxpayers."

President George W. Bush's Management Agenda, announced in 2001, is a strategy for improving the management and performance of the Federal government. The objective is a Federal government that is:

- Citizen-centered, not bureaucracy-centered;
- Results-oriented, not output-oriented; and
- Market-based, actively promoting rather than stifling innovation through competition.

Together, initiatives created to achieve these goals are referred to as the President's Management Agenda (PMA). The five government wide initiatives are: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanding Electronic Government*, and *Budget and Performance Integration*.

The Office of Management and Budget (OMB) regularly assesses all Federal agencies' implementation of the PMA, issuing a quarterly Executive Branch Management Scorecard rating of green, yellow or red for both status and progress on each initiative. The breakdown by initiative, comparing last year's ratings with those for FY 2005, is indicated in the table below. Under the OMB-led *Proud to Be* campaign, DOL set ambitious goals, demonstrated measurable progress and ultimately achieved green status scores in all five government-wide initiatives. The Department is now rated highest of all Cabinet agencies in overall implementation of the PMA. Highlights of achievements associated with each initiative follow the table. The Department uses a similar scorecard on a semi-annual basis to measure individual agency progress on the PMA.

Department of Labor's PMA Scorecard Status		
Executive Branch Management Scorecard	September 2004 Status	September 2005 Status
Human Capital	 Green	 Green
Competitive Sourcing	 Yellow	 Green
Financial Performance	 Green	 Green
E-Government	 Green	 Green
Budget & Performance Integration	 Green	 Green

Strategic Management of Human Capital

The Human Capital initiative requires Federal agencies and departments to develop and use a comprehensive human capital plan, with the aim of significantly reducing mission-critical skill gaps.

The PMA has provided the impetus for DOL to overhaul the Department's entire performance management system in order to hold managers and employees accountable for achieving results. Previous to Secretary Chao's leadership, DOL's performance management system operated 16 different employee rating cycles and used ten different rating

systems. The Department has developed a streamlined rating system for all 17,000 DOL employees. More importantly, the performance management system reinforces the connection between resources, performance against the Department's strategic goals, and individuals' ties to both. We are pleased to say that 100 percent of mission-critical occupations at the Department are linked to DOL's strategic goals.

The Department also created performance plans for DOL managers and members of the Senior Executive Service (SES) – the cadre of top civil servant executives in the Federal government – to better link agency mission, goals, and outcomes. Each SES performance plan now includes four core management skills or competencies – such as leadership, human resource management, and coalition building – as well as four measurable results linked to organizational or Departmental goals.

Critical to DOL's success in implementing the PMA was having a roadmap of what we wanted to accomplish. Our roadmap is the Department's Human Capital Strategic Plan, published in 2003. The Department's Human Capital Strategic Plan tracks key activities and metrics to measure results. The Department's success in this area is bolstered by the Department's status as a President's Quality Award winner in 2004 for its Strategic Management of Human Capital efforts and by the International Personnel Management Association's Leading Edge Award received in 2003.

Competitive Sourcing

Competitive Sourcing is DOL's most recent PMA initiative to achieve green status. Competitive Sourcing allows the government to take advantage of market-based competition while simultaneously allowing the existing Federal employees to compete for the work. Competitive sourcing requires Federal employees to compete against private sector bidders for work that is deemed "commercial activity." These skills and competencies, which are not mission-critical, can be performed more effectively and efficiently when subject to the competition of the marketplace.

In the past two years, DOL announced and carried out eight competitions for IT services, invoice payments, administrative services, printing and reprographics, reports disclosure, conference center, statistical systems, and finance and accounting. Seven of these competitions were won by the in-house workforce and one was decided in favor of an outside contractor, with savings and/or cost avoidance achieved by each of these competitions. The combined projected savings/cost-avoidance for the eight competitions completed to date is over \$12,000,000. DOL has an ambitious plan to compete designated commercial functions by the end of FY 2007. In FY 2005, DOL completed eight competitions, involving 125 FTE and announced 4 streamlined competitions and 1 standard competition involving approximately 187 FTE. These latter competitions are currently in-progress.

Improved Financial Performance

The availability of timely, accurate, and useful financial information is essential to any well-managed, effective organization. The Improved Financial Performance initiative requires Federal agencies to receive clean audit opinions on their annual financial statements, meet accelerated financial reporting deadlines, implement managerial cost accounting practices, improve internal controls, and have financial management systems that are compliant with Federal laws and regulations.

The Department continues to expand the use of integrated financial and performance information in the planning, budgeting, and decision-making activities throughout its agencies. It also remains focused on improving accountability and transparency for how well tax dollars are spent.

