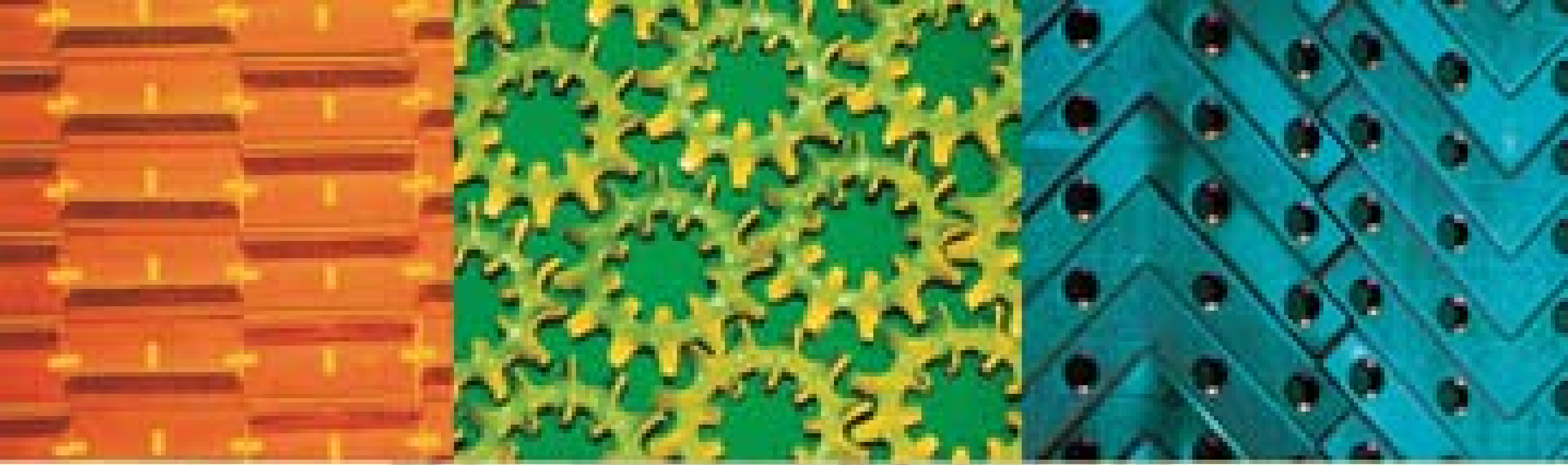

PERFORMANCE AND ACCOUNTABILITY REPORT 2006

U.S. Department of Labor
FY 2006 Performance and Accountability Report

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Secretary's Message

November 15, 2006

Fiscal Year 2006 has been an exciting and productive year in which our efforts at the Department of Labor were keenly focused on *Maximizing the Mission*. I am proud to submit my sixth annual Performance and Accountability Report to Congress and the American people. Not only is this report the culmination of the Department's assessment of its FY 2006 program and financial performance, but it is the transition from the strategic goals set out in the Department's FY 2003-2008 Strategic Plan to our new plan for FY 2006-2011. Our updated plan was submitted to Congress on September 29, 2006, and will guide the Department's efforts over the coming years.

The four strategic goals that are the basis of this report – *A Prepared Workforce*, *A Secure Workforce*, *Quality Workplaces*, and *A Competitive Workforce* – have served us well. The Strategic Plan update provided a fresh look at the goals, strategies, and targets to which we will hold ourselves accountable as we tackle the challenges of the future. The new goals are:

- *A Prepared Workforce* provides training and services to new and incumbent workers and supplies quality information on the economy and labor market.
- *A Competitive Workforce* enhances the effectiveness and efficiency of the workforce development and regulatory systems that assist workers and employers in meeting the challenges of worldwide competition.
- *Safe and Secure Workplaces* ensures that workplaces are safe, healthful, and fair; provides workers with the wages due them; provides equal opportunity; and protects veterans' employment and re-employment rights.
- *Strengthened Economic Protections* protects and strengthens economic security; ensures union transparency; and secures pension and health benefits.

President's Management Agenda

The President's Management Agenda continues to be the central focus for the Department's efforts in management improvement. As of September 2006, the Department remained the only Cabinet Department agency to achieve a "green" status on all five of the government-wide President's Management Agenda initiatives: *Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government*, and *Budget and Performance Integration*. And last December, the Department received the President's Quality Award for *Performance in Integrating Management Systems*, becoming the first Department to achieve this overall award for management excellence.

Responding to Evolving Employment and Training Needs

The Department has been pursuing essential strategies for innovative approaches to spur regional workforce development, give workers greater flexibility to reach their career goals, and create a workforce investment system that better supports workers. Most job growth over the past five years has been in occupations that require post-secondary education. Linking workers to the information, training, and resources that will help them gain the skills they need to be competive is the key to accessing greater economic opportunities in the 21st century.

To accomplish these goals, the Department has awarded grants to create partnerships among the public workforce system; business and industry; education and training providers; and the economic development community. This will help prepare workers for jobs in high-growth, high-demand sectors of the economy, such as health care, energy, and advanced manufacturing. The Department has also provided competitive grants to strengthen the capacity of community and technical colleges to train workers in the occupations and skills required by today's employers. Investments in competitively selected economic regions across the country promote innovative approaches to education and workforce development that transcend State borders and other traditional boundaries. By placing more training dollars directly in the hands of workers, workers are empowered to acquire the skills they need and control their own careers.

Worker Protections

The Department continues to focus on the challenges and opportunities to protect workers' health, safety, benefits, and pay, and union members' rights through strong and fair enforcement complemented by compliance assistance. Promoting worker safety and health remains a challenge as the demographics and nature of work evolve. By placing our emphasis on high-risk workplaces and focusing our resources on the strategies that can best mitigate these risks, we can make a difference. In the area of union transparency, for the first time ever, union members have access to information about their union's financial solvency, integrity and priorities, as well as any financial conflicts of interest among their officials. The Department has maintained a strong capacity for directed investigations and a front-line enforcement presence to protect the hard-earned wages of our nation's most vulnerable workers. The Department has also made great strides in protecting the rights of working veterans through outreach activities to employers and service members, particularly for those fighting the Global War on Terror.

Retirement Security

Retirement security remains a high priority of the Department and enactment of the Pension Protection Act of 2006 will strengthen our ability to ensure a more secure retirement system for America's workers. We will implement this historic new law and provide effective enforcement and compliance assistance to retirement and health plans. We will also strengthen management for the defined benefit plans trusteed by the PBGC and protect the retirement security of the 1.3 million participants whose benefits will be paid by the federal insurance program.

Program Data and Financial Systems

Department of Labor managers routinely use the performance and financial information summarized in this report to improve the quality and cost-effectiveness of the services we provide to the public. For management and accountability purposes, it is crucial to have confidence in the quality of this information. Program performance data presented in this report are complete and reliable; there are no material inadequacies as defined by the Office of Management and Budget (OMB) in Circular A-11. Program performance data quality, assessment of internal controls pursuant to the Federal Managers' Financial Integrity Act (FMFIA) and compliance of financial management systems with the Federal Financial Management Improvement Act of 1996 (FFMIA) are discussed in greater detail in the Management's Discussion and Analysis section of this report.

Conclusion

This 2006 Performance and Accountability Report is a comprehensive evaluation of our achievements against an ambitious and challenging set of goals and targets. The dedicated employees of the Department have helped to achieve program results that keep America's workers prepared, competitive, and safe and healthy on the job. We have also worked vigorously to protect retirement security, ensure fair compensation, and promote new and innovative ways to strengthen our Nation's workforce as we move forward in the 21st century.

E.L. Chao

Elaine L. Chao
Secretary of Labor

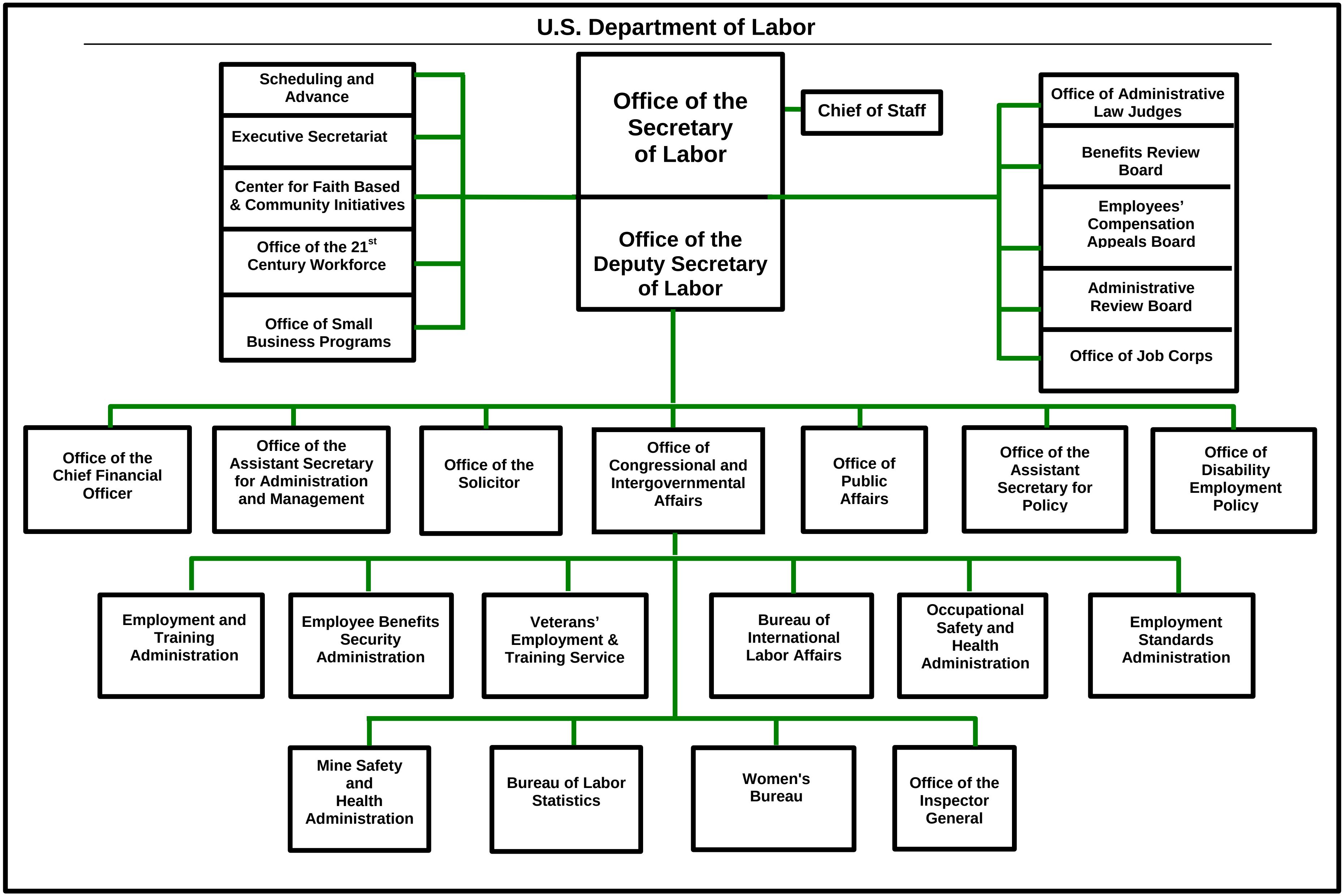
Management’s Discussion and Analysis

Mission, Vision and Organization

Mission
The Department of Labor (DOL) fosters and 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 accomplishes its mission through 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, Commissioner, or Director, are the Employment and Training Administration (ETA), Employment Standards Administration (ESA), Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), Veterans' Employment and Training Service (VETS), Employee Benefits Security Administration (EBSA), Pension Benefit Guaranty Corporation (PBGC), and the Bureau of Labor Statistics (BLS). Legal services are provided to the program agencies by the Office of the Solicitor. An organization chart and agency mission statements appear on the following pages.


U.S. Department of Labor
Office of the Secretary of Labor
Office of the Deputy Secretary of Labor
Chief of Staff
Scheduling and Advance
Executive Secretariat
Center for Faith Based & Community Initiatives
Office of the 21st Century Workforce
Office of Small Business Programs
Office of Administrative Law Judges
Benefits Review Board
Employees' Compensation Appeals Board
Administrative Review Board
Office of Job Corps
Office of the Chief Financial Officer
Office of the Assistant Secretary for Administration and Management
Office of the Solicitor
Office of Congressional and Intergovernmental Affairs
Office of Public Affairs
Office of the Assistant Secretary for Policy
Office of Disability Employment Policy
Employment and Training Administration
Employee Benefits Security Administration
Veterans' Employment & Training Service
Bureau of International Labor Affairs
Occupational Safety and Health Administration
Employment Standards Administration
Mine Safety and Health Administration
Bureau of Labor Statistics
Women's Bureau
Office of the Inspector General

Agency Missions

Bureau of International Labor Affairs (ILAB)
To carry out the Secretary of Labor'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 nongovernmental organizations.

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.

Center for Faith-Based and Community Initiatives (CFBCI)
To empower faith-based and community organizations (FBCO) as these organizations help their neighbors enter, succeed and thrive in the workforce. CFBCI targets those organizations that are trusted institutions providing valuable services but that may not be partnering with government programs.

Employee Benefits Security Administration (EBSA)
To assist workers in getting the information they need to exercise their benefit rights; to assist plan officials to understand the requirements of the relevant statutes in order to meet their legal responsibilities; to develop policies and regulations that encourage the growth of employment-based benefits; and to deter and correct violations of the relevant statutes through strong administrative, civil and criminal enforcement.

Employment Standards Administration (ESA)
To enhance the welfare and protect the rights of American workers.

Office of Federal Contract Compliance Programs: To ensure that employers doing business with the Federal government comply with the laws and regulations requiring nondiscrimination.

Office of Labor Management Standards: To ensure standards of democracy and financial integrity and transparency in labor organizations representing American workers.

Office of Workers' Compensation Programs: To protect the interests of eligible workers, employers and the Federal government by ensuring timely and accurate claims adjudication and provision of benefits, by responsibly administering the funds authorized for this purpose, and by restoring injured workers to gainful work when permitted by the effects of the injury.

Wage and Hour Division: To promote and achieve compliance with labor standards to protect and enhance the welfare of the Nation's workforce.

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 investment systems.

Mine Safety and Health Administration (MSHA)
To administer the provisions of the Federal Mine Safety and Health Act of 1977 (Mine Act) and to enforce compliance with mandatory safety and health standards as a means to eliminate fatal accidents; to reduce the frequency and severity of nonfatal accidents; to minimize health hazards; and to promote improved safety and health conditions in the Nation's mines.

Office of the Assistant Secretary for Administration and Management (OASAM)
To provide the infrastructure and support that enables the Department of Labor to perform its mission. OASAM provides leadership and support for Departmental business operations and procurement; budget and finance; information technology; human resources and civil rights; security and emergency management; and strategic planning - and is the hub for DOL's implementation of the President's Management Agenda.

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. OASP also provides analytical support to the Secretary, Deputy

Secretary and Policy Planning Board with respect to policy issues and trends which require economic analyses or other expertise including preparing recommendations and analyses with respect to long- and short-term economic trends; preparation of economic studies and analyses related to the formulation of policy; and economic analyses related to economic impact of Departmental policies, regulations, and programs on general labor policy in the U.S.

Office of the Chief Financial Officer (OCFO)
To deliver the right information to the right people at the right time. OCFO establishes financial management models based on principles of sound fiscal control, accountability, and customer service in order to ensure transparent, efficient, consistent, and effective stewardship of DOL's financial resources.

Office of Disability Employment Policy (ODEP)
To provide national leadership by developing and influencing disability-related employment policy as well as practice affecting the employment of people with disabilities.

Office of Inspector General (OIG)
To conduct audits and evaluations to review the effectiveness, efficiency, economy, and integrity of all DOL programs and operations, including those performed by its contractors and grantees. This work is conducted in order to determine whether: the programs and operations are in compliance with the applicable laws and regulations; DOL resources are efficiently and economically being utilized; and DOL programs achieve their intended results.
In addition, the OIG is unique among Inspectors General because it has an “external” program function to conduct criminal investigations to combat the influence of labor racketeering and organized crime in the nation’s labor unions. The OIG conducts labor racketeering investigations in three areas: employee benefit plans, labor-management relations, and internal union affairs.

Occupational Safety and Health Administration (OSHA)
To assure the safety and health of America's workers by setting and enforcing standards; providing training, outreach, and education; establishing partnerships; and encouraging continual improvement in workplace safety and health.

Office of Job Corps
As a national, residential training program, Job Corps' mission is to attract eligible young adults, teach them the skills they need to become employable and independent, and place them in meaningful jobs or further education.

Office of Small Business Programs (OSBP)
To administer the Department of Labor's responsibility to ensure procurement opportunities for small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone businesses, and businesses owned by service-disabled veterans. OSBP serves as the Department's Ombudsman for small businesses under the Small Business Regulatory Enforcement Fairness Act, and is active in the Department of Labor's compliance assistance activities. OSBP also manages the minority colleges and universities program in order to support the participation of Historically Black Colleges and Universities, Hispanic Serving Institutions, Tribal Colleges and Universities, and Asian Americans and Pacific Islanders within the Department's programs and plans.

Office of the Solicitor (SOL)
To meet the legal service demands of the entire Department of Labor.

Pension Benefit Guaranty Corporation (PBGC)
To encourage the continuation and maintenance of private-sector defined benefit pension plans, provide timely and uninterrupted payment of pension benefits, and keep pension insurance premiums at a minimum.

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 promote the well being 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 2006. 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 President's Management Agenda implementation and Program Assessment Rating Tool reviews.

- 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 Auditors' Report* – an independent opinion on the Financial Statements; *Top Management* Challenges *Facing the Department of Labor* – a report by the Office of Inspector General (OIG) on the Department's most serious management and performance challenges; 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

The diagram below illustrates the theoretical foundation of performance planning and evaluation structures, processes and results covered in this section of the Performance and Accountability Report. The outer circle represents the scope of the organization's resources and influence. At the core is its mission. Everything in between is in continuous motion, clockwise and counter-clockwise. Quadrants represent the planning elements that are tied to periodic budget documents. Spokes incorporate the actual processes that follow resource allocation decisions and translate theory into practice. These elements are managed on a real-time basis; emergent cost and results information ultimately closes the feedback loop via reporting documents and the next period's budget. A more detailed description of planning and evaluation processes follows the diagram.

Planning Cycle
Starting with the upper left quadrant and moving clockwise, budget formulation begins with definition and prioritization of desired outcomes, which are translated from mere notions into realistic program goals. Goals drive data collection needs (to determine success) through performance indicators. Performance indicators identify results of activities, inducing strategies. Cost estimates associated with pursuit of these strategies inform budget requests.

Evaluation Cycle
Starting with the same quadrant but this time moving counter-clockwise, the budget defines fiscal parameters for execution of strategies constrained by program authorization legislation. Strategies materialize as activities, the results of which are assessed using performance indicators. Data from the performance indicators demonstrate whether goals are achieved. Outcomes – in generic terms, demonstrated effectiveness at achieving goals – justify further budget requests.

Program Performance Overview

Fiscal Year (FY) 2006 marks the eighth 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 Plan[1] were selected for

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

inclusion in the Department's FY 2007 Performance Budget Overview.[2] 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 by nine months. This period is referred to as a Program Year (PY); such goals being reported on in this document cover July 1, 2005 to June 30, 2006 (PY 2005). PY 2006 goals will appear in the FY 2007 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.

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 2006 program performance goal achievement by strategic goal. The Department of Labor measures goal achievement by a rule requiring that all indicator targets are reached to qualify as Achieved. Substantially Achieved, which recognizes results that were very close, requires that 80 percent of targets are reached or substantially reached.[3]

Of the 28 performance goals on which DOL is reporting in FY 2006, the Department achieved 14 and did not achieve 14. The percentage achieved or substantially achieved totals 50 percent – somewhat lower than the 60 percent total for FY 2005. A swing of three goals would account for this. Strategic Goal 2 accounts for two of them. Five of its six performance goals were achieved or substantially achieved last year but just three were this time. The other change occurred in Strategic Goal 3, where the goal count increased from six to eight but the count of goals achieved remained at three.

DOL Strategic Goal	Achieved	Substantially Achieved	Not Achieved	Total
Goal 1 – A Prepared Workforce *Enhance Opportunities for America's Workforce*	4	0	2	**6**
Goal 2 – A Secure Workforce *Promote the Economic Security of Workers and Families*	3	0	3	**6**
Goal 3 – Quality Workplaces *Foster Quality Workplaces that are Safe, Healthy and Fair*	3	0	5	**8**
Goal 4 – A Competitive Workforce *Maintain Competitiveness in the 21st Century Economy*	4	0	4	**8**
Total	**14**	**0**	**14**	**28**

Below is a breakdown, by strategic goal, of FY 2006 goal achievement. 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 of each goal number indicate the funding year. In this report, all "05" goals are reporting on the Program Year period defined above.

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 goals were achieved and targets were reached but also at whether observed

[2] http://www.dol.gov/_sec/Budget2007/overview-pb.htm#app1
[3] Substantially reached is defined as 80 percent of targeted year-on-year improvement.

results indicate positive program impacts. Summaries at the strategic goal level and separate performance goal narratives discuss significant trends and their implications.

Strategic Goal 1 – A Prepared Workforce
As indicated in the Program Performance Goal Achievement table below, DOL had six performance goals under this strategic goal in FY 2006, of which four were achieved or substantially achieved (67 percent) – above the Department wide average. The WIA Youth program achieved its goal of collecting baseline data for its two new common youth and lifelong learning performance measures for Federal employment and training programs. The Job Corps program, which uses the same two measures for placement and credentials, plus a third common measure for literacy/numeracy, did not achieve its goal. VETS' goal was achieved; all six targets were reached. The goal for Apprenticeship was achieved; retention and earnings results improved over FY 2005. ODEP achieved its goal by establishing baselines for policy-related documents and formal agreements and reaching its target for identifying effective practices. BLS' goal was not achieved, but four of its six targets were reached.

