

Inspector General's Statement

Top Management Challenges Facing the Department of Labor

Following are the areas the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing the Department of Labor (DOL). They involve compliance, accountability, and delivery of services and benefits.

- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Integrity of Foreign Labor Certification Programs
- Financial and Performance Accountability
- Systems Planning and Development
- Information Systems Security
- Security of Employee Benefit Plan Assets
- Accounting for Real Property
- Workforce Investment Act Reauthorization

Reducing Improper Payments

Reducing improper payments in DOL administered benefit programs, including Unemployment Insurance (UI) and the Federal Employee Compensation Act (FECA) program, is a challenge to the Department. Improper payments include those made in the wrong amount, or to an ineligible recipient, or improperly used by the recipient. The need for Federal agencies to take action to eliminate overpayments is recognized by the President's Management Agenda (PMA) and the Improper Payments Information Act of 2002. UI overpayments by the states are projected by DOL at about \$4 billion annually. The Department's estimate for FECA overpayments, which we consider conservative, is \$10 million annually.

Unemployment Insurance and the Use of New Hire Data

The UI program, a Federal-state partnership, is the DOL's largest income maintenance program. While the framework of the program is determined by Federal law, benefits for individuals are dependent on state law and administered by State Workforce Agencies.

The UI system could attain significant savings by detecting overpayments through cross-matching UI claims against state and national new hire data. This would detect UI claimants who have returned to work but are still collecting UI benefits. Using new hire data to identify overpayments is more effective than the more common method of matching UI claims against employers' quarterly wage records because employers must report new hires within twenty days, whereas wage records are not available for months. The new hire method results in earlier detection of overpayments, reduces overpayment dollars, and increases the chance of overpayment recovery.

In 2003, the OIG made recommendations for reducing overpayments by expanding states' use of new hire data. The full implementation of these recommendations, in our opinion, would save the Unemployment Trust Fund (UTF) an estimated \$428 million annually. In response, DOL implemented a pilot program in 6 states and improved its quality control program. DOL's Employment and Training Administration (ETA) also drafted policy changes and is collecting data for the pilot program. The pilot cost-benefit study results are due in January 2006. DOL will then need to make sure that lessons learned from the pilot are implemented.

Despite the benefits of new hire detection, a recent OIG audit found 12 states had not used their own state new hire data to reduce overpayments. DOL should continue to provide technical assistance and resources to the state UI programs that are currently not using new hire detection to initiate and/or complete plans for implementation as soon as possible. In addition, more detailed employer reporting, improving employer compliance for new hire reporting, and helping states analyze how to best use their Benefit Payment Control resources would enhance new hire detection. Finally, DOL should encourage states to use the National Database of New Hires, which recently enacted legislation made available to State Workforce Agencies, to help identify overpayments.

Federal Employees' Compensation Act Program Controls

The DOL administered FECA program impacts the employees and budgets of all Federal agencies. The OIG is concerned about increased risks of FECA overpayments due to inadequate controls in the system. In order to determine continuing eligibility for FECA compensation payments, DOL's Office of Workers' Compensation Programs (OWCP) is generally required to obtain and review medical evidence on a periodic basis. In Fiscal Year (FY) 2003, the OIG determined that many FECA cases did not have current medical information on file as required. This occurred because OWCP does not have effective controls to ensure that current medical evidence is requested and received in a timely manner. Inadequate procedures for obtaining and reviewing current medical evidence increase the risk of improper payments. The only way for OWCP to determine if a person is still medically disabled is to obtain medical evidence. If OWCP makes payments to a claimant who is no longer medically disabled, that would be an improper payment. In January 2005, DOL plans to implement a new automated tracking system to alert claims staff when medical evaluations are due. It will still require diligence on the part of FECA staff to ensure the tracking system is used efficiently.

This year the OIG also reported additional weaknesses in medical bill payment processing and the tracking of receivables due to medical bill overpayments. These weaknesses resulted in erroneous payments being processed during FY 2004. OWCP contracted with a third party to perform medical bill processing for FECA claimants, and encountered a number of problems at start up of the Medical Bill Processing system because it did not have a quality assurance and internal audit plan in place prior to implementation of the new system. For FY 2004, we found 10.8% of bills were not paid the correct amount. However, corrective actions taken by management resulted in a reduction in payment errors in the third quarter of the fiscal year.

