



United States General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

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The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: Observations on the Department of Labor's Fiscal Year 2000 Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Department of Labor (Labor). Enclosure II lists management challenges we and Labor's Inspector General identified that face the agency and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to assess (1) the usefulness of the agency's plan for decisionmaking purposes and (2) the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of Labor's operations and programs, and our assessment of Labor's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.¹

¹ Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. If you have any questions about this letter, please call me at (202) 512-7215. Other major contributors to this letter include Marlene Shaul, Sigurd Nilsen, Christine Shine, and Wayne Sylvia.

Sincerely yours,

A handwritten signature in black ink that reads "Cynthia M. Fagnoni". The signature is written in a cursive style with a large initial "C" and a distinct "F".

Cynthia M. Fagnoni
Director, Education, Workforce
and Income Security Issues

Enclosures – 2

Observations on the Department of Labor's Fiscal Year 2000 Performance Plan

Labor's fiscal year 2000 annual performance plan provides a generally clear picture of intended performance across the agency and provides a general discussion of strategies and resources the agency will use to achieve its goals. However, the plan provides limited confidence that information on agency performance will be credible. For example, Labor's plan identifies budgeted funding amounts for each of the three strategic goals and details the activities from the component offices that will help accomplish each of the strategic goals. However, the lack of reliable and timely data across all of Labor's data systems raise concerns about its ability to accurately assess performance. Figure I.1 highlights the plan's major strengths and key weaknesses as Labor seeks to make additional improvements to its plan.

Figure I.1: Major Strengths and Key Weaknesses of Fiscal Year 2000 Annual Performance Plan

Major Strengths

- Performance goals and measures are objective, clear, measurable, and provide a clear picture of intended performance across the agency.
- The need for information technology goals was recognized and goals were developed.
- Human capital management goals have been revised to better address workplace issues.
- Means and strategies are linked to performance goals.

Key Weaknesses

- Serious data limitations affect the accuracy of reported performance. Labor recognizes these limitations but does not discuss how the data limitations it identifies will affect its measurement of performance goals.
- The plan does not adequately describe how Labor will actively work with other agencies that share responsibility for some of Labor's functions to ensure that Labor's goals are achieved.
- The plan does not always explain how strategies will help achieve individual performance goals.

Labor's fiscal year 2000 annual performance plan represents a moderate improvement over the fiscal year 1999 plan, because Labor has made some progress in addressing the weaknesses we identified last year. In reviewing the fiscal year 1999 plan, we observed that it (1) provided only a partial picture of intended performance across the agency, (2) partially portrayed how Labor's strategies and resources would help achieve its goals, and (3) did not provide sufficient confidence that the agency's performance information would be credible.

Among improvements in the fiscal year 2000 annual performance plan are modified performance goals that better focus on outcomes and elimination of other goals that could not be adequately measured. For example, Labor made one goal measurable by specifying a percentage increase for job retention and wages for Job Corps program participants. Labor also eliminated a goal that was not measurable relating to distribution of educational

materials on pensions. A second improvement is a better linking of agency strategies to specific performance goals. For example, for each strategy listed, Labor identified the specific performance goal to which it applied. Thirdly, Labor added goals related to information technology. For example, one goal states that Labor will complete reviews of 70 percent of risk assessment and disaster recovery plans developed to ensure that its information systems are adequately protected, secure from tampering, reliable; and that security is well managed and documented.