Goal #	Performance Goal (Agency)	Result
05-1.1A	Increase placements and educational attainments of youth served through the WIA youth program. (ETA)	Achieved
05-1.1B	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education. (ETA)	Not Achieved
05-1.1C	Improve the employment outcomes for veterans who receive One-Stop Career Center services and veterans' program services. (VETS)	Achieved
06-1.1A	Improve the registered apprenticeship system to meet the training needs of business and workers in the 21st Century. (ETA)	Achieved
06-1.1B	Advance knowledge and inform disability employment policy that affects systems change throughout the workforce development system. (ODEP)	Achieved
06-1.2A	Improve information available to decision-makers on labor market conditions, and price and productivity changes. (BLS)	Not Achieved

Strategic Goal 2 – A Secure Workforce
Of six performance goals, DOL achieved or substantially achieved three – matching the Departmental average of 50 percent. ESA's Wage and Hour Division achieved its goal by reaching all five targets, but the Office of Labor-Management Standards missed one of its three targets, preventing it from achieving the goal. The Unemployment Insurance system also missed one target and therefore did not achieve the goal. The goal of improving outcomes for injured workers covered by ESA's Office of Workers' Compensation Programs was achieved; all ten indicator targets for Return to Work, Reducing Program Expenses, and Customer Service categories were reached. DOL achieved its pension and health benefit security goal by reaching all four targets. The pension insurance services (PBGC) goal was not achieved because neither of its customer satisfaction targets was reached.

Goal #	Performance Goal (Agency)	Result
06-2.1A	American workplaces legally employ and compensate workers. (ESA)	Achieved
06-2.1B	Ensure union financial integrity, democracy and transparency. (ESA)	Not Achieved
06-2.2A	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. (ETA)	Not Achieved
06-2.2B	Minimize the impact of work-related injuries. (ESA)	Achieved
06-2.2C	Secure pension, health and welfare benefits. (EBSA)	Achieved
06-2.2D	Improve pension insurance program. (PBGC)	Not Achieved

Strategic Goal 3 – Quality Workplaces
DOL achieved or substantially achieved three of eight performance goals (38 percent), which is below the Departmental average of 50 percent. MSHA did not achieve its fatality and injury reduction goal. The fatality rate rose and the injury rate declined, but not enough to reach the target. MSHA also failed to meet its health goal, despite reaching three of four targets. The all-industry occupational fatality rate decreased in FY 2006 but did not reach OSHA's target. The safety and health goal (days away from work) was achieved. Both Federal contractor equal employment opportunity targets were reached, thus ESA's Office of Federal Contract Compliance Programs performance goal was achieved. The Uniformed Services Employment and Reemployment Rights Act goal was not achieved, despite improvement in the comprehensive Progress Index. The Bureau of International Labor Affairs, or ILAB, achieved its child labor goal by exceeding its target for removing or preventing children from exploitive work and increasing targeted countries' capacity to address the issue. The goal to improve living standards and working conditions internationally was not achieved.

Goal #	Performance Goal (Agency)	Result
06-3.1A	Reduce work-related fatalities and injuries. (MSHA)	Not Achieved
06-3.1B	Reduce mining-related illnesses. (MSHA)	Not Achieved
06-3.1C	Reduce work-related fatalities. (OSHA)	Not Achieved
06-3.1D	Reduce work-related injuries and illnesses. (OSHA)	Achieved
06-3.2A	Federal contractors achieve equal opportunity workplaces. (ESA)	Achieved
06-3.2B	Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment. (VETS)	Not Achieved
06-3.3A	Contribute to the elimination of the worst forms of child labor internationally. (ILAB)	Achieved
06-3.3B	Improve living standards and conditions of work internationally. (ILAB)	Not Achieved

Strategic Goal 4 – A Competitive Workforce
Of eight performance goals, DOL achieved or substantially achieved four, equaling the Departmental average of 50 percent. The WIA Adult and One Stop employment services goals were achieved. In each case, all three targets were reached. However, entered employment and retention rates were slightly below PY 2004 results. The WIA Dislocated Worker (DW) and Trade Adjustment Assistance (TAA) goals were not achieved. For DW, entered employment reached the target, but retention dipped below the target and was three percentage points below the prior year's performance. The TAA program achieved targeted levels for retention and earnings but fell just shy of the target for entered employment. The Senior Community Service Employment Program (SCSEP) did not achieve its performance goal. None of its targets were reached – entered employment and retention due to unrealistic targets, and average earnings because baseline data were not collected. The Department achieved its performance goal for electronic tools, exceeding the target for increased dissemination of O*NET data and setting baselines for Career Voyages and America's Career InfoNet Web site page views. The Foreign Labor Certification goal was not achieved, but three of four targets were reached.

The Department's regulatory flexibility and benefits and flexible workplace goal was achieved. In the course of promulgating revised regulations, DOL agencies conducted cost benefit analyses to increase regulations' net benefits. They also updated obsolete, non-substantive references in the Code of Federal Regulations. The Women's Bureau's Flex-Options for Women project participation grew to six of ten Regional Offices and had its most successful year to date, with 23 companies implementing new, exemplary workplace policies and procedures.

Goal #	Performance Goal (Agency)	Result
05-4.1A	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program. (ETA)	Achieved
05-4.1B	Improve the outcomes for job seekers and employers who receive One-Stop employment and workforce information services. (ETA)	Achieved

Goal #	Performance Goal (Agency)	Result
05-4.1C	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program. (ETA)	Not Achieved
05-4.1D	Assist older workers to participate in a demand-driven economy through the Senior Community Employment Service Program. (ETA)	Not Achieved
05-4.1E	Increase accessibility of workforce information through the National Electronic Tools. (ETA)	Achieved
06-4.1A	Address worker shortages through the Foreign Labor Certification Program. (ETA)	Not Achieved
06-4.1B	Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade who receive trade adjustment assistance benefits. (ETA)	Not Achieved
06-4.2A	Maximize regulatory flexibility and benefits and promote flexible workplace programs. (OASP)	Achieved

The next table lists Program Year 2006 goals (July 1, 2006 – June 30, 2007) for which results will be reported in the FY 2007 Performance and Accountability Report. Due to restructuring of the Department's goals in the FY 2006-2011 Strategic Plan, identifying numbers have changed. The goals are listed according to their original nomenclature; the new labels are provided also, in bold type.

Old Goal# New Goal#	Performance Goal (Agency)
06-1.1A **06-1B**	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education. (ETA)
06-1.1B **06-1C**	Increase placements and educational attainments of youth served through the WIA youth program. (ETA)
06-1.1E **06-1E**	Increase the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services. (VETS)
06-4.1A **06-2A**	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program. (ETA)
06-4.1B **06-2C**	Improve the outcomes for job seekers and employers who receive One Stop employment and workforce information services. (ETA)
06-4.1C **06-2B**	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker program. (ETA)
06-4.1D **06-2F**	Assist older workers to participate in a demand-driven economy through the Senior Community Service Employment Program. (ETA)
06-4.1E **06-2D**	Build a demand-driven workforce system through Community Based Job Training Grants. (ETA)
06-4.1F **06-2E**	Increase accessibility of workforce information through the National Electronic Tools. (ETA)

Total Net Cost[4] of DOL activities for FY 2006 was $45.328 billion. As reflected in the table below, which provides an allocation based on the Department's goal structure, the second strategic goal, *A Secure Workforce*, is dominant – accounting for $35.920 billion, or 79 percent of the total. This figure consists in large part ($33.227 billion, or 93 percent) of mandatory benefit payments to unemployed workers or workers disabled as a result of work-related injuries or illnesses. The first goal, *A Prepared Workforce*, required $3.395 billion (7 percent) for employment-related services. Approximately $1.114 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

[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.

fourth goal, *A Competitive Workforce*, accounted for $4.889 billion, 11 percent of the total, which went toward job training programs and other services aimed at building a demand-driven workforce system.

DOL's FY 2005 Performance and Accountability Report marked a milestone in accountability by featuring a statement of full costs at the performance goal level. This year's statement adds another level of detail – performance indicators – which is significant because only by linking cost to units of measurement is it possible to analyze efficiency and cost-effectiveness. For a variety of reasons, this was not possible in all cases; therefore, the statement includes a row for each performance goal labeled "Dollars not associated with indicators." Some of the difficulties will be resolved over time and lead to more complete allocations in future statements. Others, such as for job training program common measures,[5] cannot be resolved without dropping indicators – a choice that may reduce the overall value of performance information. As indicated in the preceding paragraph, several programs make mandatory benefit payments that account for the majority of their costs. Because performance indicators and the Department's managerial cost accounting system that generates this information are designed to inform analysis and decision-making related to discretionary budgets and program management, such payments are shown separately and not included in allocation cost models.

[5] Entered employment, employment retention and earnings change are measures of different outcomes for each individual participant, and program activities are not separable into categories associated with one or another of these measures. The statement indicates intentional combination of costs for these measures by merging cells.

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Strategic Goal 1: A Prepared Workforce[6]	**$8654**	**$3250**	**$3395**
Outcome Goal 1.1 – Increase Opportunities for New and Re-emerging Entrants to the Workforce	–	***$2714***	***$2822***
Performance Goal 05-1.1A (WIA Youth)	–	947	1017
Percent of youth who are in employment or the military or enrolled in post secondary education and/or advanced training/occupational skills training in the first quarter after exit	–	–	*214*
Percent of students who attain a GED, high school diploma, or certificate by the end of the third quarter after exit	–	–	*803*
Dollars not associated with indicators	–	–	–
Performance Goal 05-1.1B (Job Corps)	–	1309	1402
Percent of Job Corps graduates (within 1 year of program exit) and former enrollees (within 90 days of program exit) who will enter employment or enroll in post-secondary education or advanced training/occupational skills training	–	–	–
Percent of students who will attain a GED, high school diploma or certificate while enrolled in the program	–	–	–
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level	–	–	–
Dollars not associated with indicators	–	–	*1402*
Performance Goal 05-1.1C (VETS employment services)	–	196	198
Percent of Veteran job seekers employed in the first or second quarter following registration	–	–	*78*
Percent of Veteran job seekers still employed two quarters after initial entry into employment with a new employer	–	–	
Percent of Disabled Veteran job seekers employed in the first or second quarter following registration	–	–	*78*
Percent of Disabled Veteran job seekers still employed two quarters after initial entry into employment with a new employer	–	–	
Entered employment rate for homeless veterans participating in the Homeless Veterans' Reintegration Program (HVRP)	–	–	*21*
Employment retention rate after 6 months for homeless veteran HVRP participants	–	–	
Dollars not associated with indicators	–	–	*21*
Performance Goal 06-1.1A (Apprenticeship)	–	23	25
Percent of those employed nine months after registration as an apprentice	–	–	*25*
Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later	–	–	
Dollars not associated with indicators	–	–	–

[6] Costs reported in DOL's FY 2004 and FY 2005 Performance and Accountability Reports for outcome goal and strategic goal subtotals for Strategic Goals 1 and 4 are not valid for comparison to FY 2006 due to restructuring. This also applies at the performance goal level for ETA grant programs due to a change in allocation methodology. FY 2005 totals in this table have been restated to reflect these changes and facilitate comparison. The restructuring moved several performance goals that appeared in the FY 2005 table under Outcome Goal 1.1 to Outcome Goal 4.1 (WIA Adult, One-Stop, WIA Dislocated Worker and Other). All performance goals in the FY 2005 table under Outcome Goal 1.2 (WIA Youth, Job Corps, and Other) were moved into Outcome Goal 1.1 in FY 2006. The grant allocation change affected WIA Youth, Job Corps, WIA Adult, One-Stop, WIA Dislocated Worker, SCSEP, Etools and Other programs in Outcome Goals 1.1 and 4.1.

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Performance Goal 06-1.1B (ODEP)	–	52	50
Number of policy related documents disseminated	–	–	–
Number of formal agreements initiated	–	–	–
Number of effective practices identified	–	–	–
Dollars not associated with indicators	–	–	*50*
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)	–	187	131
Outcome Goal 1.2 – Improve the Effectiveness of Information and Analysis on the U.S. Economy	***$539***	***$536***	***$573***
Performance Goal 06-1.2A (BLS)	–	536	573
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	–	–	–
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	–	–	–
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	–	–	–
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	–	–	–
Cost per transaction of the Internet Data Collection Facility	–	–	–
Customer satisfaction with BLS products and services (e.g., the American Customer Satisfaction Index)	–	–	–
Dollars not associated with indicators	–	–	*573*
Strategic Goal 2: A Secure Workforce	**$46,957**	**$40,811**	**$35,920**
Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws	***$296***	***$277***	***$270***
Performance Goal 06-2.1A (Wage and Hour)	–	214	214
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours	–	–	*112*
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	–	–	*27*
Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA	–	–	*39*
Number of wage determination data submission forms processed per 1000 hours	–	–	*23*
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data	–	–	*6*
Dollars not associated with indicators	–	–	*6*
Performance Goal 06-2.1B (Labor-Management Standards)	–	63	56
Percent of unions with fraud	–	–	*18*
Percent of unions complying with standards for democratic union officer elections	–	–	*11*
Percent of union reports meeting OLMS standards of acceptability for public disclosure	–	–	*8*
Dollars not associated with indicators	–	–	*20*

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Outcome Goal 2.2 – Protect Worker Benefits[7]	***$46,661***	***$40,534***	***$35,650***
Performance Goal 06-2.2A (Unemployment Insurance)	–	34,243	33,340
Mandated benefit payments	–	–	*31,322*
Percent of intrastate first payments made within 21 days	–	–	–
Percent of the amount of estimated detectable/recoverable overpayments that the States can establish for recovery	–	–	–
Percent of UI claimants who were reemployed by the end of the first quarter after the quarter in which they received their first payment	–	–	–
Percent of new employer liability determinations made within 90 days of the end of the first quarter in which liability occurred	–	–	–
Dollars not associated with indicators	–	–	*2018*
Performance Goal 06-2.2B (Workers' compensation)	–	6131	2130
Mandated benefit payments	–	–	*1905*
Lost production days rate (LPD per 100 employees) for FECA cases of the United States Postal Service	–	–	3
Lost production days rate (LPD per 100 employees) for FECA cases of All Other Government Agencies	–	–	3
Cost savings through staff-initiated evaluation of cases under Periodic Roll Management for changes in medical condition and fitness for duty	–	–	9
Trend in the indexed cost per case of FECA cases receiving medical treatment (compared to nationwide health care costs)	–	–	4
Targets for five communications performance areas	–	–	3
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	–	–	3
Percent of eligible Black Lung benefit claims for which there are no requests for further action pending one year after the date the claim is filed	–	–	13
Percent of Initial Claims for benefits in the Part B and Part E Energy Programs processed within standard timeframes	–	–	9
Percent of Final Decisions in the Part B Energy Program processed within standard timeframes	–	–	*11*
Percent of EEOICPA Part E claims backlog receiving recommended decisions	–	–	–
Dollars not associated with indicators	–	–	*166*
Performance Goal 06-2.2C (EBSA)	–	160	179
Ratio of closed civil cases with corrected violations to civil cases closed	–	–	–
Ratio of criminal cases referred for prosecution to total criminal cases	–	–	–
Customer Satisfaction Index for participants and beneficiaries who have contacted EBSA for assistance	–	–	–
Applications to Voluntary Compliance programs	–	–	–
Dollars not associated with indicators	–	–	*179*

[7] Costs for Performance Goal 06-2.2D (PBGC) are not included because the corporation's financial statements are separate from those of the Department and are not included in this document.

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Strategic Goal 3: Quality Workplaces	**$1021**	**$1062**	**$1114**
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities	***$812***	***$823***	***$868***
Performance Goal 06-3.1A (MSHA safety)	–	–	223
Mine industry fatal injury incidence rate (per 200,000 hours worked)	–	–	–
Mine industry all-injury incidence rate (per 200,000 hours worked)	–	–	–
Dollars not associated with indicators	–	–	*223*
Performance Goal 06-3.1B (MSHA health)	–	–	125
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	–	–	–
Percent of silica dust samples with at least 50% of the permissible exposure limits in metal and non-metal mines	–	–	–
Percent of noise samples with at least 50% of the permissible exposure limits in metal and non-metal mines	–	–	–
Percent of noise samples above the citation level in coal mines	–	–	–
Dollars not associated with indicators	–	–	*125*
Performance Goals 06-3.1C&D (OSHA fatality, safety and health)[8]	–	–	519
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces	***$112***	***$115***	***$114***
Performance Goal 06-3.2A (Federal Contractor Compliance)	–	99	97
Incidence of discrimination among Federal contractors	–	–	*68*
Compliance among Federal contractors in all other aspects of equal opportunity workplace standards	–	–	*29*
Dollars not associated with indicators	–	–	–
Performance Goal 06-3.2B (USERRA)	–	16	17
USERRA Progress Index (measures compliance and assistance performance)	–	–	*17*
Dollars not associated with indicators	–	–	–
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets	***$97***	***$124***	***$132***
Performance Goal 06-3.3A (Child Labor)	–	74	95
Number of children prevented or withdrawn from child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	–	–	*95*
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects	–	–	
Dollars not associated with indicators	–	–	–

[8] Costs for OSHA's two performance goals are combined because the same activities contribute to reductions in fatality and injury/illness indicators, i.e., their costs are not separable. Two indicators – one for each goal – account for all costs. Since no cost allocation is possible at that level, either, they are omitted.

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Performance Goal 06-3.3B (International Labor Standards)	–	43	30
Percent of USDOL project beneficiaries who consider a USDOL-funded project to have improved their conditions of work	–	–	*10*
Number of workers benefiting from compliance with national labor laws through improved inspections	–	–	*10*
Percent of targeted individuals whose economic situation has benefited from USDOL project assistance	–	–	–
Number of targeted workers reporting a reduction in HIV/AIDS risk behaviors	–	–	–
Number of workplaces adopting policies and procedures to reduce the level of employment related discrimination against persons living with HIV/AIDS	–	–	*9*
Dollars not associated with indicators	–	–	–
Other (Other ILAB programs)	–	7	7
Strategic Goal 4: A Competitive Workforce[6]	**$6**	**$4943**	**$4889**
Outcome Goal 4.1 – Build a Demand-Driven Workforce System	–	***$4943***	***$4889***
Performance Goal 05-4.1A (WIA Adult)	–	906	912
Percent of participants employed in the first quarter after program exit	–	–	
Percent of those employed in the first quarter after exit still employed in the second and third quarters after program exit	–	–	*912*
Average earnings gain for participants employed in the first quarter after program exit and still employed in the third quarter after program exit	–	–	
Dollars not associated with indicators	–	–	–
Performance Goal 05-4.1B (One-Stop)	–	746	791
Percent of participants employed in the first quarter after program exit	–	–	
Percent of those employed in the first quarter after exit still employed in the second and third quarters after program exit	–	–	*791*
Average earnings gain for participants employed in the first quarter after program exit and still employed in the third quarter after program exit	–	–	
Dollars not associated with indicators	–	–	–
Performance Goal 05-4.1C (WIA Dislocated Worker)	–	1472	1543
Percent of participants employed in the first quarter after program exit	–	–	
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after program exit	–	–	*1543*
Average percent of pre-separation earnings for participants employed in the first quarter after program exit and still employed in the third quarter after exit	–	–	
Dollars not associated with indicators	–	–	–

DOL Program Net Costs (Millions of Dollars)			
Goal	**FY 2004**	**FY 2005**	**FY 2006**
Performance Goal 05-4.1D (Senior Community Service Employment Program)[9]	–	426	432
Percent of participants employed in the first quarter after program exit	–	–	*432*
Percent of participants employed in the first quarter after program exit still employed in the second and third quarters after program exit	–	–	
Average earnings gain for participants employed in the first quarter after exit and still employed in the third quarter after exit	–	–	
Dollars not associated with indicators	–	–	–
Performance Goal 05-4.1E (Etools)	–	111	120
Number of page views on America's Career InfoNet	–	–	–
*Number of O*NET site visits*	–	–	–
Number of page views on Career Voyages	–	–	–
Dollars not associated with indicators	–	–	*120*
Performance Goal 06-4.1A (Foreign Labor Certification)	–	60	46
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	–	–	–
Percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing	–	–	–
Percent of H-2B applications processed within 60 days of receipt	–	–	–
Percent of accepted H-2A applications processed within 30 days of the date of need where there are no pending State actions	–	–	–
Dollars not associated with indicators	–	–	*46*
Performance Goal 06-4.1B (Trade Adjustment Assistance)	–	846	700
Percent of participants employed in the first quarter after program exit	–	–	*700*
Percent of participants employed in first quarter after exit who are still employed in the second and third quarters after exit	–	–	
Average percent of pre-separation earnings for participants employed in the first quarter after exit and still employed in the third quarter after exit	–	–	
Dollars not associated with indicators	–	–	–
Other (Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, and H-1B Technical Skills Training)	–	376	345
Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden[10]	***$6***	**–**	**–**
Costs Not Assigned to Goals	**$38**	**$11**	**$10**
Total[11] (may not be equal to sum of individual goal totals due to rounding)	**$56,676**	**$50,076**	**$45,328**

Charts that display net costs from FY 1999-FY 2006 to illustrate trends are provided in each outcome goal summary; brief explanations of significant changes since FY 2005 are provided, as well. FY 2005 was the first year for which DOL had the capability of reporting costs at the performance goal level – thanks to more sophisticated cost models in

[9] This is a new goal that was listed with Other in the FY 2005 table.

[10] 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.

[11] Total net costs in this table do not match total net costs in the Consolidated Statements of Net Cost as certain costs in this table are presented on a program year basis. All costs in the Consolidated Statements of Net Cost are on a fiscal year basis.