Safeguarding Unemployment Insurance

Improving the integrity and solvency of the UI program to better serve qualified recipients is a challenge for the Department of Labor. During FY 2003, the UI program paid over \$53 billion in income maintenance benefits to American workers. Among the difficulties faced by the program are inadequate Unemployment Trust Fund reserves, overcharges for UTF administration, and the program's susceptibility to fraud schemes involving identity theft and organized crime.

Unemployment Trust Fund Resources

The OIG remains concerned that states may not have adequate reserves to meet the demands on their UI compensation trust funds, causing them to borrow from the Federal Unemployment Account (FUA) to make benefit payments. In its yearly financial statements, DOL reports on the number of states that are "not minimally solvent," or vulnerable to exhausting their funds during a recession. As of September 2003, 32 states were reported by DOL as "not minimally solvent" and four had outstanding loans from the FUA.

Internal Revenue Service (IRS) overcharges for administering the UTF is a concern that has gone unresolved for too long. Prior OIG audits determined the IRS did not have a system to capture its costs for administering the UTF, and had overcharged the Fund millions of dollars. Our FY 2003 follow-up audit determined that the IRS charged almost \$300 million in administrative costs to the UTF for FYs 1999-2002 without adequate documentation. We recommended ETA work with IRS to adopt an alternative method to allocate costs and seek reimbursement for overcharges.

Following our audit, the IRS reduced the amount of its FY 2002 administrative charges to UTF. The IRS is scheduled to implement a new cost methodology in FY 2004, and has proposed substantial charges (\$73 million) to the UTF through the first 3 quarters of FY 2004. Because of the magnitude of the charges and the complexity of IRS' methodology, ETA has requested the OIG again review IRS' charges. We are including another such audit in our FY 2005 work plan.

Identity Theft and Organized Crime Activity in Unemployment Insurance Fraud

OIG investigations have identified several methods used to defraud the UI system that have resulted in substantial losses to the UTF. Of greatest concern are identity theft schemes, which involve the use of stolen identities to apply for UI benefits. These cases often involve non-traditional organized crime groups, and are therefore broader in scope and more costly to the UI program than individual claimant fraud schemes of the past. One such case in California involved 3,000 stolen identities and identified a total of over \$58 million in losses. The

investigation disclosed that a Mexican non-traditional organized crime group was involved, allowing for the systematic filing of thousands of fraudulent claims in four states.

One key way for DOL to mitigate UI fraud is to make states more aware of its dangers and of typical fraud schemes, such as identity theft or creation of fictitious companies to obtain UI benefits for alleged former employees. We therefore recommended and continue to work with ETA to provide training for state UI personnel on fraud prevention and detection.

Integrity of Foreign Labor Certification Programs

Reducing the susceptibility of DOL foreign labor certification programs to abuse remains a challenge to the Department. These programs allow U.S. employers to hire foreign workers when their admission does not adversely impact the job opportunities, wages, and working conditions of citizens and legal residents. DOL received almost 400,000 employer applications for foreign workers through these programs in FY 2003. Problems with the integrity of the labor certification process and fraud against the program persist. This 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.

Problems with the Labor Certification Process

DOL's ETA is responsible for approving employers' labor certification applications, which is the first step in the process by which foreign nationals obtain work visas from U.S. immigration officials. However, the Department's role in the labor certification process continues to be perfunctory.

In the Permanent Labor Certification program, we are concerned that DOL will approve questionable applications received prior to implementation of a new automated processing system. All applications received before the systems' implementation, known as backlogged applications, will be processed by companies contracted by ETA before approval/denial by the Department's certifying officer. The backlog (315,000 applications as of May 2004) was mostly created by a December 2000 amendment to the Immigration and Nationality Act, which allowed foreign labor certification applications for alien workers already in the United States. This provision applied from January 1 through April 30, 2001, and resulted in a 450% increase in applications over the prior year.

A recent OIG audit disclosed that 69% of the backlogged applications we reviewed were misrepresented or incomplete; 84% of the aliens did not have legal status to work in the U.S.; 72% of the aliens did not have a legal status to be in the U.S.; and 67% of the aliens were already working for the employer at the time of application, including 28% who had worked for the employer for over 5 years. Because of the priority to eliminate the backlog, the OIG is concerned that many applications that should be denied will be approved.