In FY 2005, DOL received its ninth clean audit opinion on our consolidated financial statements, fifth consecutive CEAR award, and has consistently met the accelerated OMB financial reporting deadlines. To ensure that the Department's financial operations comply with all Federal financial management laws, regulations, and standards and to quickly identify and address potential financial management problems, Agency Heads attest on a quarterly basis to the adequacy of internal controls in their agencies.

Expanding Electronic Government (E-government)

The Expanding Electronic Government (E-government) initiative requires Federal agencies and departments develop secure Information Technology (IT) systems and strictly adhere to IT project cost, schedule, and performance projections. E-government is really about becoming a better steward of Federal IT investment dollars. Government IT projects suffer from the same problems as private sector IT projects, namely, scope creep, slipping schedules and cost overruns. The only way to prevent this is to develop solid plans and to stick with the plans. To ensure that

major IT investments adhere to cost, schedule, and performance measures, DOL has adopted an Earned Value Management System (EVMS) Policy and targeted several major IT projects to rollout the new methodology. The success of our new EVM policy is exemplified by having 96 percent of our IT projects within 10 percent of cost, schedule, and performance in FY 2005. In FY 2002, only 70 percent of DOL's IT projects were within 10 percent of cost, schedule, and performance.

Two examples of DOL's use of E-government to provide citizens better service are GovBenefits.gov and the Safety and Health Information Management System (SHIMS). Before 2002, government benefits eligibility information was spread across 31 million Web sites. DOL established and is managing GovBenefits.gov, a web portal that organizes 500 Federal and State benefit programs, where citizens can get personalized benefit information within three easy steps. GovBenefits.gov offers diverse and extensive benefit program information for veterans, seniors, people with disabilities, disaster victims, job seekers and others. In April 2005, DOL launched GovLoans.gov en Español, which offers Spanish-speaking communities greater access to available Federal and State loan program information.

DOL developed SHIMS – a Web-based workers compensation and safety filing system – to enable DOL workers and managers to submit Federal workers' compensation claims electronically. Since its deployment in 2001, DOL has developed hosting capabilities providing the potential for reporting work-related injuries and illnesses and filing of compensations claims throughout the Federal workforce. The Transportation Security Administration currently uses SHIMS and the Department of Education and the Federal Air Marshal Service will use the electronic system in the near future.

Budget and Performance Integration

The Budget and Performance Integration initiative requires agencies and departments use performance goals and results as an integral element in program operations and budget formulation. This initiative allows decision-makers within the Administration, DOL, and Capitol Hill to make connections between budget dollars and what programs produce. At a more fundamental level, it allows executives within programs to manage toward program performance and make resource decisions accordingly.

In June 2004, DOL was the first of only two Federal agencies to achieve a green status score in budget and performance integration. DOL had to demonstrate improvement in both performance and efficiency; operate by strategic plans containing a limited number of outcome-oriented goals and measures; appraise employee performance and provide consequences tied to individual's contribution toward performance of agency mission, goals, and results; and demonstrate the full cost of achieving performance goals.

Agency Specific PMA Initiatives

In addition, DOL is responsible for three of the PMA components found in selected departments: *Eliminating Improper Payments*, *Faith-Based and Community Initiative*, and *Federal Real Property Asset Management*. DOL's status for all three of these initiatives is yellow. DOL's progress in implementing these initiatives, however, is green.

Eliminating Improper Payments

The Improper Payment Information Act of 2002 defines improper payments as those payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient. The Eliminating Improper Payments initiative requires a Federal agency to identify all of its programs that are risk susceptible to improper payments. It also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets.

The Department has successfully met all the reporting requirements of the Improper Payment Information Act. It has developed and implemented corrective action plans that have reduced the amount of its erroneous payments within the FECA and UI programs.

Faith-Based and Community Initiative

The Faith-Based and Community Initiative strengthens and expands the role of faith-based and community organizations in addressing the nation's social problems. The Department's Center for Faith-Based and Community Initiatives seeks to empower faith-based and community organizations (FBCOs) as these organizations help neighbors enter, succeed and thrive in the workforce. DOL targets those organizations that are trusted institutions

providing valuable services but that may not be partnering with government programs. To accomplish this mission, DOL works to remove administrative and regulatory barriers and develop innovative programs to foster partnerships between DOL-funded programs and FBCOs. The Department is working with workforce investment boards nationwide to increase partnerships with faith-based and community organizations that help transition hard-to-serve individuals into employment.