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 of this report presents, by strategic goal, summaries of performance at each level. Each strategic goal section is introduced by an overview of the goal and a summary of results, net cost and future plans for its component outcome goals. Within each strategic goal section are individual performance goal narratives that present results, describe the program and its operating environment, analyze performance and briefly address relevant audits and evaluations, data quality and major management challenges. Appendix 1 contains performance goal histories and Appendix 2 summarizes significant audits and evaluations of DOL programs completed during FY 2006 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.

This report is published just six weeks after the end of the fiscal year. Because the Department receives a wide variety of performance data via diverse systems and agreements in cooperation with State agencies and grant recipients, it is not possible in all cases to report complete data for the reporting period. The Department requires each agency responsible for performance goals in this report to submit a Data Estimation Plan in February that identifies, for each indicator, whether complete data are expected by the deadline for clearance and final review of the report in early October. If the data will not be available by then, they must submit an acceptable plan to estimate results for the remainder of the year. Methodologies developed by agencies' program analysts are reviewed by the Department's Center for Program Planning and Results and Office of Inspector General. The most common methods are substitution or extrapolation of two or three quarters of data and – for data with significant seasonal variation – use of the missing period's results from the previous year. Estimates are clearly identified wherever they are used. With very few exceptions, final (actual) data are available by the end of the calendar year; these data will be reported in the FY 2007 Performance and Accountability Report.

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. Lack of findings does not imply that data are factual.

Material inadequacies, if any, are disclosed in the Secretary's Message, which includes a statement on the adequacy of program performance data that is supported by signed attestations of each agency head responsible for a performance goal in this report. OMB Circular A-11defines a material inadequacy as a condition that significantly impedes the use of program performance data by agency managers and government decision makers. For Departmental management, this threshold is established at the performance goal level as data that are insufficient to permit determination of goal achievement. This is an unlikely occurrence for a goal with several indicators and historical data that allow reasonable estimation of results for most of them. Generally, if agency or program level managers do not trust their own data, they are not reported, because problems created by skewed targets and trends are much worse than a gap in the data.

The Department of Labor aspires to standards beyond adequacy, and to that end has created a new Data Assessment process that will help improve the quality of performance information that is being used more than ever for decision-making and accountability. The Data Quality and Major Management Challenges section of each performance goal narrative includes an overall rating of indicator data completeness and reliability (Excellent, Very Good, Good, Fair, or Unsatisfactory). Discussions summarize the rationale and, where applicable, improvement plans. Data assessments are based on seven criteria, of which two – accuracy and relevance – are threshold criteria that are weighted twice as much as the other five in the scoring system that determines ratings (see box below). If data do not satisfy the standards for both of these criteria, the rating is Data Quality Not Determined. This reflects the DOL policy that further assessments of quality are irrelevant if the information is not reasonably correct and worthwhile.

Data Quality Rating System

Both bulleted descriptions under a criterion must be satisfied to receive points. *No partial credit is awarded.* The rating scale reflects 20 points for Section One "threshold" criteria plus additional points earned in Section Two. Data that do not satisfy both criteria presented in Section One are given the rating *Data Quality Not Determined* – regardless of the points achieved in Section Two. This rating indicates the agency is unable to assess data quality because it does not meet a minimum threshold.

Section One: 20 points

Accurate Data are correct. (10 points)
- Deviations can be anticipated or explained.
- Errors are within an acceptable margin.

Relevant Data are worth collecting and reporting. (10 points)
- Data can be linked to program purpose to an extent they are representative of overall performance.
- The data represent a significant budget activity or policy objective.

Section Two: 25 points

Complete Data should cover the performance period and all operating units or areas. (5 points)
- If collection lags prevent reporting full-year data, a reasonably accurate estimation method is in place for planning and reporting purposes.
- Data do not contain any significant gaps resulting from missing data.

Reliable Data are dependable. (5 points)
- Trends are meaningful; i.e., data are comparable from year-to-year.
- Sources employ consistent methods of data collection and reporting and uniform definitions across reporting units and over time.

Timely Data are available at regular intervals during the performance period. (5 points)
- The expectation is that data are reported quarterly.
- Data are current enough to be useful in decision-making and program management.

Valid Data measure the program's effectiveness. (5 points)
- The data indicate whether the agency is producing the desired result.
- The data allow the agency and the public to draw conclusions about program performance.

Verifiable Data quality is routinely monitored. (5 points)
- Quality controls are used to determine whether the data are measured and reported correctly.
- Quality controls are integrated into data collection systems.

Rating	Points
Excellent	45
Very Good	40
Good	30-35
Fair	25
Unsatisfactory	20
Data Quality Not Determined	Varied

Data for five goals are rated Excellent; nine are Very Good, ten are Good, three are Fair, and one is Data Quality Not Determined. This was the baseline year for these assessments, which were conducted late in the fiscal year, so in many cases agencies have not yet formulated improvement plans. As FY 2007/PY 2006 indicators and targets are finalized and data collection for the new fiscal year gets under way, program managers will prioritize data quality issues and consider feasible policies and practices that would have significant and positive impact on the criteria. The FY 2007 report will include a follow-up assessment and a more robust discussion of how the Department intends to make progress in this area.

DOL Strategic Plan: FY 2006-2011

In September 2006, the Department published its Strategic Plan for Fiscal Years 2006 through 2011. The strategic plan serves as a roadmap for programs to define priorities, refine strategies, and measure performance. In the 2007 Performance and Accountability report, DOL will report its progress against four updated strategic goals: *A Prepared Workforce* provides training and services to new and incumbent workers and supplies high-quality information on the economy and labor market; *A Competitive Workforce* enhances the effectiveness and efficiency of the workforce development and regulatory systems that assist workers and employers in meeting the challenges of worldwide competition; *Safe and Secure Workplaces* ensures that workplaces are safe, healthful, and fair; provides workers with the wages due them; provides equal opportunity; and protects veterans' employment and re-employment rights; and *Strengthened Economic Protections* protects and strengthens economic security; ensures union transparency; and secures pension and health benefits.

Financial Section

Improving Financial Performance Through Transparency

Over the past fiscal year, the Department has also worked on enhancing its managerial cost accounting system, *Cost Analysis Manager (CAM).* The Department's success in implementing a Department-wide managerial cost accounting system was highlighted in the Government Accountability Office's (GAO) *Survey of Managerial Cost Accounting Practices at Large Federal Agencies*. In addition, the Department was praised for its efforts in making managerial cost accounting information readily available at a hearing before the U.S. House of Representatives on September 21, 2005. CAM is an indispensable tool for improving program performance. It improves accountability and transparency for how well tax dollars are spent. In FY 2005, the Department reported in its Performance and Accountability Report the cost of its Department-wide performance goals. This year, it is providing cost information on more than half of its Department-wide performance indicators.

The Department continues to work on the implementation of a new core financial management system, known as *Labor Executive Accountability Program (LEAP)*. LEAP will provide readily available, transparent data to managers and decision-makers for use on a day-to-day basis. This Financial Systems Integration Office (FSIO)-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. LEAP is currently being hosted by a Shared Service Provider (SSP). This SSP was selected in Q2 FY 2006, and the SSP hosting of LEAP started in Q4 FY 2006. For Q1 FY 2007, LEAP is scheduled to complete the configuration of the Oracle Federal Administrator (Budget Execution) module for internal reporting and evaluation purposes.

The Department is the first Federal agency to deploy an-end-to end web based electronic travel management system, which was completed on September 30, 2006. Now, DOL employees have the advantage of being able to assess their travel system 24-hours a day/7 days a week to enter travel authorizations, book travel reservations, and complete their travel vouchers. The system is accessible from the office, home, or while on the road. *E-Gov Travel* is totally paperless and affords DOL employees the ease of taking advantage of the latest technology while providing cost savings.

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 2006, the Department referred $84.2 million, which represents 79 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.

The Department continues to make improvements in its efforts to meet guidance and regulations outlined 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 2006, of approximately $1.2 billion in gross payments, $452,000 was paid in interest fees and penalties. Additionally, during FY 2005, there were over 73,000 payments made to vendors and travelers. Of this amount, 2,476 invoices were paid late, resulting in only 3% of the total payments incurring interest penalties. These results represent significant improvements from the prior year.

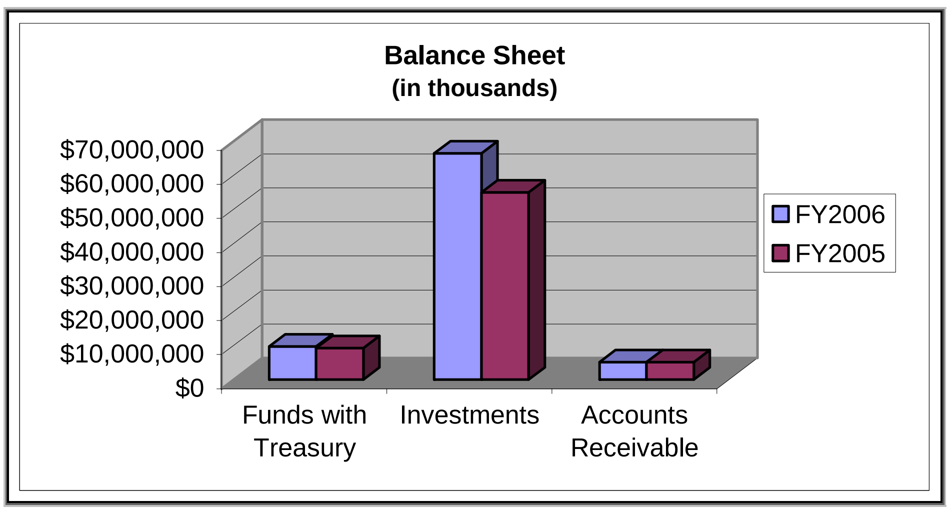
The Department continues to work aggressively with its agencies to increase the number of vendors receiving payments through *electronic fund transfer* (EFT). The percentage of vendors receiving EFT payments increased by 7% to 95%. ESA benefit and medical programs, although increasing in EFT payments, continue to remain low.

Analysis of Financial Statements

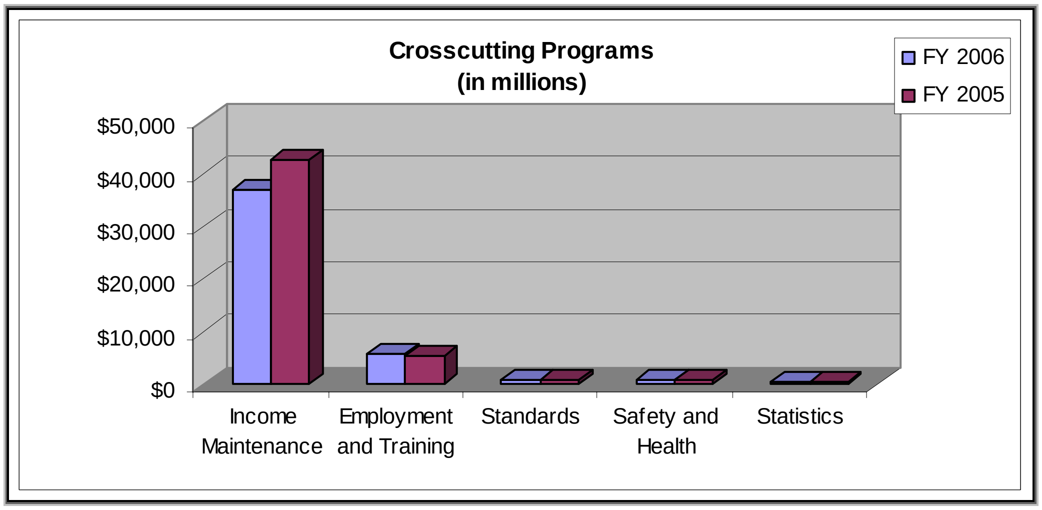
The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2006 and FY 2005. Highlights of the financial 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. The Department's total assets increased from $71.5 billion in FY 2005 to $83.5 billion in FY 2006. The increase in total assets primarily was account for in the Department's investments. The Department invests in non-marketable, special issue Treasury securities balances held in the Unemployment Trust Fund. The Department did not experience major changes in liabilities during FY 2006. Liabilities totaled $20 billion at the end of both FY 2006 and 2005. Beginning in FY 2006, agencies were required to report earmarked non-exchange revenue and other financing sources, including appropriations. The Department was also required to report the portions of cumulative results of operations and unexpended appropriations on the face of the Balance Sheet.



Net Cost of Operations
The Department's total net cost of operations in FY 2006 was $44.8 billion, a decrease of $9.6 billion from the prior year. This decrease was attributable to the following crosscutting programs:



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.

Statement of Budgetary Resources
This statement reports the budgetary resources available to DOL during FY 2006 and FY 2005 to effectively carry out the activities of the Department as well as the status of these resources at the end of each fiscal year. The Department had direct obligations of $50.3 billion in FY 2006, a decrease of $1 billion from FY 2005.

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.

Management Assurances

The Department committed significant resources in implementing the requirements outlined in the revised OMB Circular A-123, Management's Responsibility for Internal Controls. The Department's implementation leveraged and improved upon existing successes in financial management, including the Quarterly Financial Management Certification program, which requires managers at all levels to attest to the adequacy of effective management controls over program resources, financial systems, and financial reporting. The Department's approach to the A-123 requirement is **compliance** at managed cost, **sustainability** by reducing compliance mindset and reliance on outside parties to discover errors and problems, and **improvement** in effectiveness and efficiency of agency programs.

SECRETARY OF LABOR
WASHINGTON

Statement of Qualified Assurance

Federal Managers' Financial Integrity Act

The Department of Labor's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). DOL is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of 7 significant deficiencies in 2 non-financial systems in complying with the Federal Information Security Management Act (FISMA) which are required to be reported as material weaknesses. The details of the exceptions are provided below.

DOL conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, DOL identified 7 significant deficiencies in 2 non-financial systems which are required to be reported as material weaknesses in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006. Other than the exceptions noted below, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls. DOL is also in conformance with Section 4 of FMFIA.

In addition, the DOL conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, DOL can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. All Department of Labor financial management systems substantially comply with FFMIA.

E. L. Chao

Elaine L. Chao
Secretary of Labor

Steven Law
Deputy Secretary of Labor

Samuel T. Mok
Chief Financial Officer

Patrick Pizzella
Assistant Secretary for Administration and Management/Chief Information Officer/Chief Acquisition Officer/Chief Human Capital Officer

Yoko Albayrak
Acting Deputy Chief Financial Officer

November 13, 2006

Disclosure of Federal Information Security Management Act (FISMA) Significant Deficiencies

The Federal Information Security Management Act (FISMA) requires the Department of Labor (DOL), Office of Inspector General (OIG), to perform annual independent evaluations of the DOL information security program and practices based upon audits of a subset of DOL's identified major information systems. The objective of the audits is to determine if security controls over the systems were in compliance with FISMA requirements.

Based on the audits performed during FY 2006, the OIG identified 7 significant deficiencies in 2 non-financial systems in the following security control areas:

- Enforcing appropriate access controls;
- Developing and implementing change control procedures;
- Ensuring service continuity; and
- Implementing incident response procedures and training.

To address the significant deficiencies in the security of the data, the OIG recommended that DOL document and implement procedures and processes to ensure that:

- Only authorized personnel have access to the systems and system changes are authorized;
- The Contingency Plans are current and tested and personnel are trained in their contingency planning and operational roles; and
- Security incidents are handled in accordance with applicable requirements and personnel with incident handling responsibilities are trained.

In its response to the audit reports, DOL generally concurred with the findings and recommendations and has already taken corrective actions to address several of the recommendations associated with these deficiencies and is in the process of taking corrective actions to address the remaining recommendations.

IPIA Compliance

Improved financial performance through the reduction of improper payments continues to be a key financial management focus of the Federal government. At Labor, developing strategies and the means to reduce improper payments is a matter of good stewardship. Accurate payments lower program costs. This is particularly important as budgets have become increasingly tight.

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.[12] 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

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

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.

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 works with program offices to develop a coordinated strategy to perform annual reviews for all programs and activities susceptible to improper payments. This cooperative effort includes 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 2006 risk assessment using different methodologies to assess their improper payment risk. Per OMB guidance, Unemployment Insurance (UI), Federal Employees' Compensation Act (FECA), and the Workforce Investment Act (WIA) programs are deemed to be high risk irrespective of the determined improper payment error rate. This determination is based on the fact that the financial payments for each of these programs exceed $2 billion. UI and FECA are benefit programs. WIA is a grant program.

FY 2006 benefit programs with FY 2005 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 risk[13] as a result of this approach. However, the Department is also reporting on FECA's improper payment rate since it is required per OMB guidance.

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 2004 Single Audit Reports[14] 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.[15] 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 required per OMB guidance, 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 or natural disasters, such as the UI program. Despite implementing new initiatives that will reduce its improper payments, the UI program's estimated improper payment error rate increased to 10.0%. The underpayment rate—the percentage of dollars paid made that was smaller than they should have been—was 0.67%, a rate that has remained steady for several years.

Two factors appear to account for most of the increase in the overpayment rate from 9.3% a year earlier as the table below shows:

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[13] OMB Implementation Guidance, M-03-13, further defined programs to be susceptible to risk if the improper payment rate exceeded 2.5 percent and the amount of overpayment exceeded $10 million. This guidance is now superseded by Appendix C of Circular A-123, which continues to define susceptibility to risk in the same manner.

[14] 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 2004.

[15] 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.

- Several major hurricanes in 2005 had a devastating impact on Louisiana and Mississippi, and less severe impacts on Alabama, Florida, and Texas. Overpayments in these states increased significantly during the year, largely because of confusion about reinstated eligibility requirements that had been temporarily suspended due to disruption of the economy. We estimate that the increases in the Gulf States raised the aggregate Annual Report rate by a third of a percentage point and the operational rate by 0.13 percentage points.

- In its aggressive emphasis on payment integrity over the past few years, the Department has developed a new core performance measure for overpayment detection and has begun to improve the Benefit Accuracy Measurement (BAM) program's ability to detect individuals who are working and claiming UI benefits concurrently, the single largest cause of overpayment errors. This increased attention has heightened states' overall awareness of the problem of UI benefit overpayments and led to improved--and higher--BAM estimates. For the year ending 06/30/06, eighteen states voluntarily crossmatched BAM cases with the State Directory of New Hires (SDNH) or National Directory of New Hires (NDNH). We estimate that this voluntary use of the new hire directories raised the measured overpayment rates by nearly a fifth of a point during FY 2006.

	Total Rate	**Operational Rate**
Year Ending 6/30/2005 Rates	9.32%	4.98%
FY 2006 Targets	9.3%	4.75%
Unadjusted YE 6/30/2006 Estimates	10.0%	5.63%
New Hire Cross match	-0.18%	-0.18%
Hurricane - affected States	-0.35%	-0.13%
Adjusted Rates	9.47%	5.32%

The Department has obtained authority to require states to use the NDNH to improve their BAM estimates of overpayments due to workers who return to work but continue claiming benefits. When this NDNH crossmatch requirement becomes mandatory in January 2008, we estimate that it will raise the measured BAM annual report and operational rates by 0.5 to 0.75 percentage points.

Without the effects of these two elements, we estimate that the Annual Report rate would have been about 9.5% instead of 10.0%, and the operational rate 5.3% instead of 5.6%. Because both estimates are sample-based, they are subject to the usual sampling variation. The 95% confidence intervals are 10.0% +/- 0.54 percentage points for the Annual Report rate and 5.63% +/- 0.44 percentage points for the operational rate.

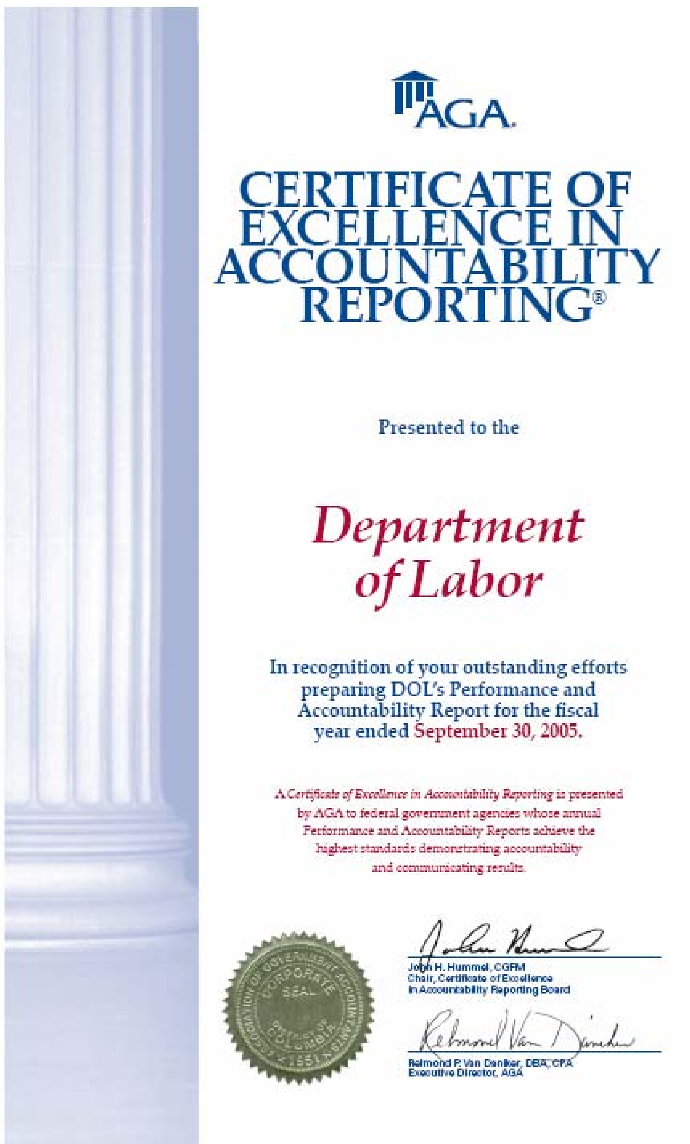
Furthermore, meeting improper payment reduction and recovery targets of programs such as UI and WIA are contingent upon the cooperation and support of State agencies and other outside stakeholders who are intricately involved in the day-to-day management of these programs' activities.