Labor's Performance Plan Provides a Generally Clear Picture of Intended Performance Across the Agency

Labor's plan generally provides a clear picture of intended performance across the agency. Its performance goals are generally objective, measurable, and quantifiable. The performance goals are comprehensive and explicitly cover all program activities in Labor's budget and define the level of performance to be achieved by identifying specific measures for each goal. Baseline data are shown for most indicators and, where applicable, compare past performance or accomplishment with projected future performance or accomplishment. However, several of the performance goals in the fiscal year 2000 annual performance plan are new and baseline data have not been established. For example, one performance goal is to increase by 2 percent over fiscal year 1999 the percent of those leaving the Trade Adjustment Assistance and the North American Free Trade Agreement-Trade Adjustment Assistance programs that (a) get a job immediately and (b) still have jobs 13 weeks later. And, a 1999 baseline will be established when a new reporting system under development provides data on performance. In addition, several indicators are based on old data and thus do not depict current conditions. For example, one performance goal is to reduce three of the most prevalent workplace injuries and causes of illnesses by 7 percent from baseline levels in selected industries and occupations. However, the available data for use as a baseline for assessing workplace injuries are over 4 years old. This raises concern that some of Labor's performance measures are based on old data and in need of updating and may not be available to provide timely assessments of performance.

The fiscal year 2000 annual performance plan generally addresses mission-critical management problems at Labor. Labor has established long-term management initiatives and performance goals to address cross-cutting departmental functions such as financial, information technology, and human capital management. For example, Labor recognizes the importance of having a capable and diverse workforce and indicates that it will test and adopt career and family-friendly programs, expand the use of innovative work practices, and work closely with employee organizations to address workplace issues. Table II.1 shows how the plan addresses the major management challenges GAO and Labor's Office of Inspector General (OIG) have identified.

Although Labor's management goals discuss efforts to work with other federal agencies, the plan does not identify specific actions Labor will take to ensure effective interaction with other federal agencies. Specifically, the plan does not identify common or complementary performance goals and measures elsewhere in the federal government that relate to Labor's goals and measures. For example, although two performance goals relate to helping veterans find jobs; no mention is made of how Labor will work with other federal agencies, such as the Department of Veterans Affairs. In addition, to assist youth in making the transition from school to work, Labor stated in its plan that, working with the Department of Education, it will continue to expand school-to-work activities and will build partnerships at the state and local levels that include employers, organized labor, community leaders, educators, and parents. However, the plan provides no information specifying what is being done with Education to jointly achieve these goals and how all these partnerships will help Labor achieve its goal of engaging youth in school-to-work activities.

The fiscal year 2000 annual performance plan is a moderate improvement over the fiscal year 1999 plan in that it addresses, to some degree, the weaknesses that we identified in our assessment of the fiscal year 1999 annual performance plan as it relates to providing a clear picture of intended performance across the agency. We identified a number of weaknesses in the fiscal year 1999 plan and suggested changes Labor should make to improve it. Labor addressed most of our concerns about last year's plan in this year's plan, but deficiencies remain. Among the improvements in the fiscal year 2000 annual performance plan are modifications in performance goals. Specifically, Labor added 7 new performance goals that are objective and measurable and eliminated 5 performance goals that were of limited value or questionable validity because they did not sufficiently measure performance. However, Labor still does not adequately discuss the effect of external factors on its ability to meet performance goals, and many goals may not reflect true performance due to poor indicators or inadequate baseline data.

Labor's Performance Plan Provides a General Discussion of the Strategies and Resources the Agency Will Use to Achieve Its Goals

Labor's performance plan provides a general discussion of strategies and resources it will use to achieve its performance goals. More specifically, Labor's plan identifies budgeted funding amounts for each of the three strategic goals and identifies the activities from the component offices that will contribute to the accomplishment of each of the strategic goals. However, the plan does not identify where requested funding is included in the program activity structure of the agency's budget request. For example, to achieve the strategic goal of quality workplaces, which includes 4 outcome and 13 annual performance goals, Labor identifies the specific budgeted activities in its Employment and Training Administration (ETA), Employment Standards Administration, Occupational Safety and Health Administration, Mine

Safety and Health Administration, and Departmental Management that contribute to achieving quality workplaces that are safe, healthy, and fair. However, Labor's plan could be more useful if the agency showed how these program activities and their funding related to more discrete sets of performance goals. For example, the plan explicitly describes incremental funding requests for new initiatives by strategic goal, but broadly aggregates the Department's total budget request across the three strategic goals.