Regarding automation of the Permanent Labor Certification approval system, ETA has made a significant effort to develop labor certification applications for the system that would assist in automatic fraud detection. Automation of the certification process must ensure controls and safeguards to promote transparency and oversight of the program.

In the H1-B Temporary Specialty Workers program, under current law DOL must approve labor condition applications if they are complete and free of obvious errors. Without the authority to validate information on the application, DOL's role in this program does little to add value to the process of protecting American jobs and wages. We recommend DOL seek legislative action to rectify this situation.

Regulatory Change Needed

The OIG is also concerned about regulations that allow employers to obtain permission to hire a specific foreign worker cleared by immigration officials to fill the job. Since entering the U.S. as a substitute worker on an approved labor certification is quicker than starting at the beginning of the application process, alien workers are willing to pay for approved certifications. The practice of allowing substitutions therefore provides incentive for filing fraudulent applications. One attorney filed 1,000 applications using false worker names and then sold the certifications to others. The OIG is also concerned that approved labor certifications do not have an expiration date, and can therefore be used indefinitely. ETA is working to address the problem of substitution, prohibit the

sale or purchase of certifications, and shorten the period a certification is valid in coordination with the OIG and the Departments of Justice and Homeland Security.

Labor Certification Fraud

OIG continues to identify fraud cases that involve corrupt immigration attorneys and labor brokers who file fraudulent labor certification applications with DOL using either a fictitious company name or the name of a real company without its knowledge. They then collect fees up to \$20,000 from foreign workers for the certifications. In one OIG case alone, the defendant was convicted of obtaining 2,800 fraudulent labor certification applications. Moreover, the OIG is concerned about the vulnerability of DOL's foreign labor certification programs to fraud by non-traditional, transnational organized crime groups. In one such case, five members of a Russian organized crime group were sentenced for their roles in a complex scheme using fictitious companies, falsified computer generated visas, and false social security cards to help illegal aliens, some of which are Russian organized crime associates, obtain H1-B visas.

Financial and Performance Accountability

In order to manage DOL programs for results and fully integrate budget and performance, the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits that cover 90 % of its expenditures. While DOL has received high marks on the President's Management Agenda scorecard for financial performance and budget and performance integration, it faces challenges in fully implementing improvements undertaken in these areas.

Financial Accounting

DOL is developing a new core accounting system that will be the foundation for all financial management activity, including preparation of the Department's financial statements. Among the challenges the Department will encounter are: fully testing the system, performing validation and verification of data transferring from the old system, and ensuring that the system fully meets Federal financial system requirements and users' needs. The OIG is planning to provide audit oversight of the system's development.

Managerial Cost Accounting

OIG previously reported a substantial noncompliance with the Federal Financial Management Improvement Act (FFMIA) because DOL's accounting system did not comply with managerial cost accounting requirements specified by Federal accounting standards. Spurred in part by the OIG's FY 2002 and FY 2003 FFMIA findings, in March 2003 the DOL's Office of the Chief Financial Officer (OCFO) launched a redesign of the cost accounting initiative to achieve full implementation of a DOL-wide managerial cost accounting system.

The implementation project has led to the successful development of cost models for substantially all of DOL's major agencies and programs. These cost models integrate program activities, outputs, costs, and non-financial data to provide the basis for reporting useful managerial cost accounting information. OCFO has recently selected cost accounting software and is in the process of importing the cost model structures. In the near future, OCFO will provide final training to agency personnel and effect formal transfer of system ownership to the agencies. The remaining challenges rest with agency and program management to refine the cost models and successfully institutionalize the use of cost accounting information to achieve improved program operations and better reporting of program results.

Quality Performance Data

Many program results data required by DOL to measure attainment of its strategic plan goals are generated by states and other sources below the Federal level. This presents challenges for ensuring data quality and evaluating program effectiveness. Past OIG audit work has disclosed high error rates in grantee-reported performance data and raised concerns about the use of that data for decision-making. ETA has developed a data validation program to improve the reliability of program data.

Single Audit

The Department relies on audits conducted under the Single Audit Act to provide oversight of more than 90% of its expenditures. OIG is concerned about the adequacy of information DOL receives from these audits, which are conducted by public accountants or state auditors and procured with DOL grant funds. Quality control reviews we

conducted in 2002 found serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable. The OIG is participating in several projects to improve single audit quality including an effort led by the Department of Education OIG to assess the quality of single audits government-wide. However, the Department should ensure that grantees procure quality audits whose results are used to improve programs.