Accomplishments and Plans for the Future

Despite the increase in UI's estimated improper payment error rate, the Department did meet its reduction targets for FECA and WIA. Their estimated improper payment error rates were 0.03% and 0.17% respectively.

The Department's analytical studies indicate that earlier detection of recoverable overpayments is the most cost-effective way to address improper payments. Early detection allows agencies to stop payments before a claimant who has returned to work can exhaust benefits and to recover these overpayments more readily. The Department estimates that the forty-five states that crossmatch UI beneficiaries with the SNDH or the NDNH instead of UI wage records prevented approximately $75 million of overpayments in each of the past two fiscal years. Last year, three states participated in a pilot study initiated by the Office of the Chief Financial Officer and the UI program to determine whether a cross-match using the NDNH is more effective than the SDNH in identifying individuals no longer eligible to receive UI benefits. The results of this pilot showed that because the NDNH includes records for out-of-state employers, Federal agencies, and multi-state employers that report all of their new hires to a single state, it detects improper payments more effectively than the SDNH. The Department has provided states with funds to implement these NDNH cross-matches; as of 10/30/06, twenty-two states have implemented the NDNH crossmatch, twelve states have signed the computer-matching agreement with HHS that is the prelude to connecting with the NDNH, and seventeen are in the planning process. Seven States were awarded special FY 2006 supplemental funds to implement NDNH.

In FY 2005, the Department began providing States funds to conduct Reemployment and Eligibility Assessment (REAs) with UI beneficiaries. These assessments reduce improper payments both by speeding claimants' return to work and by detecting and preventing eligibility violations. Twenty states received funds to continue REAs during FY 2006; these REAs are estimated to return about $66 million to the UI trust fund. An impact evaluation of nine states' REA programs is scheduled for March 2007.



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. The achievement of all the Department's goals is influenced by the successful management of its performance and financial data, its procurement integrity, and its ability to develop and secure information technology systems.

The management challenge for Goal 1, *A Prepared Workforce*, pertains to ensuring the effectiveness of the Job Corps program. Management challenges for Goal 2, *A Secure Workforce*, include safeguarding unemployment insurance, improving the Federal Employees' Compensation Act (FECA) program, and improving the security of employee benefit plan assets. For Goal 3, *Quality Workplaces,* the OIG identified challenges to ensuring the safety and health of miners that the Department recognizes as important. For Goal 4, *A Competitive Workforce*, the GAO, OIG, and others identified challenges for the Foreign Labor Certification Program.

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

I. *Improve Accountability for Performance and Financial Data*
II. *Safeguard Unemployment Insurance*
III. *Improve the Federal Employees' Compensation Act (FECA) Program*
IV. *Maintain the Integrity of the Foreign Labor Certification Program*
V. *Security of Employee Benefit Plan Assets*
VI. *Improve Procurement Integrity*
VII. *Ensure the Safety and Health of Miners*
VIII. *Develop and Secure Information Technology Systems and Protecting Related Information Assets*
IX. *Ensure the Effectiveness of the Job Corps Program*
X. *Manage the Employment and Training Program to Meet the Demands for the Workforce of the 21st Century*
XI. *Real Property*

Many of these challenges are continued from last year. Summaries of the issue, actions taken and actions remaining are presented for each challenge. More information on many of them may be found elsewhere in this report in discussions of program performance or in the Financial Section. At the end of the table are challenges X and XI from 2005 which are included to show their current status. The Department aggressively pursues corrective action for all significant challenges, whether identified by the OIG, GAO, OCFO or other sources within the Department.

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
I. Improve Accountability for Performance and Financial Data — Progress assessment: Fair		
Challenge first identified in FY 2000. In order to manage DOL programs and integrate budget and performance, the Department needs timely financial data from a managerial accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits. *Affects all goals*.		
Managerial Cost Accounting System. Ensure that managers integrate updated cost information into day-to-day decision making.	Further implemented Cost Analysis Manager (CAM); developed cost models for most major DOL agencies; and improved capabilities to integrate cost and performance information. Verified accuracy of non-financial data and implemented additional data	Automate workload and time distribution systems and begin developing CAM web portal – June 2007. Data collection tool – September 2007. Predictive planning capabilities – January 2008 Continue to implement additional procedures as necessary and as may be

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
	validation systems.	recommended by the OIG.
Reliable Performance Data. GPRA and the Budget and Performance Integration PMA initiative call for reliable performance data. DOL faces challenges because much of its data are generated by States. In FY 2006, GAO pointed out instances where DOL and States need to improve performance data quality.		
Improve WIA data quality.	Implemented clear definitions for points of registration and exit.	
Review WIA participant files to ensure validation is done correctly and hold states accountable for report and data element validation requirements.	Reviewed state validation results. Developed a standard comprehensive monitoring tool and a supplement for regional use including data validation procedures for each program and trained staff in its use.	Investigate making a state's data validation results a criteria for incentive awards – December 2006. Publish revised ETA Monitoring Guide for Data Validation – May 2007. Modify data validation software to allow Federal staff to sample records at the state level – July 2007.
Improve Apprenticeship Data Quality. Make better use of DOL performance data for management oversight.	Established competency-based apprenticeships and interim credentials to allow niche employers to participate. The Secretary's Advisory Committee on Apprenticeship proposed regulatory revisions to incorporate the changes.	Implement strategies to allow niche employers to participate – October 2007.
Develop a cost-effective strategy for collecting data from council-monitoring states.	Two additional states agreed to participate in the Registered Apprenticeship Information System (RAIS), DOL's database for apprenticeship. Use of the Apprentice Electronic Registration process, which improves data integrity, increased.	Continue to negotiate with states to participate in RAIS.
Conduct regular reviews in states that regulate their own programs to ensure that state activities are in accord with DOL requirements.	Completed the remainder of the reviews in State Apprenticeship Agency (SAA) states.	Complete reviews of one-third of the SAA states for the next three years.
Offer substantive feedback to states after reviews.	Provided feedback (final reports of the SAA reviews).	Improve follow-up to ensure recommendations are implemented.
Improve Trade Adjustment Assistance (TAA) Data Quality.	Promoted state-developed models of integrated WIA and TAA systems. Covered TAA under common measures. Trained program officials in reporting. Provided states with instructions, edit checks, and technical assistance.	Develop a monitoring guide for the Trade Program as an addendum to the ETA Core Monitoring Guide – December 2006. Field test the monitoring guide – March 2007.
Work with States to Improve Data Quality. Develop a more complete reporting system to provide greater comparability and clarity of performance data.	Completed feasibility study on final reporting design.	Implement reporting format to allow DOL to analyze performance across programs (Workforce Investment Streamlined Performance System) – July 2007.

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
	Revised data collection systems for WIA, Wagner-Peyser, Veterans Employment and Training Service, and Trade Adjustment Assistance programs to incorporate common performance measures. Completed data validation and began monitoring states to ensure compliance with guidelines.	PY 2006 WIA Annual Report validation is due not later than October 2, 2006.
Identify best practices and technology solutions to collect and report customer information.	Revised Data Validation Reporting Software to allow states to calculate and validate common performance measures.	States calculate and submit Program Year reports using ETA Version 6.0 of the Data Validation Reporting Software.
Obtain Safety and Health Performance Data. While OSHA's voluntary compliance programs appear to have yielded many positive outcomes, much of the agency's data are insufficient for evaluation. GAO recommended that OSHA identify cost-effective methods of collecting complete and comparable data on program outcomes.	Completed evaluation of impacts of Voluntary Protection Programs (VPP) on sites' injury and illness rates from the inception of the decision to participate through to full VPP participation. Improved cooperative programs data management systems.	Identify cost-effective methods of collecting more complete and sufficient data on voluntary programs through voluntary program refinements and development of new OSHA Information System – September 2009.
Audit ETA Data Validation. Reliability of Audits conducted under the single audit act. DOL uses audits conducted under the Single Audit Act (SAA) conducted by independent public accountants or state auditors to provide oversight of the more than 90 percent of its expenditures spent by State and local governments and other non-DOL organizations.	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. ETA is waiting for the OIG data validation audit.	OIG to audit ETA data validation.
II. Safeguard Unemployment Insurance — Progress assessment: Good		
Challenge first identified in FY 2000. **Unemployment Insurance** (UI). The UI Program is one of the nation's largest wage replacement programs. In 2005, the estimated improper payments for UI were $3 billion. DOL is challenged to prevent improper payments, particularly during national emergencies or disasters. Impacts Goal 06-2.2A, *Make timely and accurate benefit payments to unemployed workers*.	Worked with the OIG and the Louisiana UI agency to facilitate investigations of potential fraud following Hurricane Katrina.	Complete investigations of possible overpayments related to hurricanes Katrina and Rita – August 2007.
Work with states to eliminate improper payments and insure payment integrity, especially during national emergencies and disasters.	DOL was authorized to require states to cross-match UI payments selected for Benefit Accuracy Measurement audits with the National Directory of New Hires to improve the detection of erroneous payments. Coordinated with states and HHS to implement a process for matching with National Directory of New Hires (NDNH). Facilitated States' Use of the NDNH and issued a report on its use. Collected information on the results of	Publish regulation requiring states to cross-match UI payments selected for Benefit Accuracy Measurement audits with the National Directory of New Hires to improve the detection of erroneous payments – January 2008. Contingent upon the appropriation of funds and the passage of the Integrity Act included in the DOL FY 2007 budget request, state UI agencies will increase efforts to prevent and detect fraudulent employment benefit claims. Encourage additional states to

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
	the Reemployment and Eligibility Assessment grants.	implement NDNH cross matches and track implementation. Report on the results of the Reemployment and Eligibility Assessment Grants – May 2007.
Safeguard the funds in the Unemployment Trust Fund (UTF). Administrative charges by the IRS to the UTF totaled $70 million for the first three quarters of FY 2006. The OIG has requested that the Treasury Inspector General audit the methodology for charging UTF administrative expenses.		Treasury OIG to audit IRS methodology for charging administrative expenses.
Review the states' monthly submissions of ETA form 2112 reports to detect and correct errors.	Implemented edit checks and reconciliation procedures for the ETA 2112.	Develop additional instructions for the UI reporting entities and implement procedures to more effectively review the data reported on the ETA 2112.
III. Improve the Federal Employees' Compensation Act (FECA) Program — Progress assessment: Good		
Challenge first identified in FY 2005. Given the large volume of benefits delivered government-wide through the FECA Program, DOL is spearheading efforts to make FECA more cost-effective throughout the government through the Safety Health and Return to Work initiative and is working to improve the way the program is administered. Efforts are under way to address the findings below that encompass several areas for improvement. Impacts Goal 06-2.2B, *Minimize the impact of work-related injuries.*		
Reduce Fraud.	With input from the IG community, DOL's OIG developed a protocol for use by IGs across the government to reduce fraud and overpayments. ESA began developing written procedures that address accounting and financial reporting for FECA.	 Issue and implement written procedures that address accounting and financial reporting for FECA – 2007.
Legislative Reform. Seek legislative reforms to enhance incentives for injured employees to return to work; address benefit equity issues; discourage unsubstantiated claims; and make other improvements.	Drafted legislation. Estimated savings over ten years is $592 million.	Identify and work with a future sponsor to submit the proposed FECA reform legislation to the Congress – 2007.
Reduce Improper Payments. FECA is one of three DOL programs classified as high risk for improper payments due to the amount of benefits paid. (The other two are UI and WIA.) In 2005, FECA's overpayment rate was only 0.13 percent and its estimated improper payments totaled $3.3 million. Ensure that current medical information for claimants is on	DOL met its improper payments reduction and recovery targets for the FECA program. Integrated Federal Employee Compensation System (iFECS), which tracks due dates of medical evaluations, was fully deployed.	 Monitor and adjust iFECS as necessary – 2007.

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
file, so that payments are not made to those who are no longer disabled.		
IV. Maintain the Integrity of the Foreign Labor Certification Program — Progress assessment: Fair		
Challenge first identified in FY 2001. Problems with the 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. Impacts Goal 06-4.1A *Address worker shortages through the Foreign Labor Certification Program.*	Proposed regulatory changes to: 1) eliminate 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; and 4) provide enforcement mechanisms to protect program integrity, including debarment with appeal rights. The regulation addresses many concerns of the OIG, OMB, and others.	Final publication of the revised regulation – April 2007.
Reduce Foreign Labor Certification Backlogs. 200,000 applications were backlogged as of August 2006. In 2006, DOL received 125,500 applications at the National Processing Centers in Atlanta and Chicago. In addition to reducing backlog, DOL is challenged to prevent new backlogs. GAO noted that DOL certified applications although the wage rate on the application was lower than the prevailing wage for that occupation and some certified applications had erroneous employer identification numbers.	DOL automated permanent labor certification application processing Backlog Elimination Centers eliminated over 50% of the permanent program backlog three weeks ahead of the September 30, 2006 goal.	Eliminate the backlogs and prevent new backlogs – September 2007. Reduce the incidence of applications certified with wage rates on the application that are lower than the prevailing wage and erroneous employer identification numbers – March 2007.
V. Security of Employee Benefit Plan Assets — Progress assessment: Excellent		
Challenge first identified in FY 2000. ***Pension Benefit Guaranty Corporation (PBGC)*** The PBGC experienced an increased workload in recent years as more companies dropped their plans, increasing the burden on the private pension insurance system. Impacts Goal 06-2.2D *Improve pension insurance program.*	The Pension Protection Act of 2006 will place PBGC on sturdier financial footing and should reduce the number of pension plans in default.	Implement the Pension Protection Act of 2006
Employee Benefits Security Administration (EBSA) areas of concern include strengthening employee benefit plan audits, investigating benefit plan fraud, corrupt multiple employer welfare arrangements, and underpayments from cash balance plans. This challenge affects Goal 06-2.2C, *Secure pension, health and welfare benefits.*	August 17, 2006 – The President signed the Pension Protection Act of 2006 which strengthens DOL's capabilities to protect pension benefits.	
Strengthen Audits. Implement a CPA firm "inspection program."	Implemented a CPA firm inspection program and reviewed firms who audit approximately half of all employee benefit plan assets subject to audit.	Ongoing

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
	Performed augmented reviews of 450 sets of audit work papers.	Ongoing
	Referred 20 CPA firms to the American Institute of Certified Public Accountants (AICPA) Professional Ethics Division or a state board of public accountancy.	Ongoing
Benefit Plan Fraud. Continue to devote appropriate enforcement resources to the review of Taft-Hartley plans**.**	EBSA spent about 6 percent of its investigative resources on civil and criminal investigations of these plans and produced monetary results of over $23 million through Q3 FY 2006.	Ongoing
Corrupt Multiple Employer Welfare Arrangements (MEWAs.) Stopping abusive practices of corrupt MEWAs should be a top enforcement priority.	Worked closely with Department of Justice to prosecute these complex white-collar crimes. Obtained over $21 million in results from MEWA investigations in 2006.	Ongoing
Underpayments from Cash Balance Pension Plans. DOL's OIG conducted a study in 2002 on the accuracy of individual benefit payments in selected cash balance plans. EBSA referred the 13 problems identified by OIG to the IRS for guidance, but has not yet received any guidance.	The Pension Protection Act of 2006 modified how lump sum distributions are calculated and may eliminate or reduce the potential for underpayments.	These statutory changes are likely to correct prospective problems. In FY 2007, EBSA, SOL, and the OIG plan to resolve this matter.
VI. Improve Procurement Integrity — Progress assessment: Good		
Challenge first identified in FY 2005. Ensuring controls are in place to properly award, manage, and document procurements is a challenge to the Department. *This challenge affects the attainment of all goals.*	Hired management staff to provide on-the-job training and promote on-site and off-site training courses, online training, and continuing higher education; issued internal operating procedures to ensure standards of performance; and set target timelines for performance metrics.	
Properly award, manage and document procurements.	Hired a supplemental specialist (contractor) to help process the workload in a timely manner.	Ongoing
	Improved the E-Procurement System to increase visibility of actions being processed and better manage workload.	Ongoing
	Met targets for satisfactory procurement management reviews, contracts awarded in compliance with customers' requests and requirements, and agencies compliant with policy. Completed all corrective actions. No audits with major findings.	Ongoing
	Worked with agency representatives to promote agency staff understanding of sole source procurement criteria and proposed only properly documented cases. As a result, 91 percent of DOL's Procurement Review Board requests were approved.	Ongoing

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
There are several appropriated funds with procurement activities under the Chief Acquisition Officer (CAO); the Office of Procurement Services (full delegation); BLS (limited delegation); ETA (full delegation; regional offices (limited delegation); MSHA (full delegation). DOL's OIG has limited procurement authority. OIG audits of two DOL agencies in FY 2005 found that a lack of segregation of the procurement function allowed program staff to exert undue influence over the procurement process. OIG recommended reassigning the procurement authority for MSHA to be completely independent of the agency, removing the procurement function from OASAM, and establishing a completely independent Acquisition Office to report directly to the Deputy Secretary.	OIG recommendations to rescind and reassign MSHA's procurement authority to be completely independent of MSHA and to create an independent DOL Acquisition Office remained "unresolved and open." DOL responded to a request by conferees to H.R. 4939 to report on the steps necessary to establish a unified chief procurement officer. Steps include re-designating a non-career employee official as the CAO; establishing a new career position to serve as the Acquisition Office Director, who would also serve as the Senior Procurement executive in line with the 2003 SARA legislation; and realigning procurement authority delegated to DOL agencies to the Acquisition Office Director.	Resolve the "unresolved and open" OIG procurement recommendations.
VII. Ensure the Safety and Health of Miners — Progress assessment: Good		
Challenge first identified in FY 2005. ***The MINER Act of 2006*** challenges MSHA and the mining industry to enhance mine safety training, improve safety and communications technology, enhance mine rescue teams and emergency capabilities, and enforce stronger civil and criminal penalties. Impacts Goals 06-3.1A, *Reduce mine fatalities and injuries* and 06-3.1B, *Reduce mining-related illnesses.*	Developed phased timetable to implement the MINER Act of 2006.	Implement the MINER Act in accordance with timetable.
Improve Safety and Health Performance Data and Monitoring. GAO stated that MSHA headquarters did not ensure that 6-month inspections of ventilation and roof support plans were being completed on a timely basis and that MSHA did not always ensure that hazards found during inspections are corrected promptly.	GAO is currently determining whether previous recommendations addressed safety and health issues at MSHA, including performance data and monitoring.	Address any new GAO recommendations.
Replace Retiring Mine Inspectors. In 2003, GAO reported that 44 percent of MSHA's underground coal mine inspectors would be eligible to retire within the next five years. With an 18-24 month lead time to fully train new inspectors, MSHA faces a challenge in reacting to its workload demands.	Launched a Career Intern Program for mine safety inspectors which included recruitment and screening sessions at mining locations nationwide; recruitment now takes 45 days compared to the 180 days it took in FY 2004. Recruited additional instructors to train new mine safety inspectors.	Continue with an aggressive job fair schedule to address the requirements identified for mine safety inspectors. Implement localized and targeted recruiting to increase the applicant pool.
VIII. Develop and Secure Information Technology Systems and Protect Related Information Assets — Progress assessment: Excellent		
Challenge first identified in FY 2002. DOL relies heavily on Information Technology. Developing and maintaining efficient, effective and secure systems to perform is an ongoing challenge. *This challenge affects all performance goals.*	Created a DOL-wide Enterprise Architecture, conducted project management training, revitalized the Investment Control Review process, revised the IT Investment Management Quick Reference Guide, and began updating DOL's Systems Development	Monitor emerging technologies through DOL's internal IT Governance process. Establish workgroups as necessary to use emerging technologies to support the DOL mission.