Labor identified 112 means and strategies to accomplish its 42 performance goals. It separates the means and strategies into two categories: (1) sustained efforts and (2) significant new or enhanced efforts. In this year's plan, Labor linked each strategy to a specific performance goal. However, in some instances, the strategies do not identify how they would help achieve the stated goal. For example, one performance goal states that 60 percent of local employment and training offices will be part of one-stop career center systems. In a related strategy, Labor stated that it will "continue its support of the adoption and implementation of continuous improvement initiatives throughout the workforce development system," but does not indicate how these efforts will help achieve the one-stop career center performance goal.

Labor's fiscal year 2000 annual performance plan also describes its human capital and information technology management initiatives, but does not link human capital and information technology to either the three strategic goals or the 42 performance goals. For example, Labor discusses the importance of having a capable and diverse workforce and addresses workplace issues, but does not relate how its management of human capital will help the Department in achieving its performance goals.

As required by the Results Act, Labor's strategic plan describes major external factors that could affect the Department's performance. While it is not required to do so by the Results Act, we believe Labor's annual performance plan does not provide an adequate discussion of how these external factors might affect individual performance goals or how the Department plans to mitigate the effect of these factors. For example, several of Labor's performance goals relate to finding jobs for various target populations, but the plan does not discuss how economic conditions or the existence of other employment programs serving these same populations may affect Labor's success in achieving its performance goal.

The fiscal year 2000 performance plan represents moderate improvement in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan relating to providing a specific discussion of strategies and resources Labor will use to achieve its performance goals. In reviewing the fiscal year 1999 plan, we observed that it did not (1) clearly convey how its strategies would achieve the plan's goals, (2) identify external factors that could affect Labor's ability to meet its goals, or (3) adequately discuss the human capital or information technology Labor would use to achieve its goals. Among improvements in the fiscal year 2000 performance plan is a better effort to link each strategy with a specific

performance goal. Labor's plan would be further improved if it showed how these program activities and their funding related to discrete sets of performance goals. Another improvement is Labor's recognition of the need for, and development of, information technology goals. For example, Labor established an outcome goal aimed at improving organizational performance and communication through effective use of information technology resources and developed six related performance goals.

Labor's Performance Plan Provides Limited Confidence That Agency Performance Information Will Be Credible

Labor's fiscal year 2000 annual performance plan provides limited confidence that its performance information will be credible. We recently reported¹ that Labor lacks adequate information to assess whether many of its programs are operating efficiently and are producing intended results. Labor recognizes that challenges lie ahead in overcoming three performance measurement issues: (1) lack of data, (2) insufficient data, and (3) untimely reporting. Labor further notes that data are missing in some areas and that data integrity is an issue in other areas where existing measures are insufficiently precise or are unreliable. Labor's recognition of its data problems is an important first step to improving its data. Nonetheless, Labor's data problems raise concerns about its ability to accurately measure the extent to which performance goals are achieved. Furthermore, while Labor identifies three major issues with data problems, it does not identify which of its data systems contain these deficiencies and which performance goals these data quality issues affect.

In its fiscal year 2000 performance plan, Labor notes that it has 14 performance measurement systems in place providing reliable data to evaluate current performance, but we question the usefulness of some of these data. One of the systems identified is used to evaluate Job Training Partnership Act program performance; however, this system produces untimely information—data are reported with a 15-month lag. In its plan, Labor notes that it is exploring ways to obtain valid, relevant, and timely program information using this system. Another of the 14 data systems Labor deemed reliable is used to evaluate the Job Corps program. However, GAO² and OIG reports have raised concerns about the accuracy of the data produced by this system, especially in terms of reporting placement results.

¹ Major Management Challenges and Program Risks: Department of Labor (GAO/OCG-99-11, Jan. 1999).

² Job Corps: Links With Labor Market Improved but Vocational Training Performance Overstated (GAO/HEHS-99-15, Nov. 4, 1998) and Job Corps: High Costs and Mixed Results Raise Questions About Program's Effectiveness (GAO/HEHS-95-180, June 30, 1995).