DOL extends its outreach to FBCOs well beyond the confines of direct grant programs. Forty-eight intermediaries have worked with over 300 grassroots organizations since 2001 through DOL's coordination and funding support. By linking the administrative and reporting expertise of intermediary organizations to the human and program resources of small FBCOs, we are providing workforce development and other essential human services to populations not previously reached by DOL programs.

Federal Real Property Asset Management

The Federal Real Property Asset Management Initiative promotes the efficient and economical use of America's real property assets and assures management accountability for implementing Federal real property management reforms. In June 2005 — in keeping with the purposes of the real property initiative — DOL Deputy Secretary Steven Law established a Departmental workgroup consisting of senior executives throughout the Department to implement this key President's Management Agenda initiative. In addition, the Inspector General's "Top Management Challenges" addressed in this report also highlights the need to improve management of real property assets. Even in this early phase of implementing this real property initiative, DOL is quickly making progress. For example, the Job Corps program is implementing new data validation procedures and is continuing to look closely at whether its physical assets (its residential centers) are being utilized as efficiently as possible.

President Bush has stated that "Government likes to begin things – to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises." At DOL, we are not just making promises; we're making good on promises.

The Program Assessment Rating Tool

The Program Assessment Rating Tool (PART) was developed to assess and improve program performance so that the Federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. Through a PART assessment, Federal programs are rated in terms of their purpose and design, strategic and performance planning, management, and results and accountability. Based on a PART score and the quality its performance measures and performance data, each program receives one of five PART Ratings: Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated. To date, 21 DOL programs have been assessed through the PART. Of DOL's 21 assessed programs: one is rated Effective, seven are rated Moderately Effective, eight are rated Adequate, four are rated Ineffective, and one is rated Results Not Demonstrated.

Specifically related to performance and accountability, the rating of Results Not Demonstrated is an assessment that a program's performance goals are not sufficiently outcome (results) oriented and/or the program does not have adequate data to demonstrate its performance results to decision makers and the public. In FY 2006, DOL will publish the scores and ratings for seven additional programs in the President's FY 2007 Budget and will complete all remaining PART assessments, totaling 39 over a five-year period.

In addition to a score and a rating, PART assessments are useful because they include specific recommendations intended to improve accountability and performance. PART recommendations DOL has recently implemented include: develop efficiency measures, baselines and targets for all programs assessed through the PART; reporting against a uniform set of measures (Federal job training program common measures) for Workforce Investment Act (WIA) programs; establish ambitious performance targets for the majority of programs; and use PART results to justify proposed program terminations and cuts.

DOL PART SCORES AND RATINGS						
Program	2004 Score	2004 Rating	2005 Score	2005 Rating	2006 Score	2006 Rating
Bureau of Labor Statistics	79	Moderately Effective	88	Effective	–	–
Dislocated Workers	36	Results Not Demonstrated	50	Adequate	–	–
Employee Benefits Security Administration	57	Results Not Demonstrated	58	Results Not Demonstrated	71	Moderately Effective
Federal Employees Compensation Act	75	Moderately Effective	–	–	–	–
Office of Federal Contract Compliance Programs	43	Results Not Demonstrated	43	Results Not Demonstrated	65	Adequate
Occupational Safety and Health Admin	62	Adequate	–	–	–	–
Community Service for Older Americans	26	Results Not Demonstrated	27	Ineffective	–	–
Trade Adjustment Assistance	53	Results Not Demonstrated	45	Ineffective	–	–
Youth Activities	31	Results Not Demonstrated	45	Ineffective	–	–
Black Lung Benefits Program	–	–	71	Moderately Effective	–	–
Davis-Bacon Wage Determination	–	–	29	Results Not Demonstrated	–	–

DOL PART SCORES AND RATINGS						
Program	2004 Score	2004 Rating	2005 Score	2005 Rating	2006 Score	2006 Rating
Migrant and Seasonal Farm Workers	–	–	38	Ineffective	–	–
Mine Safety and Health Administration	–	–	55	Adequate	–	–
Unemployment Insurance Administrative Grants	–	–	74	Moderately Effective	–	–
Employment Service	–	–	–	–	56	Adequate
H-1B Labor Conditions Applications	–	–	–	–	78	Moderately Effective
Int'l Child Labor/Off. of Foreign Relations	–	–	–	–	51	Adequate
Job Corps	–	–	–	–	70	Moderately Effective
Native American (WIA)	–	–	–	–	51	Adequate
Pension Benefit Guarantee Corporation	–	–	–	–	79	Moderately Effective
Permanent Labor Certification	–	–	–	–	64	Adequate