Systems Planning and Development

Developing efficient and effective systems to perform the day-to-day business of DOL is also a challenge to the Department. Judicious planning and program management are critical to the implementation of new systems. Enduring problems in existing systems must also be addressed in a timely, effective manner. The OIG has concerns about insufficient planning for new DOL information technology and other systems. Lack of progress in addressing longstanding concerns in established programs like the Davis-Bacon prevailing wage determination process are also of concern.

Information Systems Planning and Implementation

OIG audits have demonstrated that DOL information technology systems development activities have ineffective planning for major system initiatives and weak project management. Current system development plans should be structured to include milestone reviews and key decision points. Project plans should be strengthened to include budget and cost tracking, project timelines, and resources monitoring. Taking these steps would improve DOL's management of IT systems. The Department's Chief Information Officer needs to take a stronger role to ensure that the agencies adequately plan for system development and are providing adequate project management. Department IT Project Managers should be encouraged and given the opportunity and resources to obtain certification in the field of project management.

E-Payroll

DOL participation in government-wide initiatives like E-payroll, which aims to consolidate and standardize civilian payroll processing in Federal government, also presents challenges. Under this initiative, DOL's payroll system, which covers 16,000 employees, will move to the National Finance Center, which is part of the Department of Agriculture. OIG audit work conducted during the Department's implementation of E-payroll identified vulnerabilities in the management of the payroll migration, originally scheduled for September 30, 2004, was postponed. We believe this was appropriate because of the extent of system readiness questions and human resources data errors. Among the vulnerabilities were that, as of March 31, 2004, DOL had prepared only a draft detailed e-payroll conversion plan and lacked a data validation process to ensure reliability of existing payroll data before conversion. Also of concern were lack of user involvement in project development and limited involvement of agency IT executives.

Davis-Bacon Prevailing Wage Determination

Another example involves the Davis-Bacon prevailing wage determination process, which impacts the salaries and fringe benefits of workers on Federally-funded or assisted construction projects. The OIG continues to have concerns over the lack of progress made by DOL in addressing past OIG and GAO (now the Government Accountability Office) concerns and recommendations for improving prevailing wage determinations used in the Davis Bacon program. From FY 1997 through 2003, DOL's Employment Standards Administration (ESA) spent a total of over \$22 million for Davis-Bacon improvements.

A recent OIG follow-up audit found that this investment resulted in limited improvements in wage data accuracy, timeliness of wage determinations, and survey methodology. Since ESA obtains survey data from employers and third parties who volunteer to participate in surveys, we have concerns about whether survey results are representative and unbiased. Based on our audit work, and because the economic impact of this program is substantial, we recommend that the Department move to a statistically valid survey approach, such as that used by Bureau of Labor Statistics (BLS), to collect the data upon which Davis-Bacon wage determinations are based. ESA responded that it was willing to reevaluate the feasibility of conducting surveys using a sampling methodology involving BLS data. We strongly encourage the Department to take immediate action on this important issue.

OSHA System Development Efforts

An OIG audit also identified project management weaknesses in the Occupational Safety and Health Administration's (OSHA) redesign of its Integrated Management Information System (IMIS), a mission critical

data system that collects information required to manage OSHA. Since its initiation in 1995, the redesign project has experienced procurement and contract performance problems and changed contractors. Its planned cost, initially estimated at \$2 million, was revised to \$8.5 million in 2000 and to \$12.6 million in 2002. We found that IMIS's Project Management Plan did not cover the entire redesign, that uncertain funding increased project risk, and that the project manager lacked critical knowledge and experience. During our audit fieldwork, OMB withdrew \$4 million in funding for the redesign and OSHA has since suspended the redesign effort. We recommend that OSHA adopt best practices, such as using a system development lifecycle approach to project planning and experienced project managers, to establish a better foundation for, and minimize risks in, future system development projects.

Information Systems Security

As is the case for all government agencies, information technology security is an ongoing challenge for the Department of Labor because of new threats and increased automation through E-Government initiatives. Keeping up with these developments, and providing assurances that DOL systems will function reliably and safeguard information assets in an E-government environment require a sustained effort. The security of DOL IT systems and data is vital, since it relates to key economic indicators and the payment of billions of dollars to workers.