Labor identified some activities planned to address the quality of its data. It will develop a departmentwide information technology architecture and departmentwide data standards to facilitate the efficient collection of timely and reliable program data by Labor components. Related to the Job Corps program data concerns, Labor states that it is undertaking a variety of actions to address issues raised by us and by OIG, such as creating a job retention standard, revising systems procedures, and adding staff to improve the accuracy of placement data and the verification of job retention. Without specific information on the details of efforts to improve the quality of these data, it is unclear how Labor will address some of the specific shortcomings of its existing data systems. For example, the information provided on the departmentwide information technology effort is so general that it gives no indication as to how it will improve data quality. The Job Corps effort is more specific, but because so much of the data are provided by program subcontractors, more discussion is needed about how Labor will ensure the integrity of the data being provided by these subcontractors.

While Labor identifies data system shortcomings in one section of its plan, it states in another section that these same data systems are reliable. Furthermore, Labor's plan does not adequately describe how the lack of complete, timely, and reliable data may affect its ability to assess its performance goals. For example, Labor notes that we and OIG have raised concerns about Job Corps data, but there is no discussion of how these concerns affect the measurement of the performance goal related to the Job Corps program.

The fiscal year 2000 annual performance plan recognizes the weaknesses we identified in our assessment of the fiscal year 1999 annual performance plan related to (1) not providing full confidence that the agency's performance information will be credible and (2) not making specific commitments nor identifying efforts to address those weaknesses. However, progress in improving these areas is not yet evident and the fiscal year 2000 plan represents little, if any, improvement over the fiscal year 1999 plan in this area. In reviewing the fiscal year 1999 plan, we observed that Labor (1) did not discuss the quality of specific data it planned to use to measure performance, including the use of data with known significant limitations, (2) did not specify how component agencies would develop measurement systems that are both reliable and integrated with other agency systems, and (3) relied too heavily on the role of OIG ensure that its performance measures were complete, accurate, and consistent. Among the improvements contained in Labor's fiscal year 2000 plan is a greater recognition of the challenges facing the agency in obtaining accurate, reliable, and timely data from its component offices. However, Labor has made little progress to improve the quality of the data being used to measure performance. For example, Labor states that actions to improve the timeliness of the Job Training Partnership Act program and the reliability of Job Corps data are being explored, but have yet to be implemented.

Other Observations on Labor's Implementation of Performance-Based Management

Labor's decentralized structure and the numerous federal, state, and local partners that share responsibility for Labor's programs pose a challenge for internal and external coordination. For example, not only does Labor itself have 22 offices—many with overlapping responsibilities—but for many of its programs, such as job training, enforcement of workplace standards, and collection of economic and workforce statistics, Labor must work with state and local governments or nongovernmental organizations that often manage Labor's programs on a day-to-day basis. In the past, Labor has shown limited capacity to effectively organize the activities of the many units at the federal, state, and local levels that share its responsibilities. While this task is difficult, the Results Act offers a mechanism to address this challenge. However, Labor's fiscal year 2000 performance plan does not adequately describe how it will actively work with other agencies to ensure that Labor's goals are achieved. Labor needs to be more proactive in engaging all agencies with responsibilities relating to its mission. In addition, the 1996 welfare reform legislation and Labor's welfare-to-work grant program created in 1997, combined with the passage of the Workforce Investment Act in 1998, have affected the nation's job training system in ways that are now just beginning to become apparent. These developments require Labor to re-evaluate its approach and reach out more effectively to other departments, especially the Department of Health and Human Services.

The financial and information systems discussion in Labor's fiscal year 2000 annual performance plan is adequate, but Labor needs to ensure that its performance goals are linked to suitable performance measures. For example, Labor plans to initiate a departmentwide program to target financial management training in critical skill areas including the application of cost accounting standards and financial management systems development. However, the performance goals—compliance with the Federal Financial Management Improvement Act, Government Management Reform Act, and Federal Accounting Systems Advisory Board standards—do not reflect the accomplishment of these goals.