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
	Lifecycle Management manual.	
Strengthen Systems Development and Management of High Risk System.s Strengthen DOL IT system planning, project management and decision for its projects classified as high-risk.	Over 90 percent of major IT investments were managed within ten percent of planned cost, schedule, and performance goals and in compliance with the DOL target Enterprise Architecture. Developed documentation for performance measures to assess IT investment compliance with Systems Development Lifecycle Management requirements.	Monitor high risk investments through the IT Capital Planning Control Review process each quarter to assess actual activities and milestones and their costs compared to the planned baseline. Provide IT investments specific guidance and action items for strengthening performance. Conduct training on this process – March 2007.
Conduct quarterly reviews, Internal eGov reviews, and Federal Information Security Management Act (FISMA) reviews, Enterprise Vulnerability Management System reports.	Conducted internal IT investment Control Reviews and eGov reviews. Collected and reported IT investment earned value management data. The OIG sampled five DOL IT systems as part of its recurring FISMA audit program: the Student Pay, Allotment, and Management Information System (SPAMIS), the BLS Employment Cost Index and Producer Price Index Systems, OSHA's Whistleblower Web Application, and the DOL Employee Computer Network/Departmental Computer Network. These audits are summarized in the OIG's Semiannual Report (http://www.oig.dol.gov/).	
Maintain Information Technology Security. Be proactive in identifying and mitigating IT security weaknesses.	Major information systems achieved authority to operate based on FISMA requirements and were evaluated using vulnerability assessments and a security controls testing and evaluation program.	Strengthen security testing and evaluation to test a wider range of controls more frequently. Validate the mitigation of previously identified weaknesses.
Implement a Public Key Infrastructure (PKI) to support the Homeland Security Presidential Directive 12 (HSPD-12) requirements and ***Implement New Smart Card Requirements.*** The President directed a government-wide standard for secure and reliable forms of ID based on "smart cards" that use integrated circuit chips to store and process data. Agencies are challenged to meet the implementation deadline of October 27, 2006.	In support of the DOLHSPD-12 Implementation Plan, selected a contractor for PKI/HSPD -12 requirements. (PKI is a system of hardware, software, policies, and people that, when fully and properly implemented, can provide a suite of information security assurances.)	Issue PIV-2 HSPD-12 cards on a phased schedule starting with new employees and contractors in headquarters offices in October 27, 2006 and completing in October 27, 2008.
IX. Ensuring the Effectiveness of the Job Corps Program		
Challenge first identified in FY 2006. ***Promote Effective Regional Monitoring.*** Contractors operate 98 Job Corps Centers nationwide; the Departments of Interior and Agriculture operate another 28 centers via interagency agreements with DOL. These centers provide services to about 60,000 students annually. DOL Regional Offices monitor contractors to ensure DOL policies are implemented, and DOL is challenged to ensure that regional		Review Regional Reports of Monitoring Outcomes to hold the regions accountable for ensuring services provided by center operators comply with policies, requirements and contracts – June 2007. Review Regional Reports of Monitoring Outcomes to ensure that centers implement policies for facilities maintenance, zero tolerance for drugs

Management Challenge/ Significant Issue	Actions Taken in FY 2006	Actions Remaining and Expected Completion Date
monitoring is effective. This challenge affects Goal 05-1.1B, *Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.*	Updated oversight policy and procedures (program assessment guide) to require regional offices to validate center performance data by sampling records and trained regional staff in the procedures. Transferred Job Corps procurement responsibilities to the Office of the Assistant Secretary for Administration and Management to better ensure that qualified companies that offer the best value and service are selected.	and violence, student background checks, and student accountability – June 2007. Review reports of Regional Office Center Assessments to ensure that monitoring is effective in identifying manipulations of data on student absences and proper financial reporting – June 2007. Update interagency agreements to define each agency's responsibilities – June 2007.
X. Real Property — Progress assessment: Excellent.		
Challenge first identified in FY 2004. Improving Management of Real Property Assets was previously discussed as a 2005 Major Management Challenge. FY 2004 financial audits revealed that Job Corps was not adequately accounting for real property and that DOL's property tracking system and State Workforce Agency real property system lacked sufficient controls.	DOL built upon FY 2005 efforts to strengthen control systems for real property in the Job Corps and State Workforce agencies. ETA reviewed its existing processes and restructured them to strengthen the property management system.	Challenge completed.
XI. Manage the Employment and Training Program to Meet the Demands for the Workforce of the 21st Century — Progress assessment: Fair		
Challenge first identified in FY 2000. GAO identified implementing the Work-force Investment Act (WIA) as one of DOL's major management challenges, but it is not listed because implementation of needed improvements is dependent on WIA authorization, which is still pending.		Awaiting WIA authorization.

The President's Management Agenda

On June 30, 2005, the U.S. Department of Labor became the first Executive Branch department or agency to achieve green status scores for all five government-wide President's Management Agenda (PMA) initiatives. This achievement is not an end in itself – but it represents an ongoing commitment to good management to bring quality services to the American people. In FY 2006, DOL maintained green status scores in all five government-wide initiatives and achieved two additional green status scores in agency-specific initiatives (see table below).

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 PMA. The five government-wide initiatives are *Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government*, and *Budget and Performance Integration*. DOL also participates in three additional initiatives referred to as agency-specific initiatives that apply to selected agencies: *Eliminating Improper Payments, Faith-Based and Community Initiative*, and *Federal Real Property Asset Management*.

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 2006, is indicated in the table below. Now into the OMB-led *Proud to Be IV* campaign – which runs through June 30, 2007, DOL has set ambitious goals and continues to demonstrate measurable results in all five government-wide initiatives. The Department continues to be 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 2005 Status**	**September 2006 Status**
Human Capital	Green	Green
Competitive Sourcing	Green	Green
Financial Performance	Green	Green
E-Government	Green	Green
Budget & Performance Integration	Green	Green
Eliminating Improper Payments	Green	Green
Faith-Based and Community Initiative	Yellow	Green
Federal Real Property Asset Management	Yellow	Yellow

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 executives, managers and employees accountable for achieving results. At DOL, 100 percent of mission-critical occupations at the Department are linked to DOL's strategic goals – and in January 2006, the Office of Personnel Management and Office of Management and Budget determined that DOL's Senior Executive Service appraisal system met the criteria for full certification for the 2006-2007 calendar years. DOL is the first Cabinet Department to receive full certification – which is premised on making clear distinctions in pay and performance recognition and on having an effective oversight system in place.

Electronic government solutions like eOPF continue to bolster our Strategic Management of Human Capital efforts. Launched in 2006, eOPF – or the electronic Official Personnel Folder – allows employees to securely access their personnel folder from any DOL network computer connected to the Internet or from home. The eOPF provides employees with timely access to view and print their personnel documents – and employees are notified by e-mail when personnel actions are added to their file, reducing the need to contact Human Resources Offices for information.

Competitive Sourcing

DOL won the 2005 President's Quality Award for its Competitive Sourcing program under the PMA and also achieved a green status score and has maintained a score of green for 6 consecutive quarters. 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. The skills and competencies that are not required to be performed by government personnel can often be performed more effectively and efficiently when subject to the competition of the marketplace.

The competitive sourcing process includes the development of a Most Efficient Organization (MEO), which is designed by affected employees, DOL managers and union representatives to make the function more competitive. Notably, of the 28 competitions undertaken to date, 21 have been completed and seven are in progress. Of the 21 completed competitions, the Department's employees have won 19 (90 percent). The competitions completed to date yielded efficiencies totaling $40.6 million over multiple performance periods, which included savings of about $29.4 million and cost avoidance of approximately $11.2 million.

Improved Financial Performance

The availability of timely, accurate, and useful 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 Office of the Chief Financial Officer (OCFO) has devoted significant resources to secure the Department's achievement of excellence in financial management in the Federal Government. In FY 2006, the Department received its tenth unqualified audit opinion and its sixth Certificate of Excellence in Accountability Reporting (CEAR) Program Award from the Association of Government Accountants. Improving financial performance is a continuous journey of gaining experience rather than a race to the finish line.

The Department also 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.

Expanded Electronic Government (E-government)

The Expanding Electronic Government (E-government) initiative requires Federal agencies and departments to develop secure Information Technology (IT) systems and strictly adhere to IT project cost, schedule, and performance projections. The Department of Labor's Enterprise Architecture (EA) Program aligns all DOL IT investments with the objectives set forth in the President's Management Agenda (PMA). EA initiatives in support of DOL's PMA efforts include:

- EA was used to identify standardization opportunities and facilitate interoperability across DOL Human Resources functions and systems (Strategic Management of Human Capital);
- The Financial Management Line of Business (FMLoB), which is managed by the General Services Administration, will enable Department-wide visibility of the financial process and a link between finance and performance throughout the planning, analysis, reporting and management procedures (Improved Financial Performance);
- Unified DOL Technology Infrastructure (UDTI) is a unified, end-to-end, IT service management initiative that consolidates the technology infrastructure acquired, deployed, and maintained at DOL. UDTI will result in millions of dollars in cost savings and/or cost avoidance (Expanded Electronic Government); and
- The Departmental Budget Center is using EA to identify redundant budget systems across all agencies – with a projected Return-On-Investment for the Departmental Electronic Budget System (DEBS) of 110% and an anticipated payback period of 3.8 years (Budget and Performance Integration).

On March 31, 2006, the Office of Management and Budget completed evaluating 29 Federal agency consolidated Enterprise Architectures for how EA is used to guide and inform IT investments to achieve strategic objectives. Evaluations included scoring agency EAs in three assessment areas – Completion, Use, and Results. Out of all the agencies assessed, the Department of Labor ranked second in terms of EA maturity and met all the criteria to receive a green score under the PMA.

Budget and Performance Integration
Budget and Performance Integration (BPI) seeks to ensure that performance is routinely considered in funding and management decisions – and that agency programs achieve expected results while working toward continual improvement. At DOL, BPI has helped exact a gradual cultural shift that fosters a closer dialogue among program, performance, budget, and finance staff.

In support of DOL's BPI efforts, DOL launched the pilot of the DEBS – an electronic government initiative designed to automate the budget formulation process. DEBS provides budget analysts the ability to more easily, accurately, and electronically merge budget data. Having completed the successful pilot project, DEBS was used in 2006 in selected agencies to build DOL's FY 2008 budget. The expectation is that all DOL agencies will access the tool in time for the next budget cycle: 2009. BPI efforts have also continued to be bolstered through the Program Assessment Rating Tool (PART). Over the last five years, almost 800 Federal programs – including 32 at DOL – have been assessed through the PART. The PART consists of 25 questions about a program's performance, design and management. Once assessments are completed, programs develop improvement plans to address PART findings.

DOL's overall efforts are being folded into a BPI green plan – which will be in effect in December 2006 and will capture our ongoing efforts to improve agency performance and efficiency.

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 scores for *Eliminating Improper Payments* and *Faith-Based and Community Initiative* are green – with a yellow status score for *Federal Real Property Asset Management*. DOL's progress score for implementing each initiative is green.

Eliminating Improper Payments
In September 2005, DOL achieved a green status score in Eliminating Improper Payments. The Improper Payments Act of 2002 defines improper payments as payments made to the wrong recipient; in the wrong amount; or used in an improper manner by the recipient. Better detecting and preventing improper payments to ensure taxpayer dollars are wisely and efficiently spent is the goal of the Eliminating Improper Payments initiative.

At DOL, developing strategies and the means to reduce improper payments is good stewardship – and good business. Accurate payments lower program costs, thus maximizing our resources. The Department has three programs classified as high-risk for improper payments. Two are benefit programs – Unemployment Insurance (UI) in the Employment and Training Administration (ETA) and the Federal Employees Compensation Act program in the

Employment Standards Administration – and the third is an ETA grant program administered under the Workforce Investment Act.

While Eliminating Improper Payments is still a fairly new PMA initiative, we are making progress and achieving results. Last year, the Department's Office of the Chief Financial Officer and ETA launched a UI pilot program in three states to determine how a cross-match between the National Directory of New Hires data and State UI claimant data could help identify individuals no longer eligible to receive UI benefits.

Faith-Based and Community Initiative

In June 2006, DOL achieved a green status score in the Faith-Based and Community Initiative, which is designed to strengthen and expand the role of faith-based and community organizations in addressing the Nation's social problems. Through this five-year march to green, DOL has significantly expanded opportunities for partnerships with faith-based and community non-profit organizations (FBCOs) to better serve Americans in need. Critical to this effort is removal of any unnecessary barriers to the participation of small and faith-based and community organizations in DOL grants and programs, thus establishing a level playing field for all. The Department has also employed a wide range of grants, technical assistance and other tools to draw upon the unique strengths of FBCOs in efforts such as serving the unemployed and underemployed, aiding homeless and incarcerated veterans, helping ex-offenders transition from prison to work and reducing exploitative child labor abroad. A significant priority for DOL in the coming year is to build on its record of national achievement in strengthening partnerships between faith-based and community organizations and the workforce investment system at the state and local levels.

In 2006, DOL's Center for Faith-Based and Community Initiative worked with the Employment and Training Administration to triple the funding of Grassroots grants, which feature simplified application and reporting requirements. This allows DOL to draw upon the strengths of smaller organizations with significant potential to augment the workforce system. The Grassroots solicitation in 2006 drew a record 556 applications.

Federal Real Property Asset Management

Better managing the Department's properties is at the core the Federal Real Property Asset Management effort. This PMA initiative is intended to eliminate surplus assets; better manage the cost of inventory, and improve the condition of critical assets. The Department's ongoing efforts in real property management have yielded important benefits. In the last year, DOL closed ten offices, releasing more than 10,000 square feet of space and saving more than $300,000 annually. DOL also implemented an on-line Space Management System – with data imported from GSA's database – to monitor space utilization and identify targets for improvement through consolidation and co-location. DOL has enhanced its internal budget guidance beginning with FY 2008 to require that agency budget submissions address the real property management improvement goals of mission dependency, utilization, condition, and cost containment through prioritizing planned capital initiatives, disposing of assets, identifying opportunities for operating cost efficiencies and cost reduction, and reviewing leasing agreements.

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." In 2006 – with two upgrades to green in Eliminating Improper Payments and Faith-based and Community Initiative – DOL continued to make good on promises.

The Program Assessment Rating Tool

The Program Assessment Rating Tool (PART) was developed to assess and improve programs' positive impact on outcomes that matter to the public. A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. Federal programs are scored on their purpose and design, strategic and performance planning, management, and results and accountability. Total scores determine ratings: Effective, Moderately Effective, Adequate, Ineffective, or Results Not Demonstrated (RND). The final category can apply to a program with any score if performance goals and measures are not sufficiently outcome (results) oriented and/or the program does not have adequate data. Summaries of each program's assessment and improvement plan are published on ExpectMore.gov, a site created earlier this year to make meaningful information about Federal program performance more accessible to the public.

To date, 28 DOL programs have been assessed through the PART. One is rated Effective, eight Moderately Effective, twelve Adequate, four Ineffective, and three Results Not Demonstrated. The table below lists the programs as they are identified in ExpectMore.gov. For cross-referencing with the performance section of this report, where Departmental performance goal(s) apply, goal number(s) are provided. The list is sorted first by the calendar year in which the review was conducted, then by total score. DOL will publish the scores and ratings for four additional programs reviewed for the President's FY 2008 Budget – the Homeless Veterans' Reintegration Program, Office of Disability Employment Policy, Wage-Hour Programs, and Office of the Solicitor – completing the first five-year cycle of assessments.

PART assessments are useful because they lead to improvement plans intended to improve accountability and performance. Improvements DOL has recently implemented include: Development of new, outcome-oriented performance measures for two DOL programs currently rated Results Not Demonstrated: Job Training Apprenticeship and the Women's Bureau; development and implementation of efficiency measures for each of the DOL programs assessed through the PART; and development and implementation of a union democracy measure and annual reporting of union fraud activity by the Office of Labor Management Standards.

DOL PART SCORES AND RATINGS			
Program/Goal	**Year**	**Score**	**Rating**
Veterans' Employment and Training State Grants/05-1.1C	2005	76	Moderately Effective
Work Incentive Grants	2005	57	Adequate
Longshore and Harbor's Workers Compensation Program/06-2.2B	2005	54	Adequate
Office of Labor Management Standards/06-2.1B	2005	54	Adequate
Workforce Investment Act - Adult Employment and Training/05-4.1A	2005	53	Adequate
Job Training Apprenticeship/06-1.1A	2005	42	Results Not Demonstrated
Women's Bureau	2005	41	Results Not Demonstrated
Pension Benefit Guaranty Corporation/06-2.2D	2004	79	Moderately Effective
H-1B Work Visa for Specialty Occupations – Labor Condition Application/06-4.1A	2004	78	Moderately Effective
Employee Benefits Security Administration/06-2.2C	2004	71	Moderately Effective
Job Corps/05-1.1B	2004	70	Moderately Effective
Office of Federal Contract Compliance Programs/06-3.2A	2004	65	Adequate
Permanent Labor Certification/06-4.1A	2004	64	Adequate

DOL PART SCORES AND RATINGS			
Program/Goal	**Year**	**Score**	**Rating**
Employment Service/05-4.1B	2004	56	Adequate
International Child Labor and Office of Foreign Relations/06-3.3A&B	2004	51	Adequate
Native American	2004	51	Adequate
Bureau of Labor Statistics/06-1.2A	2003	88	Effective
Unemployment Insurance Administration State Grants/06-2.2A	2003	74	Moderately Effective
Black Lung Benefits Program/06-2.2B	2003	71	Moderately Effective
Mine Safety and Health Administration/06-3.1A&B	2003	55	Adequate
Workforce Investment Act – Dislocated Worker Assistance/05-4.1C	2003	50	Adequate
Trade Adjustment Assistance/06-4.1B	2003	45	Ineffective
Workforce Investment Act – Youth Activities/05-1.1A	2003	45	Ineffective
Workforce Investment Act – Migrant and Seasonal Farmworkers	2003	38	Ineffective
Prevailing Wage Determination Program/06-2.1A	2003	29	Results Not Demonstrated
Community Service Employment for Older Americans/05-4.1D	2003	27	Ineffective
Federal Employees Compensation Act/06-2.2B	2002	75	Moderately Effective
Occupational Safety and Health Administration/06-3.1C&D	2002	62	Adequate

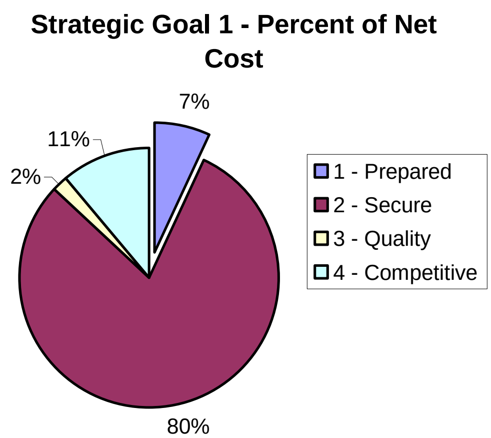
Performance Section

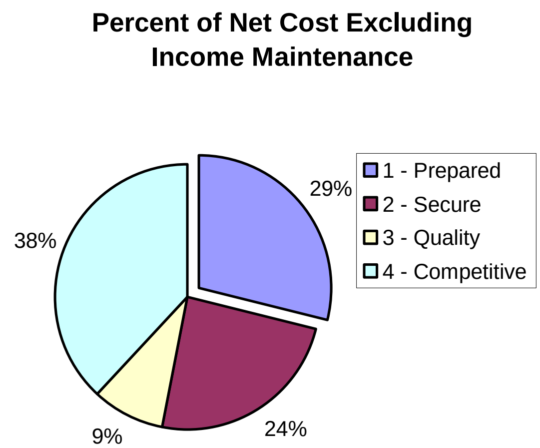
Strategic Goal 1: A Prepared Workforce

Enhance Opportunities for America's Workforce

America's engine of prosperity is its skilled workforce. The maintenance of our strong national economy depends, in part, on developing a steady stream of workers that are qualified job candidates possessing skills relevant to the needs of today's employers. The Department must ensure that every available labor pool is tapped, including job seekers with disabilities, veterans, and disadvantaged youth. DOL agencies and offices supporting this goal are the Employment and Training Administration (ETA), the Office of Job Corps (JC), Veterans' Employment and Training Service (VETS), the Office of Disability Employment Policy (ODEP), the Bureau of Labor Statistics (BLS), the Women's Bureau and the Center for Faith-Based and Community Initiatives.

The net cost dedicated to Strategic Goal 1 in FY 2006 was $3.395 billion. The first chart below is based on total Departmental costs of $45.328 billion; the second is based on an adjusted net cost of $12.101 billion that excludes the major non-discretionary program costs associated with Strategic Goal 2.[16] Net cost dedicated to Strategic Goal 1 in FY 2005 (restated to reflect current goal structure) was $3.250 billion.





The Department's performance in achieving this goal is determined by accomplishments organized at the outcome goal level and measured at the performance goal level. The two outcome goals are *Increase Opportunities for New and Re-emerging Entrants to the Workforce* (Outcome Goal 1.1) and *Improve the Effectiveness of Information and Analysis on the U.S. Economy* (Outcome Goal 1.2). Their results, costs, and future challenges are discussed below.

Outcome Goal 1.1 – Increase Opportunities for New and Re-emerging Entrants to the Workforce

The Department recognizes that some members of the workforce face unique challenges. These groups include at-risk and out-of-school youth, veterans returning from service to their country, women making a significant work-life transition, and people with disabilities. Just as initial entry to the workforce requires education and training, re-entry may also require updating skills to match the needs of employers. The Department is working to prepare new and returning workers to take advantage of the growing job opportunities, which means making sure that no group is left behind. Through targeted training and outreach programs, partnerships that include faith-based and community organizations, and performance-based approaches, DOL provides comprehensive services that enable individuals belonging to these groups to achieve their employment goals.

The table below provides identifying information, goal statements, and achievement for DOL performance goals associated with this outcome goal. Those with labels that begin with "05" operate on a Program Year (PY) and are reporting on the period from July 1, 2005 to June 30, 2006 due to the forward funding mechanism of the Workforce Investment Act of 1998.

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[16] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($31.322 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($1.905 billion).

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005 PY 2004	FY 2006 PY 2005
05-1.1A (ETA) Increase placements and educational attainments for youth served through the WIA youth program.	Goal achieved. Both targets reached.	$947	$1017
05-1.1B (JC) Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.	Goal not achieved. One target reached and two not reached.	1309	1402
05-1.1C (VETS) Improve the employment outcomes for veterans who receive One-Stop Career Center services and veterans' program services.	Goal achieved. All six targets reached.	196	198
06-1.1A (ETA) Improve the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	Goal achieved. Both targets reached.	23	25
06-1.1B (ODEP) Advance knowledge and inform disability employment policy that affects systems change throughout the workforce development system.	Goal achieved. All three targets reached.	52	50
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)		187	131
Total for Outcome Goal 1.1	**Four performance goals achieved and one not achieved**	**$2714**	**$2822**

Results Summary

The WIA Youth program achieved its goal of collecting baseline data for its two new common measures for youth and lifelong learning performance in Federal employment and training programs. The Job Corps program, which uses the two common measures for placement and credentials, plus a third common measure for literacy/numeracy, did not achieve its goal. Job Corps established baselines for all three indicators in PY 2004 and set targets for PY 2005. Literacy/numeracy scores easily exceeded expectations, but results for placement and credentials were several percentage points below their targets. Both shortfalls are attributed to changes in data definitions or methods that will not apply in PY 2006.