IT Security Controls

The Department continues to take advantage of the benefits of E-Government technology. This will require DOL to ensure Federal security policies and guidance are being implemented at the system and application level. Our audit efforts over the past 5 years have identified significant control weaknesses across the programs, which continue to exist. For example, 1) the FECA system lacks adequate application access and input controls, increasing the risk that an individual with access could input, process, and approve an erroneous claim and not be detected; 2) the State UI Tax and Benefit system has control weaknesses that could expose UI data to risk of loss, misuse, or inadvertent/deliberate corruption; and 3) system access and contingency planning is inadequate for financial related systems.

Keys to being successful include DOL providing more consistent and thorough testing of its systems' controls, and becoming proactive in identifying and mitigating IT security weaknesses identified through its own assessments, as well as those identified by audits. Also, the Department can strengthen its management over its IT resources by creating a Chief Information Officer who is organizationally independent within DOL and focuses solely on IT issues, much as the Chief Financial Officer is organizationally independent.

Security of Employee Benefit Plan Assets

Protecting the benefits of American workers, including pensions and health care, remains a significant challenge to the Department. DOL is responsible for overseeing and protecting the interests of participants in about 730,000 private pension plans and 6 million health and welfare plans covered by the Employee Retirement Income Security Act (ERISA). These pension plans hold over \$4 trillion in assets and cover more than 150 million workers. Recent failures in corporate financial management and reporting, as well as in the auditing and oversight of these activities, show the need to enhance worker pension and healthcare security by expanding safeguards and improving benefit plan regulatory enforcement.

Safeguards to Protect Pension Assets

One of the safeguards ERISA put into place was the requirement for an annual audit of employee benefit plans. However, the OIG has longstanding concerns about the quality and scope of these audits and the resulting protections for workers. An unacceptably high number of benefit plan audits do not meet professional standards, and compliance has not improved. Moreover, a recent OIG audit found that when the Employee Benefits Security Administration (EBSA) detects deficiencies in plan audits, it has not been effective in correcting those deficiencies. In our view, ERISA does not provide EBSA with sufficient direct enforcement authority to ensure that substandard audits are corrected and that auditors with poor track records are not engaged to perform additional audits. ERISA's "limited scope" provision, which exempts from audit all pension plan assets held in entities regulated by Federal or State governments, also contributes to inadequate coverage of pension plan assets and should be repealed. Current audits of these plans do not provide sufficient safeguards to ensure plan assets are protected.

The Department is working to implement changes the OIG has recommended to alleviate this situation. The changes include improving follow-up to audit deficiencies found, better management systems, and improved enforcement targeting. The OIG will continue to follow this important aspect of pension plan protection. Based on our recent audit, the OIG is also recommending that DOL seek legislative changes to ERISA that would give EBSA adequate enforcement authority over plan auditors to effect corrective actions or prevent malfeasant auditors from performing work in the employee benefit arena. EBSA's lack of enforcement authority makes it difficult, if not impossible, to make audits an effective protection for the American worker.

Pension Plan Fraud

Also of concern is the security of assets in pension plans, which are attractive targets to organized crime groups, corrupt pension plan officials, and those who influence the investment of plan assets. OIG labor racketeering investigations consistently show that assets in Taft-Hartley plans, which are jointly administered by labor union and management representatives, are at risk. The courts ordered \$4.3 million in monetary results, including fines, restitutions and forfeitures, based on OIG investigations from October 1, 2003 through July 2004.

We continue to identify multi-million dollar abuses by plan service providers whose complex financial schemes may impact more than one benefit plan. One such case recently led to guilty pleas by an attorney, a real estate agent, and a former pension plan trustee who received illegal payoffs in connection with a \$10 million land purchase by the pension fund of the Northwest District Council of Carpenters. This joint investigation with EBSA is one of 64 current joint OIG and EBSA pension investigations. In addition, the OIG has renewed concern about the security of the assets in employer sponsored 401(k) plans that are collectively bargained and is developing investigative casework on these plans.

Cash Balance Pension Plans

In 2002, the OIG raised concerns about the methodology used to calculate lump sum payments to participants who left converted cash balance plans before normal retirement age. We found that some employers' calculations resulted in underpaid benefits, and recommended that EBSA strengthen the agency's oversight of cash balance pension plans. We further recommended that EBSA work with the IRS to develop improved guidance for plan administrators in calculating participant accrued benefits.