Agency Comments

We obtained comments from the Department of Labor on a draft of our analysis of its Labor's fiscal year 2000 annual performance plan. Labor generally concurred with our observations of the plan's strengths and weaknesses and acknowledged the need for improved data quality, better descriptions of collaboration efforts, and clearer linkages between strategies and goals. Labor commented that it is taking several steps to overcome management challenges and address the areas where improvements are needed. Labor also stated that it will use our

Enclosure I

Observations on the Department of Labor's Fiscal Year 2000 Performance Plan

analysis of its fiscal year 2000 plan as a basis for improvements to the next version of its performance plan.

In response to our concerns about data limitations, Labor noted that it is launching an effort to obtain technical assistance to develop better outcome measures and to improve its performance data systems. For example, Labor stated that the Occupational Safety and Health Administration has already begun conducting record keeping inspections to verify site-specific data. Labor also noted that the Employment and Training Administration has launched a major data initiative using contractor support to review its data reporting systems and to develop specific recommendations for improving accuracy, reliability and timeliness.

In response to the need for a better description of collaboration efforts with other agencies, Labor commented that it recently forwarded a report to Congress on interagency collaboration. Labor said that the report, among other things, identifies Labor's plans to actively work with other federal, state and local agencies in areas that share common functions to improve the dialogue and coordination to improve results.

Management Challenges

In January 1999, GAO identified several management challenges confronting the Department of Labor in carrying out its mission. In February 1999, Labor's OIG issued a similar report. Table II.1 summarizes how Labor's annual performance plan addresses the major management challenges and program risks identified by us and Labor's OIG.

Table II.1: Management Challenges in Labor's Fiscal Year 2000 Performance Plan

Management challenges identified by GAO ¹	Applicable goals and measures in the fiscal year 2000 annual performance plan
<p>Labor lacks accurate and reliable information to assess program performance. For example, data reported by the Job Corps program on the percentage of participants who complete their vocational training and obtain jobs related to that training are misleading and overstate the program's results. In addition, Labor needs to rely less on OIG to ensure the reliability and validity of program performance data.</p>	<p>None. However, under section 5 of the plan, Labor recognizes its challenges in overcoming data validity and reporting problems and acknowledges that we and OIG have identified these problems. The fiscal year 2000 plan addresses issues in performance measurement, including information systems and data challenges and states that new methods of assessment are under study and that program evaluations will be used to ensure validity and reasonableness of goals and strategies. However, the plan does not provide details on what these new methods are or how the program evaluations will be carried out. The fiscal year 2000 plan continues to rely on OIG to ensure reliability and validity of program performance data.</p>
<p>(OIG also identified aspects of this area as a management challenge.)</p> <p>Labor's coordination challenge is intensified by decentralization. Labor has shown limited capacity to effectively coordinate the activities of the many units at the federal, state, and local levels that share responsibility for implementing worker protection programs. For example, we reported that the lack of effective coordination could result in farmworker children working in violation of the law.</p>	<p>None. Labor's plan does not contain a specific goal to address its overall coordination challenge. However, within outcome goal 3.4 and its three related performance goals, Labor discusses plans to reduce the exploitation of child labor and address core international labor standards issues. Under section 6.3.4, Labor states that the need for cooperation and collaboration with other federal agencies on these issues is crucial. Labor plans to work closely with numerous federal agencies including the Departments of Commerce, Treasury, and Education to implement worker protection programs.</p>

¹ Major Management Challenges and Program Risks: Department of Labor (GAO/OCG-99-11, Jan. 1999)