VETS' goal was achieved; all six targets were reached. Veterans' employment rate improved as the retention rate was unchanged. Disabled veterans' employment rate stayed the same while retention improved over PY 2004. The employment and retention rates for homeless veterans both rose, too. This positive trend in outcomes is accompanied by reversal of a recent decline in service levels. Veterans' participation in One-Stop services increased approximately 5 percent over PY 2004; staff-assisted services increased approximately 10 percent.

The goal for Apprenticeship was achieved; retention and earnings results improved over FY 2005. In addition, efficiency, or average cost per registered apprentice, also improved to just under $100. Federal cost of the National Registered Apprenticeship System is low because training is provided by employers.

ODEP achieved its goal by establishing baselines for the number of policy-related documents disseminated and formal agreements initiated and reaching its target for identifying effective practices. These three indicators reflect ODEP's mission. The latter indicator has been in place since FY 2004; the new indicators emphasize a strategic shift from a reliance on grant-making to a greater focus on internally generated policy analysis and development initiatives.

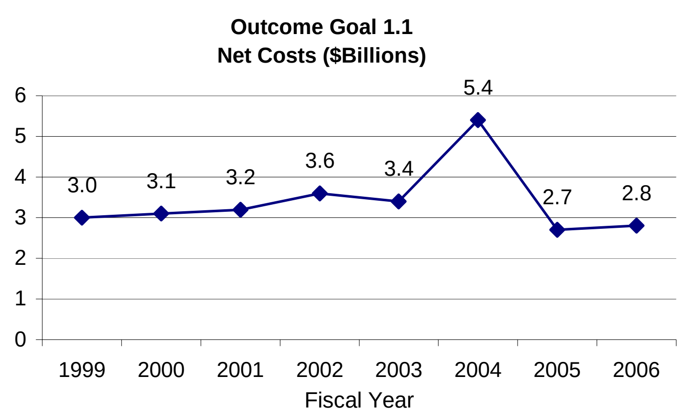
After years of intermittent homelessness marked by episodes in shelters and hospitals, Isaac joined the HomeWork Project, an ODEP funded collaboration of housing, homeless assistance, mental health and One Stop career centers led by the Boston Private Industry Council. HomeWork staff helped him find an apartment subsidized by HUD and search for employment. Through the assistance of Job Net and the One Stop center, Isaac found work at a local behavioral health agency as a Clerk, starting at $10 per hour. At first, his limited English proficiency, computer skills and familiarity with telephone switchboards were cause for concern. However, his employer was able and willing to assign Isaac a supervisor who could communicate with him in his native language, Spanish, and to redefine specific duties to fit his skills. Isaac later asked for and received assistance to learn the skills in the original Clerk's job description. Isaac said of his experience, "I would recommend this project to anyone without a home or a job. I am grateful that HomeWork is able to work with my treatment and language needs. This project has given me the opportunity I was looking for."

Photo Credit: DOL/ODEP

Net Cost of Programs

The FY 2006 program costs of $2.822 billion supported ETA's registered apprenticeship and Workforce Investment Act Youth programs; Job Corps; Veterans' Employment and Training Service jobs programs; Office of Disability Employment Policy efforts to improve the workforce development system's services to job seekers with disabilities; Center for Faith Based and Community Initiatives contracting outreach; and Women's Bureau efforts to increase job opportunities for women.

The $2 billion increase in costs from FY 2003 to 2004 resulted almost entirely from moving the Dislocated Worker Program and Trade Adjustment Assistance (TAA) performance goals from Strategic Goal 2 (Outcome Goal 2.3 in the DOL FY 2003 Performance and Accountability Report). The TAA performance goal was moved again in FY 2005, along with several smaller ETA programs, to Outcome Goal 4.1 – accounting for roughly $1 billion of the decrease. In FY 2006, WIA Youth and Job Corps programs (combined cost of $2.419 billion) were added to this goal, and the WIA Adult, One-Stop, and Dislocated Worker programs (combined cost of $3.246 billion) moved to Outcome Goal 4.1. The total shown for FY 2005 has been restated to reflect these changes and facilitate comparison to FY 2006.



Future Challenges

The Department's FY 2006-2011 Strategic Plan – which was effective on September 29, 2006 – outlines a new vision for the delivery of youth services that emphasizes the potential of out-of-school and at-risk youth to help supply skilled workers for a globally competitive economy. Efforts are now focused on four major areas: alternative education, demand-driven strategies for serving youth that provide them with the skills businesses need, serving the neediest youth, and improved performance. For Job Corps, two key strategies are implementing integrated competency-based career and academic training and improving outreach and recruitment services. Residential facilities will also be managed to ensure maximum utilization and support the program's mission.

To improve employment outcomes for veterans, DOL is developing and implementing State Workforce Agency performance standards. VETS is also expanding the Recovery and Employment Assistance Lifelines program and its crosscutting efforts with the Departments of Defense and Veterans Affairs to provide individualized job training, counseling and re-employment services to seriously injured or wounded veterans of Operation Iraqi Freedom, Operation Enduring Freedom and other recent conflicts.

Apprenticeship program strategies include a re-examination of the Federal role, which may lead to proposed restructuring of the system. To strengthen program outcomes, DOL will more closely link apprenticeship programs with other workforce development and educational systems and enhance responsiveness to labor market demands through outreach to industry. DOL will expand credentialing in occupations and industries to increase options for career development. The Department will also promote recruitment, training, employment and retention of women in apprenticeship and nontraditional occupations.

The Department will continue to: develop national disability employment policy; foster implementation of effective policies and practices to increase employment among people with disabilities within state and local workforce development systems and with employers; conduct research that validates effective strategies for providing disability-employment related services and supports; and, provide technical assistance for implementing effective systems-change strategies to both the demand and supply side of the labor market.

Outcome Goal 1.2 – Improve the Effectiveness of Information and Analysis on the U.S. Economy

Maintaining competitiveness in the 21st Century requires Americans to be knowledgeable about trends in the global, national, regional and local economies. Private citizens, business owners, and public officials need to have access to up-to-date, high-quality information and data to assist them in making better informed decisions. The Department's Bureau of Labor Statistics (BLS), which produces some of the Nation's most sensitive and important economic indicators, continuously seeks opportunities for innovation to improve the quality and usefulness of data products and services to customers.

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-1.2A (BLS) Improve information available to decision-makers on labor market conditions, and price and productivity changes.	Goal not achieved. Four targets reached and two not reached.	$536	$573

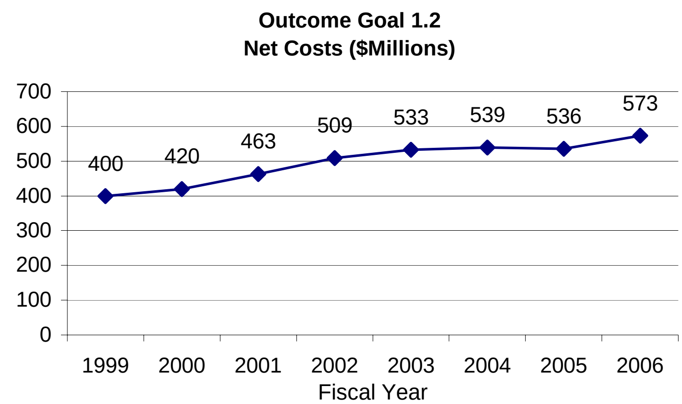
Results Summary
The goal was not achieved. However, BLS reached four of its six performance indicator targets, which include quality measures for its four categories of statistical surveys, an efficiency measure and a customer satisfaction index. Cost per transaction of the Internet Data Collection Facility, the agency's efficiency measure, improved over FY 2005 and came in below the target. Customer satisfaction also improved to 79 percent. All output, timeliness, accuracy, and long-term improvement targets were reached for prices and living condition surveys and for productivity and technology surveys. For labor force statistics and compensation and working conditions surveys, however, achievement fell short of the targeted 85 percent performance levels. The labor force result reflects lower-than-expected response rates for four surveys, below-target expected coverage for two others, and one missed publication deadline. Compensation and working conditions surveys also experienced lower than anticipated response rates for two surveys and slight delays to several publications.

For high school sophomores, the Morris Business and Professional Women operate a "Reality Store," which shows them the standard-of-living they can expect to achieve based on their career choices. Data from the Occupational Employment Statistics program helps the students determine how much "income" they may earn. Data from the Consumer Expenditure Survey sets the costs for various necessities and luxury goods available for "purchase" in stores set up at school. The Reality Store gives students a realistic look at the quality of life they can expect to attain from their chosen occupations, motivating them to take more seriously their remaining years in high school and possibly continuing on to higher education. Sara, of Minooka Community High School, said she had "heard the numbers before, but this really helped me realize what some things cost – groceries and kids are both expensive."

Photo Credit: Kellee Hill, Minooka High School

Net Cost of Programs

FY 2006 program costs of $573 million support BLS programs to produce and disseminate timely, accurate, and relevant information on the economy. Costs trended upward from 1999 to 2006, primarily due to built-in cost increases; the creation of new programs, such as the American Time Use Survey; and important improvements to increase the accuracy of survey programs, such as the Consumer Price Index (CPI), Producer Price Index (PPI), and Employment Cost Index (ECI).



Future Challenges

Several strategies support the goal of producing economic statistics that are relevant, timely, and accurate. The Department will better inform the public by increasing customer awareness and appropriate use of existing data products and will use feedback gathered from data users to determine how the data or dissemination media could be changed to better serve the American public. DOL will build value through innovation by analyzing and evaluating new economic survey methods, new technologies, and new survey design and collection approaches; and sponsoring research and evaluations by known experts to determine how best to improve BLS data. To reduce duplication of effort, the Department will collaborate with other statistical agencies to perform work more efficiently by improving communication and coordinating processes and methodologies.

Assist Youth in Making a Successful Transition to Work

Performance Goal 05-1.1A (ETA) – PY 2005

Increase placements and educational attainments for youth served through the WIA youth program.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of youth who are in employment or the military or enrolled in post secondary education and/or advanced training/occupational skills training in the first quarter after exit	–	Baseline	**58%**	**Y**
Percent of students who attain a GED, high school diploma, or certificate by the end of the third quarter after exit	–	Baseline	**36%**	**Y**
Cost (millions)	$947	**–**	**$1017**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
The Workforce Investment Act (WIA) authorizes services to low-income youth (age 14-21) with barriers to employment. Eligible youth are deficient in basic skills or are homeless, are a runaway, are pregnant or parenting, are offenders, school dropouts, or foster youth. The program serves both in- and out-of-school youth, including youth with disabilities and other youth who may require specialized assistance to complete an educational program or to secure and hold employment. Service providers prepare youth for employment and post-secondary education by stressing linkages between academic and occupational learning. They also assist youth by providing tutoring, alternative schools, summer employment, occupational training, work experience, supportive services, leadership development, mentoring, counseling, and follow-up services.

For Program Year (PY) 2005, DOL collected data for two performance indicators, both of which are part of the common measures for youth and lifelong learning aspects of Federal employment and training programs. The first measures whether youth entered employment, advanced training or education after leaving the program. This indicates whether DOL is transitioning youth into the workforce or post-secondary education, which is a key to successful careers. The second indicator, which measures whether participants earned educational credentials, is a proxy for preparedness of participants to compete in the 21st century knowledge-based economy.

Costs associated with this program increased by approximately seven percent from PY 2004 and PY 2005. States have two years to expend obligated funds, and some fluctuation from year to year is to be expected. In addition, Congress and the Administration have encouraged States and other grantees to spend funds more quickly.

Analysis and Future Plans
The goal of collecting baseline data for the placement in employment or education and attainment of a degree or certificate indicators was achieved. During PY 2005, DOL continued to implement strategies that emphasize that out-of-school and at-risk youth are an important part of the new workforce “supply pipeline” needed by businesses to fill job vacancies in the knowledge economy. WIA-funded youth programs connect these youth with quality secondary and post-secondary educational opportunities and high-growth and other employment opportunities. DOL works with the Departments of Health and Human Services, Education, Justice, Housing and Urban Development, plus the Social Security Administration and the Corporation for National and Community Service to assist States in coordinating resources and program delivery strategies to secure positive outcomes for the neediest youth. In addition, DOL is working specifically with the Department of Education to identify and replicate effective approaches to increasing graduation rates for disconnected and out-of-school youth.

For PY 2006, DOL has set targets of 60 percent for placement in employment or education and 40 percent for degree or certificate attainment. In addition, DOL will collect baseline data during PY 2006 for literacy/numeracy gains, another common performance measure for youth and lifelong learning programs. One factor that will limit the rate of progress in measured results in the near term is increased emphasis on serving out-of-school youth and the neediest youth, a population that has historically had lower performance on employment and education outcome measures. However, as the participant population stabilizes and programs become more effective in serving out-of-school youth, results should subsequently improve.

Brittany was married at 17. Focused on getting a job in the medical field, she dropped out of high school in 2003 and soon began Certified Nurse's Assistant classes. However, Brittany was also pregnant and soon found herself unable to complete her coursework. It looked like Brittany was going to have to scrap her plans of working in a health career altogether. In 2005, after giving birth to her son, Brittany realized the importance of her education and its place in her future success. She began working with JobWorks in September 2005, obtained her GED in October, and passed the CNA exam in November. Brittany is now not only a proud mother, but also a CNA employed at a local nursing home and researching classes to become an Obstetrics Technician.
Photo Credit: Michelle Ginder

PART, Program Evaluations and Audits

The program received a rating of Ineffective in the 2003 PART review. The program improvement plan included recommendations to adopt common performance measures for Federal job training programs and conduct an impact evaluation of the WIA Youth program. For PY 2005, ETA issued revised reporting instructions to States that required reporting outcomes using the common measures, and the baseline results above represent DOL's progress in completing this recommendation. An impact evaluation will be commissioned upon WIA reauthorization, as knowledge of the program's new direction will be critical to the design of any meaningful study.

In response to allegations regarding expenditure of funds granted to Arkansas, the OIG recommended that ETA strengthen its guidance to States on proper use of WIA funds (see *Insufficient Federal Guidance Could Result in Misuse of Incumbent Worker Training Program Funds* – Study 1 in Appendix 2). At issue was Arkansas' award of WIA incumbent worker funds to attract business. ETA subsequently determined that all of the questioned costs were indeed allowable under WIA law and regulations. However, ETA agreed that additional policy guidance is needed to address incumbent worker training generally and specific economic development and employer assistance activities prohibited by WIA. In March 2006, ETA issued Training and Employment Guidance Letter No. 18-05, which clarifies appropriate use of WIA funds granted for incumbent worker training.

In December 2005, the Government Accountability Office (GAO) examined those data quality issues that have affected States' efforts to collect and report WIA performance data in *Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed* (Study 2 in Appendix 2). GAO found that DOL does not effectively hold States accountable for complying with its validation requirements; guidance on implementing common performance measures issued July 1, 2005 does not address all the issues; and the Department lacks a standard monitoring guide to address data quality. DOL has already conducted its own review of WIA participant files, has been working with States on data validation requirements, and has developed a standard monitoring tool for WIA performance data. DOL also plans to modify the current data validation software to allow Federal staff the opportunity to pull a sample of the validation records at the State level for review, and is in the process of designing the development and layout of the monitoring guide.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Very Good. Strengths of the data included its relevance, reliability, and routine verification. While verification remains an area for improvement, extensive effort has been directed toward improving data quality through the use of ETA's data validation system and monitoring at both the national and regional levels. Per the PART improvement plan, the Youth program has now implemented two of the common performance measures. Data are reported quarterly, and there are no gaps. As mentioned in the preceding paragraph, further improvements are expected to result from planned enhancements to the current validation software and the monitoring guide. DOL is working to ensure data quality in response to the GAO study detailed above.

Increase Placements and Educational Attainments of Youth

Performance Goal 05-1.1B (JC) – PY 2005

Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of Job Corps graduates (within 1 year of program exit) and former enrollees (within 90 days of program exit) who enter employment or enroll in post-secondary education or advanced/occupational skills training	84%	85%	**80%**	**N**
Percent of students earning a high school diploma, General Equivalency Diploma (GED) or certificate while enrolled in a Job Corps program	64%	64%	**60%**	**N**
Percent of students who will achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (approximately equivalent to two grade levels)	47%	45%	**58%**	**Y**
Cost (millions)	$1309	–	**$1402**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic

Job Corps is an intensive educational and vocational training program (primarily residential) for economically disadvantaged youth ages 16 through 24 who often face multiple barriers to gainful employment. This program provides career counseling, technical skills and academic training, social education, and other support services, such as housing, transportation and family support resources to more than 60,000 individuals at 122 centers nationwide. Job Corps centers, ranging in size from 200 to 2000 students, are located in both urban and rural communities, and are operated by large and small companies under performance-based contracts. Job Corps centers provide individually tailored services to help students achieve the skills and credentials required to be successful, productive citizens and to obtain work opportunities that lead to long-term employment.

As with other employment and training programs, Job Corps' performance can be influenced by external factors such as local labor market conditions and national economic trends. In recent years, an increasingly knowledge-based labor market has challenged Job Corps to redirect both academic and technical career training approaches. In Program Year (PY) 2005, Job Corps was presented with, and responded to, significant challenges as a result of Hurricane Katrina. Physical damage to Job Corps centers necessitated relocating students, moving staff and closing both the New Orleans and Gulfport centers until repairs to the infrastructure and full operations can be restored.

Performance of the Job Corps program is assessed using the Federal job training common measures for youth and lifelong learning programs. These three measures – placement in employment or education, attainment of a degree or certificate, and literacy or numeracy gains – are indicators of student achievement in enhancing their long-term employability.

Between PY 2004 and PY 2005, Job Corps' cost rose by seven percent. The increase was due to escalating utility and health care rates and full funding of new centers.

Analysis and Future Plans

In PY 2005, the second year of measuring learning gains, Job Corps continued to exceed its target, increasing literacy or numeracy scores by one Adult Basic Education (ABE) level for 58 percent of all students who were deficient in basic skills at entry. However, certificate attainment – students achieving a high school diploma (HSD), GED or vocational certificate while enrolled in Job Corps – fell below the target of 64 percent. More aggressive data integrity reviews revealed that in past years misreporting of certificate attainments may have occurred; the resulting stringent documentation requirements may have therefore contributed to the drop in HSD, GED and vocational certificate attainments reported.

The pool of students included in employment/education outcome reporting (the first indicator in the table above) has grown over the past few years due to the addition of former enrollees who did not complete their programs, but were enrolled in Job Corps for more than 60 days. This lowered overall success rates because outcomes for most of these people are unknown. PY 2004 was the first year that former enrollees were included, producing a modest impact on the results. In PY 2005, however, the full effect was apparent, as placement results dropped five percentage points.

To improve performance in PY 2006, Job Corps will continue to utilize performance-based service contracting for center operators and Career Transition Services (CTS) providers to link revenues to performance on specific measures of student success. Regional offices conduct assessments and annual contract reviews of outreach and admissions contractors, center operators and CTS providers that include compliance measures for operations and performance measures related to student outcomes. In addition to improving measured student outcomes, Job Corps continues to focus on customer needs by maintaining safe and healthy environments at all Job Corps centers by cooperatively working with other DOL agencies to conduct safety and health inspections annually.

Busy filling prescriptions, Darshay can't help but feel successful. A few years ago, when Darshay was still undecided about her future, she enrolled in the Jacksonville Job Corps Center, where she received training to become a pharmacy technician and even completed two internships in retail pharmacy sales. After graduating from Job Corps, she spent six weeks at Walgreens and six weeks at a local military base. She was then hired temporarily at the base and was quickly transferred into a permanent position at another local base, where she works at a pharmacy that fills between 1,500 and 2,000 prescriptions daily. Although she has a good job, Darshay is continuing her education at a local community college so she can eventually go to pharmacy school.
Photo Credit: Ken McCray

PART, Program Evaluations and Audits

In the 2004 Program Assessment Rating Tool (PART) process, the Job Corps program was reviewed and rated Moderately Effective. In response to findings, DOL created a strategic plan to improve services for Hispanic/Latino students and those who are English Language Learners, completed an Asset Management Plan and Capital Asset Plan for the FY 2007 Budget, improved decision-making processes for capital investments in real property, assembled a cost effectiveness workgroup to improve program efficiency, and obtained access to Unemployment Insurance wage record information to more completely report on student employment outcomes.

In PY 2005, the Office of Inspector General (OIG) identified several areas of concern related to Job Corps' data validation procedures and improper payments to the center operator. See *San Diego Job Corps Center: Student Attendance and Training Data Overstated* (Study 4 in Appendix 2). In response to the OIG findings, Job Corps updated its oversight policy to require regional offices to validate centers' data using a targeted sampling of records during onsite center assessments and to take steps to recover overpayments if irregularities are identified.

Another recent OIG study, *Strengthening Efforts to Assess and Account for Students with Cognitive Disabilities Would Help Job Corps Achieve its Mission*, suggested that Job Corps provide additional services to permit early identification of students with unknown or undisclosed disabilities (Study 3 in Appendix 2). In response, Job Corps developed policies for assessing students with cognitive disabilities and has established a formal audit system for tracking the accuracy of centers' disabilities data.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Very Good. Strengths of the data include timeliness, validity, and accuracy. The Job Corps program has developed policies and procedures for its Management Information System (MIS) to address data integrity issues identified in recent OIG audits (see previous section). Steps being taken include revisions to the Program Assessment Guide, utilization of targeted sampling for audit reviews, and procedures for identification and collection of liquidated damages as necessary. To ensure system-wide data integrity, Job Corps is in the process of updating the guide and has implemented requirements for regional offices to include mandatory reviews of individual student files selected through a stringent targeted-sampling methodology. These changes will shortly be released to the field. While verification remains an area for improvement, Job Corps has implemented quality controls – on-site reviews of targeted samples by teams composed of National and Regional Office staff and experienced data analysts.