EBSA responded that its enforcement oversight responsibilities are statutorily restricted. Nonetheless, in February 2002, EBSA asked the IRS for advice concerning pension plans that may have underpaid participants. Two years have passed and the IRS has not responded. We urge the Department to take whatever action is necessary to resolve this matter in the best interest of plan participants. We believe plan participants who left the plans before normal retirement age may have been underpaid significant amounts because of IRS' and EBSA's continued lack of action.

Corrupt Multiple Employer Welfare Arrangements (MEWAs)

DOL is also challenged to enhance its commitment to investigating corrupt health insurers, whose schemes are burdening an increasing number of Americans with unpaid medical claims. These insurers establish unlicensed health benefit plans known as MEWAs, which are not covered by ERISA and are therefore more vulnerable to fraud. The insurers collect insurance premiums, but ultimately fail to pay claims. Fraudulent MEWAs were recently identified by the Department of Justice as an emerging area of health care fraud, which we believe merits increased OIG and EBSA attention. In February 2004, the GAO reported that from 2000 to 2002, state insurance commissioners and the DOL identified 144 unauthorized entities selling health insurance coverage across the country to at least 15,000 employers covering more than 200,000 persons. Over the same period these unauthorized entities left more than \$252 million in unpaid medical claims.

Accounting for Real Property

The Department is challenged to improve accountability for and management of millions of dollars worth of real property. The GAO designated Federal real property as a high-risk area in January 2003, and in February 2004 the position of Senior Real Property Officer for Federal Agencies was established by Executive Order. The President's Management Agenda also includes a government-wide initiative aimed at improving stewardship of Federal real property assets. With respect to the Department of Labor, OIG audits have highlighted opportunities for improvement in real property management.

Job Corps Real Property

In our FY 2003 report on the Department's internal controls over financial reporting, the OIG noted that Job Corps did not adequately account for \$728 million worth of real property. Namely, ETA did not sufficiently utilize DOL's property reporting and tracking system and did not establish sufficient controls to ensure that Job Corps real property was safeguarded and accurately reported in DOL's tracking system and general ledger systems. ETA has begun to review its existing processes and plans to restructure them to strengthen the property management system.

State Workforce Agency Real Property

In addition, an OIG audit of management controls over Federal equity in State Workforce Agency (SWA) real property found that ETA had not established adequate management controls over accounting for the Department's equity interest in SWAs' real properties. Specifically, ETA's inventory of SWA property was neither accurate nor complete, and ETA did not ensure the states properly handled the proceeds from disposing of SWA properties with DOL equity. We recommended the ETA make control and management of real property a high priority. ETA has begun to review its existing processes and will restructure them to strengthen the property management system.

Workforce Investment Act Reauthorization

The Department also faces the challenge of improving Workforce Investment Act (WIA) programs through the WIA reauthorization process. To date Congress has not reauthorized the WIA legislation. Prior OIG audits identified areas in which WIA could be improved to better achieve its goals. Based on our audit work, we recommended changes to increase training provider participation, improve dislocated worker program services and outcomes, better document youth program outcomes, and better assess states' current WIA funding availability. DOL has agreed to most of our recommendations, but many have yet to be implemented.

Changes from Last Year

In identifying the most critical management challenges faced by DOL each year, the OIG recognizes significant matters meriting the continued attention of the Department may be omitted from the list. In the area of grant accountability, ETA has undertaken a grants management initiative, the results of which the OIG plans to review. While it does not appear on this year's challenges list, accountability over DOL awarded grants will continue to merit diligent attention. DOL has also implemented a variety of initiatives to enhance human capital management, which have been recognized in its scores on implementing the President's Management Agenda. Nonetheless continued attention to recruiting and retaining the best people will be critical to the Department's future success.

Recently identified challenges have also replaced some well documented, prior year challenges on the list of most critical issues. Insolvency of the Black Lung Trust Fund, a well publicized concern with a legislative proposal to address it, therefore does not appear on the challenge list. Nevertheless, follow through by DOL will be required to address \$8.2 billion in advances the Fund has borrowed from the Treasury. The DOL will also need to follow through on planned efforts to decrease asbestos contamination for miners by lowering permissible exposure limits, using better detection methods, and addressing take-home contamination from asbestos.