Enclosure II
Management Challenges

Management challenges identified by GAO ²	Applicable goals and measures in the fiscal year 2000 annual performance plan
<p>Labor has not effectively leveraged its limited resources by using alternative enforcement strategies. For example, we found that billions of dollars in federal contracts were awarded to employers already found to be violating workplace safety and health standards. Labor could do more to help other agencies during the contract procurement process by developing procedures to periodically transmit data on contractors' safety and health records to agency contracting officers.</p>	None.
<p>Labor's Year 2000 computer problems could jeopardize benefit payments and economic statistics. For example, the inability of some Labor computer systems to properly distinguish between the years 2000 and 1900 is potentially a critical challenge, putting at risk unemployment insurance benefits payments and the timely issuance of economic statistics. Also, Labor makes extensive use of complex information technology to support its mission. Without effective, up-to-date information technology, Labor cannot ensure the income security of millions of workers or generate crucial national economic data. Adding to the complexity of this challenge is the fact that these data rely on many information systems outside of Labor.</p> <p>(OIG also identified this area as a management challenge.)</p>	<p>None. However, Labor states within its means and strategies discussion that it will develop and implement improvements to the unemployment insurance program's computer systems to facilitate performance achievement. Labor will also provide leadership, technical assistance and resources to state efforts to bring their Unemployment Insurance automated systems into Year 2000 compliance and be prepared to implement contingency plans to assure their continued functioning.</p>
Other areas identified by the IG-Department of Labor:	Applicable goals and measures in the fiscal year 2000 performance plan
<p>Labor needs to ensure that performance and cost information generated are accurate, auditable, and credible.</p>	None.
<p>Labor should monitor the effectiveness of the welfare-to-work initiative. It needs to provide effective training and employment services to help individuals move from welfare dependency to self-sufficiency. Specifically, Labor needs to collect and report results of its efforts on behalf of eligible individuals.</p>	<p>None. However, within the plan, performance goal 1.1A deals with placement of welfare recipients, and a portion of this population may be provided assistance through the welfare-to-work program.</p>

² Major Management Challenges and Program Risks: Department of Labor (GAO/OCG-99-11, Jan. 1999)

Enclosure II
Management Challenges

Other areas identified by the IG-Department of Labor:	Applicable goals and measures in the fiscal year 2000 performance plan
Labor needs to ensure that the Employment and Training Administration's (ETA) cost data for grants and contracts are recorded promptly.	None.
Labor needs to ensure that weaknesses, vulnerabilities, and criminal activity are identified and addressed.	None. However, Labor stated in its plan that the OIG will conduct an investigation targeting service providers of union pension plans under the influence of organized crime.
Labor has serious vulnerabilities within three major worker benefit programs: the continued proliferation of unemployment insurance fraud schemes, the questionable cost-efficiency of the Federal Employees' Compensation Act program, and the escalating indebtedness of the Black Lung Disability Trust Fund.	None. Labor did not add any performance goals to specifically address these vulnerabilities. Labor's outcome goal 2.2 broadly discusses these concerns but does not address specific actions it will take. Labor states that OIG will conduct an investigation targeting service providers of pension plans and that OIG will also help identify and investigate multi-state fraud schemes against the UI program. Labor did not address efforts for reducing the indebtedness of the Black Lung Disability Trust Fund.
Labor's collection and disbursement activities related to the Wage and Hour Division's back wage collections and related penalties are questionable.	None.
Labor's day-to-day accounting operations, primarily related to needed improvements in financial management system design, are deficient. Specifically, 7 systems do not substantially meet one or more of the Federal Financial Management Improvement Act requirements.	Labor added a new goal (FM1) to the fiscal year 2000 annual performance plan that all financial systems meet the standards set in the Federal Financial Management Improvement Act and the Government Management Reform Act.
Labor needs to exercise effective stewardship over information technology resources related to financial and performance systems—for example, identifying and mitigating risks to avoid inflated budgets, cost overruns, delays, and failures.	None.
ETA does not have sufficient operating procedures to keep the inventory of real properties reasonably current. This places ETA at risk of not being fairly compensated when the properties are sold, disposed of, or put to other use.	None.

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