Job Corps Real Property is listed as a Departmental Major Management Challenge (MMC) by virtue of the fact that this program controls roughly 95 percent of the DOL real property portfolio that is not leased through the General Services Administration (see item IX in the MMC table in the Executive Summary – *Ensuring the Effectiveness of the Job Corps Program*). Executive Order 13327, *Federal Real Property Asset Management*, was issued by President Bush in February 2004 "to promote the efficient and economical use of America's real property assets." In PY 2005, Job Corps instituted new controls in CATARS (Capital Asset Tracking and Reporting System), the Departmental tracking system. As a result, annual inventories of Job Corps Real Property are now conducted in accordance with Departmental guidance and the information in CATARS is verified.

Help Veterans Get and Keep Jobs

Performance Goal 05-1.1C (VETS) – PY 2005

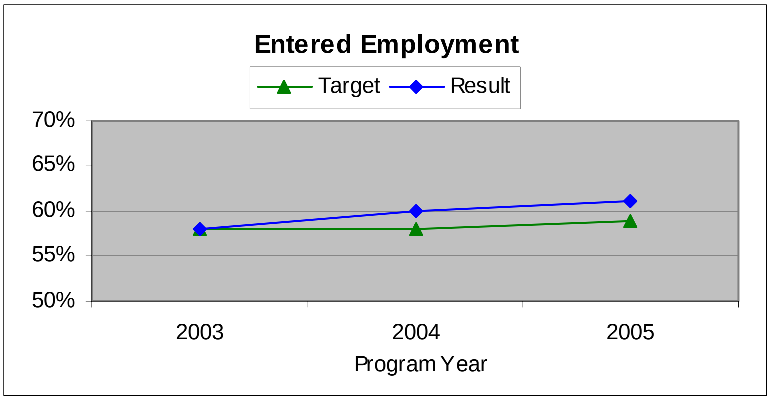
Improve employment outcomes for veterans who receive One-Stop Career Center services and veterans' program services.

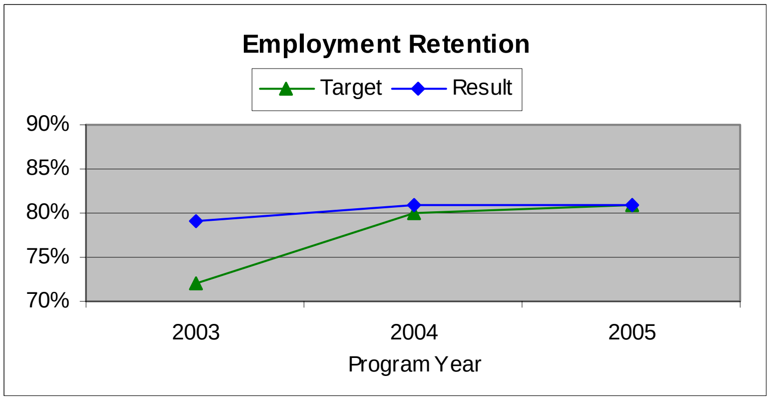
Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of veteran job seekers employed in the first or second quarter following registration	60%	59%	**62%**	**Y**
Percent of veteran job seekers still employed two quarters after initial entry into employment with a new employer	81%	81%	**81%**	**Y**
Percent of disabled veteran job seekers employed in the first or second quarter following registration	56%	55%	**57%**	**Y**
Percent of disabled veteran job seekers still employed two quarters after initial entry into employment with a new employer	79%	79%	**80%**	**Y**
Entered employment rate for homeless veterans participating in the Homeless Veterans' Reintegration Program (HVRP)	65%	61%	**68%**	**Y**
Employment retention rate after 6 months for homeless veteran HVRP participants	58%	58%	**67%****	**Y**
Cost (millions)	$196	–	**$198**	
*Indicator reached (Y), or substantially reached (S) or not reached(N) **Estimated based on results through the second quarter				**Goal Achieved**

Program Perspective and Logic
Jobs for Veterans State grants support the delivery of employment services needed by veterans and transitioning service members to promote their success in the civilian workforce. These grants support Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representative (LVER) staff members stationed at the nationwide network of One-Stop Career Centers. Both DVOP specialists and LVER staff members serve as experts on workforce resources available for veterans. LVER staff members emphasize the provision of services for recently separated veterans and handle outreach to employers. DVOP specialists focus their efforts on intensive services for disabled veterans and for other veterans with significant barriers to employment. The Homeless Veterans' Reintegration Program (HVRP) is a competitive grant program emphasizing stable employment as the critical factor in mitigating homelessness among veterans. Program participants are served by community-based grantees that provide pre-employment services, establish linkages with service providers funded by other federal agencies, and rely on DVOP specialists to assist in placing participants, once they are job-ready.

One-Stop Career Centers serve younger, recently separated veterans who have limited civilian work experience and older veterans with civilian experience who have become unemployed. HVRP serves homeless veterans who have minimal attachment to the workforce. VETS applies the federal job training common measure definitions of entry to employment and retention in employment as the critical indicators of successful outcomes for all veterans and all disabled veterans who receive One-Stop services. For HVRP, VETS also uses entry to employment and retention in employment as the key outcome indicators and plans to apply the common measure definitions of these indicators starting in 2007. In setting performance targets, VETS seeks to improve service to veterans at a rate that is ambitious yet attainable.

Cost for this performance goal rose by one percent between PY 2004 and PY 2005. This is considered a minor variance.





Analysis and Future Plans

The goal was achieved; all six targets were reached. The veterans' employment rate improved by two percentage points over PY 2004 results, while the retention rate was unchanged. The employment rate and the retention rate for the disabled veterans cohort both improved by one percentage point. The employment rate for homeless veterans served by HVRP improved by three percentage points and surpassed the target. Based on preliminary results, the HVRP retention target was reached. Final data are received too late for inclusion in this report but are not expected to change this result. During 2006, VETS will continue efforts to emphasize retention for HVRP.

Broad national economic indicators for unemployment and productivity remained generally positive over the past twelve months and helped to maintain positive performance by the veterans' programs. These positive results also are attributable, in part, to continued efforts by VETS to facilitate coordination among VETS State offices, State Workforce Agencies and community-based grantees, such as those responsible for implementing HVRP. In addition to the positive impact of this coordination on veterans' outcomes, it also played a role in reversing the downward trend in service levels that was noted in last year's report. Specifically, a comparison with the previous year indicates that the overall level of veteran participation in One-Stop services (including self-services) increased approximately 5 percent, while the level of veteran participation in staff-assisted services increased approximately 10 percent.

Early in 2004, HVRP staff met and interviewed John when he was a resident at the Florida Volunteers of America (FVA) facility. John was not initially chosen to participate. Within two months, John vanished. In March 2005, FVA staff attended the Brevard County Homeless Veterans Stand Down event, where HVRP staff assisted with veterans' employment issues. Sitting at a nearby table was John. His arm was badly bruised and needed medical attention. He had been sleeping in the woods since leaving their facility a year earlier. HVRP contacted the Brevard County Homeless Veterans Coordinator, who then arranged for medical help and lodging. A few weeks later, John returned to the FVA facility. By May, John had made remarkable improvements, and he was enrolled in the HVRP program. John found a job as a drywall installer but was lacking the necessary tools and equipment. HVRP staff procured the tools and equipment just in time to allow John to begin his new job – which paid $13 per hour. HVRP has since confirmed that John is still employed. John said he knows what it is like to really bottom out, and that he won't be going there again.

Photo Credit: DOL/VETS

PART, Program Evaluations and Audits

The PART review of the Jobs for Veterans State Grants Program, published in February 2006, rated the program Moderately Effective and noted that it serves a large number of veterans, while focusing on those veterans requiring more intensive services by leveraging other resources within the workforce investment system. The improvement plan included setting more ambitious indicator targets and conducting an independent evaluation to assess the effects of recent program changes on employment outcomes. VETS has taken significant action on both items by including ambitious long-term targets in the DOL Strategic Plan and participating in the launch of the evaluation project in August 2006.

In December 2005, GAO published a study on the implementation of the Jobs for Veterans Act, *Labor Actions Needed to Improve Accountability and Help States Implement Reforms to Veterans' Employment Services* (see Study 5 in Appendix 2). GAO's recommendations included four areas for improved coordination between VETS and ETA: a) improved integration of veterans' representatives at One-Stop Career Centers; b) improved provision of priority of service for veterans; c) coordination of monitoring activities; and d) application of monitoring results to improve program performance. GAO also recommended that VETS disseminate information on best practices and improve monitoring of federal contractors' compliance with obligations related to veterans' employment. These actions are expected to be completed during FY 2007.

Employment Rates for Disabled Veterans, an evaluation of services and assistance provided referrals to DVOP specialists from the Office of Vocational Rehabilitation and Employment (VR&E) at the Department of Veterans Affairs (see Study 6 in Appendix 2), identifies areas for follow-up by VETS/VR&E workgroups. VETS and VR&E have a Memorandum of Agreement (MOA) which in part establishes three work groups; performance measures; training; and data collection and sharing. There are issues in the report that the work groups will address that will ultimately lead to better employment outcomes for this group of disabled veterans. Recommendations were made by DVOPs and VR&E staff that includes involving DVOP specialists in the development of employment and training plans for VR&E participants; consider having DVOPs become certified as Career Development Facilitators; and develop mutually agreeable outcome measures. The report was issued at the conclusion of FY 2006 and the work groups have not had an opportunity to review the report and outline a course of action.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Good. Strengths of the data include its relevance, timeliness, and completeness. The four indicators addressing the outcomes of veterans and disabled veterans served by One-Stop Career Centers rely upon the reporting system that produces similar outcome data for DOL Performance Goal 05-4.1B. Therefore, in general, the data quality assessment for that goal also applies to these indicators. The two indicators addressing outcomes for homeless veterans served by HVRP rely upon the Veterans' Employment and Training Operations and Program Activity Report (VOPAR). VOPAR areas for improvement are reliability and verifiability. During 2007, VETS intends to develop a second generation VOPAR to accommodate common measures and to add internal consistency checks. VETS also intends to emphasize greater consistency in grantee reporting and more uniform verification of reports by VETS field staff members responsible for grantee oversight. Routine quality control measures include trouble-shooting by expert VETS field staff members who oversee HVRP and workshops on reporting at the annual conference attended by all grantees' representatives and all VETS field staff members who oversee HVRP. VETS has no major management challenges.

Satisfy High-Growth Industry Labor Needs via Apprenticeships

Performance Goal 06-1.1A (ETA) – FY 2006

Improve the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of those employed nine months after registration as an apprentice	78%	78%	**82%**	**Y**
Average wage gain for tracked entrants[17] employed in the first quarter after registration and still employed nine months later	$1.26	$1.26	**$1.32**	**Y**
Cost (millions)	$23	–	**$25**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
The National Apprenticeship Act of 1937 established the foundation for developing and expanding the nation's skilled workforce through apprenticeship programs and establishing standards for safeguarding the welfare of apprentices. The National Registered Apprenticeship System – a partnership of the Department of Labor, State agencies, businesses, program sponsors, industry leaders, employers, employer associations, and educational institutions – was established with the objective of providing opportunities for jobseekers to find jobs with career paths, earn competitive wages, and obtain nationally-recognized industry credentials. The system is responsible for promoting and registering programs and apprentices, certifying standards, safeguarding the welfare of the apprentices, and providing a nationally recognized system for skilled and technical occupational training programs throughout the U.S.

DOL staff promotes the apprenticeship training system to potential sponsors and participants and registers and monitors the partners' apprenticeship programs. Industry leaders, employers, or employer associations develop apprenticeship programs based on the skills and knowledge required for workers in particular occupations. The Department or a Federally-approved State Apprenticeship Council registers programs to certify that they meet standards for quality, fairness, and opportunity, and adequately incorporate the two critical components of a registered apprenticeship program – on-the-job learning with appropriate supervision and related technical instruction. Educational institutions, such as community colleges, may collaborate with sponsors to provide the occupation-related instruction.

The apprenticeship model has demonstrated success in developing skilled workers for numerous industries and continues to provide employers with resources to develop new occupations and train a skilled workforce to remain globally competitive. Registered Apprenticeship functions as a self-sustaining system with employers financing most training expenses such as wages, classroom training, supervision, and mentoring for the duration of the program, which can be several years.

FY 2005 was the baseline year for collecting data on the Federal job training program common performance measures of employment retention and wage gain, which reflect individual apprentice outcomes and allow for broad comparison with other ETA training and employment programs. With limited data available to assess trends in program performance, FY 2006 targets were set at levels deemed realistic and attainable. As additional data become available and as partners acclimate to these new performance indicators, the Department will analyze trends and set higher targets, as appropriate. As a system based on voluntary employer participation, apprenticeship program performance is directly impacted by external factors such as wage rates determined by local employer sponsors and by demand for skilled and technical labor in local markets.

[17] Twenty-three States have Federally registered apprenticeship programs and enter data on individuals into the Registered Apprenticeship Information System (RAIS). A group of "tracked entrants" is defined as the cohort of apprentices registered and entered into RAIS during a given reporting period.

Costs associated with this performance goal increased by one percent between FY 2005 and FY 2006, which is considered a minor variance.

Analysis and Future Plans
Results exceeded targets for both indicators; therefore the Department achieved its performance goal. Retention was 82 percent, or 4 percentage points above the target of 78 percent. The hourly wage gain of $1.32 (from $12.16 to $13.48) is almost 5 percent greater than the FY 2005 wage gain of $1.26 (from $11.92 to $13.18). In addition, the average cost per registered apprentice was $97, or $12 less than the previous year's result of $109. While the program's operating budget increased by just one percent from FY 2005 to FY 2006, the number of registered apprentices increased by more than 20 percent – from 196,000 to over 237,000[18]. This considerably reduced the program's cost per participant. Apprenticeship's results continue to demonstrate that the Apprenticeship program is efficient as a Federal training and employment program. By leveraging large investments from employers and program sponsors, Apprenticeship is a low cost, market-driven approach to training America's workers.

To improve performance in future years, the Department and our stakeholders are re-engineering Registered Apprenticeship Information System (RAIS), the DOL's database for registered apprenticeship programs. The RAIS re-engineering will enable DOL to better analyze program information and strategically target expansion in industries and occupations that demonstrate higher wages and apprentice retention rates. Additionally, DOL is preparing to conduct a survey of employer sponsors regarding their views on apprenticeship, knowledge of the apprenticeship system, data collection activities, and integration with the workforce development system. The survey information will help re-orient Federal policy on apprenticeship, and will help State Apprenticeship Councils promote apprenticeship in new industries and with more employer sponsors. Finally, the Department is promoting the recruitment, training, employment and retention of women in apprenticeship and nontraditional occupations through Women in Apprenticeship and Nontraditional Occupations (WANTO) grants in partnership with the Women's Bureau. Grantees, which will be a consortium of apprenticeship sponsors, community-based organizations, and faith-based organizations, will successfully recruit, train, employ and retain women in apprenticeships and nontraditional occupations.

For staff working in Maine's veterinary hospitals and animal clinics, becoming certified as a Veterinary Technician has not really been a viable option, but the Maine Apprenticeship program has found a solution. Apprentices now can access an approved web-based Veterinary Technician program through a Texas community college that provides post-secondary education and on-the-job training. For Victoria at Bridgton Veterinary Hospital and Shelly (pictured in photo) at Falmouth Veterinary Hospital, this combination of on-the-job training and long distance learning has provided them the opportunity to advance their careers while continuing to work. Apprenticeship, as this program clearly demonstrates, can offer a flexible and creative alternative to post-secondary education that allows workers to become trained and well-rounded in their career choices.
Photo Credit: Gene Ellis

PART, Program Evaluations and Audits
In 2005, the program was reviewed using the Program Assessment Rating Tool (PART) and rated Results Not Demonstrated – reflecting lack of data on the common measures at that time. The improvement plan included completing implementation of the common measures for retention and earnings; evaluating and reporting participants' employment and earnings after they leave the program to compare apprenticeship program outcomes with those of other training models; and tracking the representation of women in apprenticeship programs through an Equal Employment Opportunity review process. The program has implemented the new measures and the aforementioned re-engineering of RAIS includes capture of post-training outcomes. In collaboration with the Women's Bureau, ETA will award grants (using WANTO grants funds) to assist

[18] As of September 15 – two weeks prior to the end of the fiscal year.

employers and labor unions in the placement and retention of women in apprenticeship and nontraditional occupations.

Data Quality and Major Management Challenges

Data for this performance indicator was rated Fair. Strengths of the data include its validity and accuracy, but room for improvement remains in several areas. The primary data source is RAIS, an automated system that operates independently from State workforce information systems. For the 27 states in which State Apprenticeship Councils (SAC) register apprentices, participation in RAIS is voluntary; complete nationwide data are not available and the collection of retention and earnings data continues to be challenging. Recent implementation of common measures will affect the ability to compare performance trends in the short term. As indicated in the footnote on the first page of this goal narrative, wage gain data are limited to Federal efforts. RAIS will be redesigned to include trend analysis capability and offer features to encourage SACs to utilize the new data collection system, as well as greater quality controls to ensure data collected from the States are accurate.

Efforts continue to determine how Unemployment Insurance wage record information may be accessed to verify employment outcomes of registered apprentices. It is anticipated that the redesigned RAIS will considerably reduce the estimated staff hours needed to report the earnings indicator. Both GAO's 2005 study (*Registered Apprenticeship Programs: Labor Can Make Better Use Data to Target Oversight*) and the PART review discussed the potential of technology to improve services. These enhancements to RAIS will address a Major Management Challenge (MMC) – *Improve Apprenticeship Data,* item I in the MMC section of the Executive Summary – by making better use of performance data for program oversight and developing a cost-effective strategy for collecting data from SACs. For example, two additional states have agreed to participate in RAIS. Additionally, the Department continues to expand the Apprentice Electronic Registration (AER) project in RAIS to reduce application processing time, improve data quality, increase cost-effectiveness, and improve the program's ability to track data. AER's utilization rate increased to from nine percent of participating States in FY 2005 to 46 percent in FY 2006.

The Department continues efforts that began in FY 2005 to review apprenticeship activities in SAC states. Monitoring reviews for SACs and the District of Columbia were completed in FY 2006 and final reports identifying areas for technical assistance will be issued in FY 2007.

Increase Employment Opportunities for Youth and Adults with Disabilities

Performance Goal 06-1.1B (ODEP) – FY 2006

Advance knowledge and inform disability employment policy that affects systems change throughout the workforce development system.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Number of policy related documents disseminated	NA	Baseline	**20**	**Y**
Number of formal agreements initiated	NA	Baseline	**20**	**Y**
Number of effective practices identified	19	21	**26**	**Y**
Cost (millions)	$52	–	**$50**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
The Office of Disability Employment Policy (ODEP) works to reduce and remove the significant barriers to employment faced by individuals with disabilities. ODEP also ensures coordination among DOL and other Federal agencies on matters related to or affecting employment of people with disabilities.

Increasing workforce participation of people with disabilities requires the removal of barriers found on both the supply (those seeking employment) and demand (employers) sides of the labor market. Key components of ODEP's investments include developing national policy related to and affecting employment of people with disabilities; fostering implementation of effective policies and practices within State and local workforce development systems and with employers; conducting research that validates effective strategies for providing disability-employment related services and supports; and providing technical assistance for effective implementation of systems-change strategies to both the demand and supply side of the labor market. In addition, ODEP seeks to ensure that employers' perspectives on the recruitment, retention, and promotion of people with disabilities are fully integrated into disability employment policy analysis and development. ODEP works with key stakeholders in the Department, other Federal, state, and local governments, non-governmental organizations, and employers, developing policy and effective practices to increase employment opportunities for people with disabilities that will expand access to workforce systems, address the needs of employers, and ensure the availability of employment-related supports. ODEP also supports the implementation of the employment-related goals of President Bush's *New Freedom Initiative*.

ODEP's response to the traditionally low employment rates among people with disabilities is comprehensive and aggressive, and includes securing the active involvement and cooperation among a number of Federal, State, and local agencies as well as private sector organizations. ODEP strategically invests in initiatives to identify and develop policy options that will improve employment rates of people with disabilities and to validate effective practices for dissemination throughout the workforce development and other service delivery systems and to employers. ODEP's investment provides the policy and practices for those systems so that they will achieve better employment outcomes for the individuals with disabilities they serve. These investments also provide employers with the information they need to benefit from their increased recruitment, retention and promotion of people with disabilities. The results of these initiatives and their activities – in the form of policy related documents, formal agreements, and effective practice identification – are reflected in the indicators and targets used to measure ODEP's performance.

Major external factors that influence performance outcomes include several workforce trends. These trends include projected workforce shortages, turn-over, retirement, and the trend of working beyond the traditional retirement age. Many of these workers may experience disabling conditions, increasing pressure on the employer to keep workers on the job and to have employees who are temporarily disabled return to work quickly. Additionally, small businesses –

which employ half of all private sector employees and are expected to generate a majority of new jobs – face unique challenges in hiring and retaining disabled workers.

ODEP develops policies and practices that enable employers to include people with disabilities as they develop strategies for employee recruitment, development and transition with the goal of retaining long-term, high-quality, high-contributing employees. Additionally, ODEP develops policies and practices that enhance coordination of the support needed to keep workers on the job and return employees to work quickly following an injury or illness. This support includes access to healthcare, housing, and reliable transportation.

Analysis and Future Plans

ODEP achieved its goal. As planned, during FY 2006, a year in which ODEP underwent a management paradigm shift, it continued collecting data from activities and initiatives. ODEP has been tracking one indicator – number of effective practices identified – since FY 2004. ODEP also began developing definitions and valid tracking mechanisms for two new indicators. At the close of FY 2006, ODEP set baselines for these two indicators. The policy-related documents baseline is 20 and the formal agreements baseline is 20, also. These three indicators, which measure achievement of ODEP's performance goal, more clearly and accurately reflect the agency's focus on policy development than did previous indicators. ODEP exceeded its target of identifying 21 effective practices, having identified 26.

In FY 2007, ODEP will complete its management paradigm shift, emphasizing different strategies than in the past. ODEP will move away from its earlier, heavy reliance on grant making to public and private organizations to a greater emphasis on using its own internal staff to conduct policy analysis and development initiatives. Activities will continue to focus on ODEP's core mission to develop and influence the implementation of policies and practices that will affect systems change, increasing employment opportunities for, and the recruitment, retention, and promotion of adults and youth with disabilities. Accordingly, the proposed FY 2007 Performance Goal will remain as presented in FY 2006.

ODEP has reduced cost from $52 million in FY 2005 to $50 million in FY 2006. Cost for both years also reflects funds awarded in prior fiscal years; the reduction is attributed to a decrease in the budget request and appropriation. The impact of reduced funding was a significant reduction in pilot project and technical assistance grants. ODEP was able to use information from those grants in the development of policy. DOL expects ODEP's budget to either remain at its current level or to be further reduced. While in the future ODEP will more heavily rely on its staff of disability and policy subject matter and technical experts as well as other strategies to achieve its goal, it will also continue to draw from information gained from previous pilot project grants.

A career specialist from the MontgomeryWorks One Stop Career Center contacted Dr. Robert Morgenstein, a dentist in the Rockville, MD area, at the suggestion of a patient, to find out more about his practice. He and his staff welcomed a discussion of their office tasks and alternative work flow designs. Needs included ushering patients from the waiting area to the appropriate room, pulling and re-filing patient's charts, running errands to the post office, making bank deposits, and additional light clerical tasks. Ramon DePaula, who was seeking clerical work with some personal interaction, had some, but not all of the capabilities identified by Dr. Morgenstein and his staff. The career specialist was able to negotiate an opportunity for Ramon to demonstrate his fitness for the practice in conjunction with implementation of a streamlined office operation. After a volunteer work trial, Ramon was hired as a clerical assistant. His position was created to fill specific needs in the busy dental office and matched to his interests and skills. According to Dr. Morgenstein, "Ramon's new position allows the front office staff to spend more quality time updating patient charts."

Photo Credit: DOL/ODEP

PART, Program Evaluations and Audits

ODEP is being reviewed in this year's PART process; results will be available with release of the FY 2008 President's Budget. ODEP's independent evaluation is examining the nature and extent to which ODEP's efforts in pilot projects have increased the capacity of the workforce development system and other systems to serve people with disabilities. As implementation has progressed, the evaluation is also examining capacity building (e.g., new policies and coordinating vocational rehabilitation, mental health, transportation, and housing funds; appropriately trained staff; formal cooperative agreements with local agencies; and intermediate outcomes (i.e., more people with disabilities being served leads to more people with disabilities getting jobs or moving out of government services such as Social Security). Findings continue to demonstrate that because of ODEP's efforts: (1) The capacity of the workforce development system has expanded and the system is strengthened to better serve people with disabilities; (2) People with disabilities are moving from low-skill, minimum wage work to higher-paid jobs in technical or other new career fields; (3) Attitudes at One-Stop Centers regarding the provision of services to people with disabilities are changing; and (4) Governmental agencies are now working together to share information and leverage resources to better serve people with disabilities.

Data Quality and Major Management Challenges

Data for this goal was rated Good. Strengths of the data include timeliness, verifiability, and completeness. ODEP relies on contracted external evaluators to validate the data collection systems that support their performance measures. As ODEP continues to implement its strategic and performance plan, data quality can be improved to ensure uniform guidelines for collecting and reporting data as well as increasing their validity in measuring program performance. ODEP continues to refine data systems in an effort to raise the bar on the quality and nature of performance information reported.

Timely, Accurate, and Relevant Economic Information

Performance Goal 06-1.2A (BLS) – FY 2006

Improve information available to decision-makers on labor market conditions, and price and productivity changes.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	82%	85%	**79%**	**N**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	87%	85%	**94%**	**Y**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	95%	85%	**77%**	**N**
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	100%	85%	**100%**	**Y**
Cost per transaction of the Internet Data Collection Facility	$2.44	$2.58	**$1.82**	**Y**
Customer satisfaction with BLS products and services (e.g. the American Customer Satisfaction Index).	74%	75%	**79%**	**Y**
Cost (millions)	$536	–	**$573**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic
BLS is the principal fact-finding agency in the Federal government in the broad field of labor economics. As an independent national statistical agency within the Department of Labor that collects, processes, analyzes, and disseminates essential statistical data to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor, BLS provides information that supports the formulation of economic and social policy, decisions in the business and labor communities, legislative and other programs affecting labor, and research on labor market issues. These important policies and decisions affect virtually all Americans.

BLS reports performance for this goal by producing timely and accurate data, as well as by enhancing its outputs. For example, in order to better meet customer needs for timely and accurate data, BLS improves data relevancy, coverage, and response rates, among other improvements that comprise the BLS indicators.

To continue improving its products and services, BLS analyzes and evaluates new economic and statistical methodologies, new technologies, and new survey design, collection, and dissemination approaches. Keeping abreast of improvements and using them to deliver data in a more timely and useful manner, while still maintaining cost effectiveness, are essential ingredients to meeting our goals and providing the quality of service our customers expect. For example, in FY 2006, BLS accelerated the release of Survey of Occupational Injuries and Illnesses data, which are used by employers, policymakers, and safety inspectors to identify and mitigate potential workplace hazards. BLS also released data that allows users to compare one metropolitan area's wages with over 75 other areas in the United States. In addition, BLS converted two more of its surveys to the North American Industry Classification System, which more accurately reflects new areas of economic growth and technological changes that have occurred in the economy over the past twenty years than the previous classification system.

The costs for this performance goal increased by seven percent between FY 2005 and FY 2006, primarily due to built-in cost increases, including personnel compensation and benefits and other services, and small differences in the timing of certain expenditures.

Analysis and Future Plans

BLS reached targets for four of its six performance indicators. BLS reached 79 percent of the underlying targets for its labor force statistics indicator, missing the target by six percentage points. Four surveys missed response rate targets. The hurricanes temporarily depressed response to the Current Employment Statistics program, and legal requirements made it more difficult for the National Longitudinal Survey to contact people in prison or the military. BLS also had difficulties with the response to its Job Openings and Labor Turnover Survey and American Time Use Survey. In the case of the Time Use Survey, a large proportion of nonrespondents stated that their decision not to participate was because of their previous Current Population Survey participation. BLS is continuing efforts to mitigate this problem. In addition, two surveys missed coverage targets. The Occupational Employment Statistics program released fewer estimates than anticipated to avoid the risk of disclosing confidential respondent information. The Local Area Unemployment Statistics program target was based on population estimates from the Census Bureau, which were lower than expected. Finally, the Quarterly Census of Employment and Wages did not publish new Business Employment Dynamics series on unit counts in 2006, as originally planned.

BLS reached 77 percent of the underlying targets for its compensation and working conditions indicator, not reaching its target for this indicator. BLS continues to struggle with response rates, which are dependent on businesses and individuals responding to strictly voluntary questions of an often highly personal or sensitive nature. The Employee Benefits Survey (EBS) and Employment Cost Index both had difficulty with nonresponse, each missing its target by one percentage point. EBS also missed its workload measure for number of benefits plans analyzed. The Locality Pay Survey missed a publication target because five area publications planned for late 2006 will not be published until early 2007. The Census of Fatal Occupational Injuries missed a measure when the size of revisions to the annual count of fatal work-related injuries was slightly higher than targeted. Finally, the Survey of Occupational Injuries and Illnesses missed two of its targets. A decrease in workplace injuries and illnesses that require days away from work led to fewer cases reported by employers. Improved reliability standards reduced the number of publishable national estimates on the characteristics of the worker and the circumstances of the injury or illness.

BLS reached 94 percent of the underlying targets for its prices and living conditions indicator. The International Price Program missed two of its response rate targets and one of its workload targets. BLS reached 100 percent of the underlying targets for its productivity and technology indicator. BLS exceeded its target for decreasing the cost per transaction of its Internet Data Collection Facility – a manageable and secure architecture that survey respondents use to report data. The cost per transaction was $1.82 in FY 2006 – down from $2.44 in FY 2005. The BLS Occupational Outlook Handbook (OOH) website is the Bureau's nationally recognized source of career information. Using the American Customer Satisfaction Index survey, the OOH website surpassed its target of 75 percent in the third quarter of 2006. The BLS score was 79 percent; the aggregated scores for the Federal government and the private sector for the same time period were both 74 percent. For more information, see Study 7, *Customer Satisfaction with the BLS OOH Website*, in Appendix 2.

In the aftermath of Hurricanes Katrina and Rita, DHS was tasked with developing a plan to rebuild the devastated Gulf Coast region. Becca O'Brien, Director of Policy & Research at the Office of the Federal Coordinator for Gulf Coast Rebuilding, asked BLS to provide data to aid in assessing the cost-effectiveness of protecting various areas around New Orleans. Using geocoded data from the Quarterly Census of Employment and Wages, in which businesses were assigned detailed geographic coordinates, BLS provided Becca with the special tabulations she requested within one day. That evening, at a meeting at the White House, these measures were used to make decisions that impact the future of the Louisiana Gulf Coast. Per Becca, "Our decisions would certainly not have been as well-informed without these data." BLS also worked closely with mapping experts in California and with the Louisiana Department of Labor to make these tabulations and clear their release.

Photo Credit: DOL/BLS

PART, Program Evaluations and Audits
Using the Program Assessment Rating Tool in FY 2003, BLS was rated Effective, the highest rating category. BLS resolved the three original PART findings in FY 2005. In January 2006, new follow-up recommendations replaced the ones that were completed. The new recommendations included conducting an independent evaluation of agency effectiveness, developing additional efficiency and cost-effectiveness measures, and establishing more ambitious targets. In response, BLS is examining options for an independent study and plans to begin the evaluation in FY 2007 after it has determined the best course of action. BLS also will continue to work collaboratively with the Department in establishing new efficiency measures and ensuring that its targets are ambitious.

BLS programs are evaluated both internally and externally to ensure that they provide taxpayer value. As required by OMB Statistical Policy Directive #3, the seven BLS statistical series that are designated as Principal Federal Economic Indicators are evaluated on a three-year schedule. In FY 2006, BLS completed performance evaluations for the U.S. Import and Export Price Indexes and the Consumer Price Index (see Study 8 in Appendix 2).

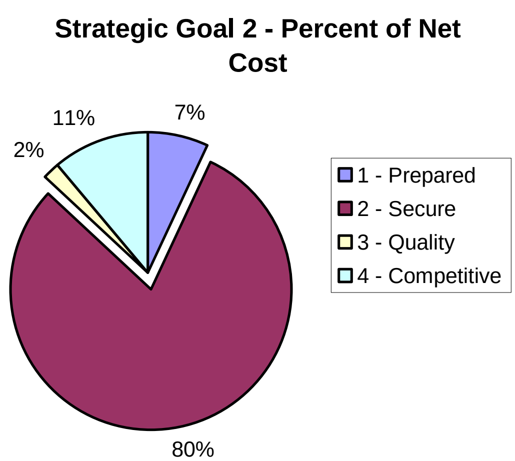
Data Quality and Major Management Challenges
BLS has instituted rigorous, systematic, and comprehensive controls to ensure that all data are of "excellent" quality. For example, the BLS executive team meets with program management on a quarterly basis to discuss progress toward meeting performance indicators. BLS also conducts its own program reviews and contracts for external reviews as necessary. These assessments ensure that survey data are accurate, reliable, and released in a timely fashion; systems and procedures are documented adequately; program performance meets or exceeds standards; and pre-release data are kept confidential.

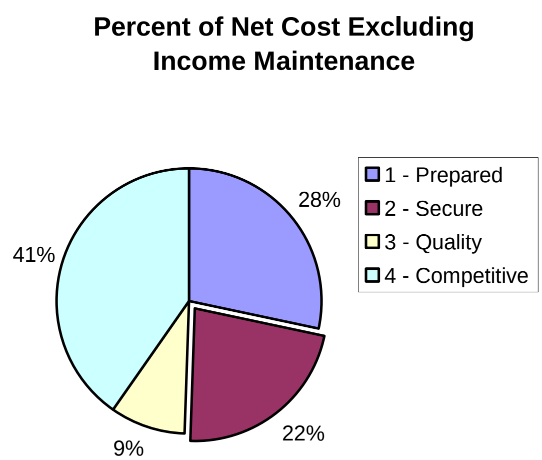
Strategic Goal 2: A Secure Workforce

Promote the Economic Security of Workers and Families

Enforcing legal standards for workers' wages and working conditions, providing unemployment compensation and other benefits when workers are unable to work, and protecting retirement and health benefit security are central to the DOL mission. Agencies supporting this strategic goal are the Employment and Training Administration (ETA), the Employment Standards Administration (ESA), the Employee Benefits Security Administration (EBSA), and the Pension Benefit Guaranty Corporation (PBGC).

The net cost dedicated to Strategic Goal 2 in FY 2006 was $35.920 billion. The first chart below is based on total Departmental costs of $45.328 billion; the second is based on an adjusted net cost of $12.101 billion that excludes the major non-discretionary program costs associated with this goal.[19] The adjusted net cost dedicated to Strategic Goal 2 for FY 2006 was $2.693 billion; the corresponding net cost in FY 2005 was $3.387 billion.





The programs and associated performance goals that support *A Secure Workforce* are organized into two outcome goals – *Increase Compliance With Worker Protection Laws* (2.1) and *Protect Worker Benefits* (2.2). Their results, costs, and future challenges are discussed below.

Outcome Goal 2.1 – Increase Compliance with Worker Protection Laws

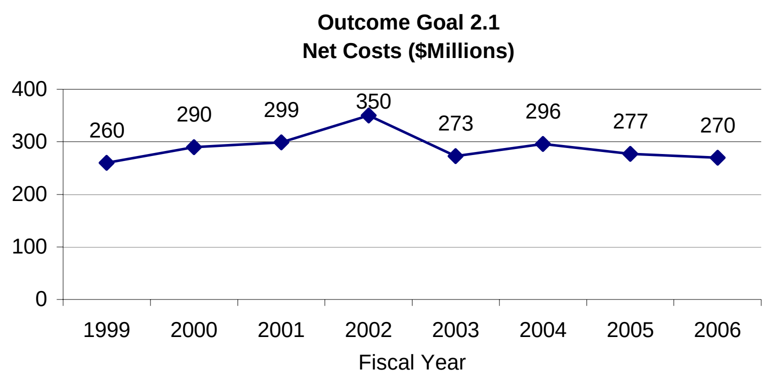
The Employment Standards Administration's (ESA) primary challenge is to ensure that protections for workers keep pace with the changes occurring in the American workforce, such as flexible and virtual workplaces, demographic shifts, immigration, increasingly complex labor organizations, the growth of small businesses, and the shift from manufacturing to services. Under the Fair Labor Standards Act (FLSA), the Migrant and Seasonal Agricultural Worker Protection Act, the Family and Medical Leave Act, the Davis-Bacon Act (DBA) and the Service Contract Act, ESA's Wage and Hour Division (WHD) administers standards for wages and working conditions such as the minimum wage and overtime; child labor protections; field sanitation standards in the agriculture industry; and prevailing wage requirements for government contracts. The key to ensuring worker protections is to focus on industries and employers with the most persistent and serious violations, to quickly resolve employee complaints, and to ensure accuracy in established wage rates. ESA's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). OLMS responsibilities under LMRDA include compliance assistance; civil and criminal investigations and enforcement; union compliance audits; and reports/public disclosure administration. OLMS strategies are aimed at improving timeliness and quality of union reports filed for public disclosure and strengthening LMRDA compliance through union audits and outreach efforts.

[19] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($31.322 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($1.905 billion).

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-2.1A (ESA) American workplaces legally employ and compensate workers.	Goal achieved. All five targets reached.	$214	$214
06-2.1B (ESA) Ensure union financial integrity, democracy and transparency.	Goal not achieved. Two targets reached and one not reached.	63	56
Total for Outcome Goal 2.1	**One performance goal achieved and one not achieved**	**$277**	**$270**

Results Summary
WHD found 76 percent of a representative sample of prior violators in compliance, representing an increase of four percentage points over the FY 2005 result. Baselines were established for compliant investigations and low-wage industry compliance. Wage determination processing efficiency and timeliness significantly exceeded targets. OLMS reached its target of reducing the percentage of unions with fraud (to 8 percent) and set a baseline for unions complying with standards for democratic union officer elections (92 percent), but saw union transparency slip by one percentage point from FY 2005 – to 93 percent – missing the target of 96 percent.

Net Cost of Programs
FY 2006 program costs of $270 million supported ESA's WHD and OLMS programs. As indicated by the chart, net costs for these programs have been stable for the last few years. The drop from FY 2002 to FY 2003 occurred because the Employee Benefits Security Administration’s performance goal was moved to Outcome Goal 2.2.



Future Challenges
The Department’s efforts to further improve compliance with wage and hour laws will include outreach and education to increase awareness of employment laws among employers, employees, and other stakeholders. Other strategies include using quantitative and qualitative performance indicators and targets to increase performance, conducting independent reviews of the program to identify opportunities for improvements, and improving data collection processes, especially those related to wage determinations in the administration of the Davis-Bacon and Service Contract Acts.

Enforcement of the LMRDA to ensure union democracy, financial integrity, and transparency will continue to be complemented by compliance assistance. Union audits will monitor and promote compliance with the Act; follow-up action will attempt to correct statutory violations. The Department will expand its Internet public disclosure service to improve public access to information reported by unions and others under the Act.

Outcome Goal 2.2 – Protect Worker Benefits

DOL increases the economic security of America's working families by protecting the benefits earned and promised to workers. Three DOL agencies and one government corporation chaired by the Secretary of Labor – the Employment and Training Administration (ETA), the Employment Standards Administration (ESA), the Employee Benefits Security Administration (EBSA), and the Pension Benefit Guaranty Corporation (PBGC) – administer payment of temporary benefits for the unemployed; protect Federal workers from the economic effects of work-related injuries and illness; protect employee benefits plans against fraud and abuse; and insure defined benefit pension plan payments.

ETA temporarily replaces the wages of the unemployed through the Unemployment Insurance (UI) program, which is a Federal-State partnership. ETA provides grants to States to administer their programs and assists the Treasury Department in administering the Unemployment Trust Fund. ETA ensures that States' programs are administered efficiently according to Federal standards and requirements. The trust fund provides States a buffer to enable them to continue to pay benefits during volatile cycles in tax revenues and benefit claims.

ESA protects Federal and certain other workers from the economic effects of work-related injuries and illnesses and death through the Office of Workers' Compensation Programs' (OWCP) four disability compensation programs. OWCP provides wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits to covered workers, their dependents and survivors.

EBSA protects private employee pension plans, health plans and other benefit plans against fraud and abuse by enforcing Title I of the Employee Retirement Income Security Act of 1974 (ERISA) through compliance assistance, vigorous enforcement, and education. Where there has been malfeasance, EBSA restores benefits and assets by bringing civil and criminal cases.

PBGC protects the pension benefits of participants in defined benefit plans that have been terminated, usually due to the sponsoring employer's bankruptcy, by serving as both insurer and administrator. As an insurer, PBGC collects insurance premiums from employers that sponsor insured pension plans. As an administrator, PBGC pays monthly retirement benefits to the participants in terminated plans.

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-2.2A (ETA) 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.	Goal not achieved. Three targets reached and one not reached.	$34,243	$33,340
06-2.2B (ESA) Minimize the impact of work-related injuries.	Goal achieved. All ten targets reached.	6131	2130
06-2.2C (EBSA) Secure pension, health and welfare benefits.	Goal achieved. All four targets reached.	160	179
06-2.2D (PBGC)[20] Improve pension insurance program.	Goal not achieved. One target reached and one not reached.	–	–
Total for Outcome Goal 2.2	**Two performance goals achieved and two not achieved**	**$40,534**	**$35,650**

Results Summary

The Unemployment Insurance system reached the overpayments detection target and the new employer status determinations timeliness target, and established a reemployment baseline of 62.4 percent. However, States' first payment timeliness declined, in large part due to effects of Hurricanes Katrina and Rita on Gulf State workloads. The program demonstrated improved efficiency by exceeding its claims processing target.

The goal of improving outcomes for injured workers covered by DOL's OWCP was achieved; all ten indicator targets were reached. Results are organized into three categories:

- Return to Work – Outcomes are expressed as reductions in average Lost Production Days (LPD). In FY 2006, LPD declined again. Quality Case Management, one of FECA's principal strategies to improve outcomes for injured workers, reduced compensation costs by approximately $50,000,000 annually since the first measurement of LPD 10 years ago.

[20] PBGC is not included in the Consolidated Statements of Net Cost, hence the costs of its programs are not reflected here.

- Managing Program Expenses – Measured in financial terms, DOL workers' compensation outcomes reflect the efficiency and quality of benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes. Review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those receiving compensation resulted in $15.8 million in savings. OWCP also kept the inflation rate of FECA medical costs below the national rate of health care inflation.
- Customer Service – FECA communications efforts increased the use of electronic services, reducing average caller wait times, and meeting call handling quality standards. Longshore and Harbor Workers' Program dispute resolution and Black Lung benefit eligibility decision processing efficiency targets were reached, as well. For the Energy Part B program, initial claims and final decisions were processed within standard time frames. Finally, the new Energy Part E Program exceeded its target of completing initial decisions on 75 percent of the total available backlog.

DOL achieved its goal to Enhance Pension and Health Benefit Security. In addition to meeting its criminal case, civil case, customer service and voluntary compliance targets, DOL obtained $1.4 billion in monetary results. Monetary results are a product of EBSA's investigative and participant assistance activities. DOL investigated a number of high profile, resource intensive cases with far reaching effects on the participant benefits community.

PBGC's American Customer Satisfaction Index for practitioner callers was 68, falling short of the targeted 69. For trusteed plan participants who call the toll-free Customer Contact center, the score was 75, down from FY 2005 and below the target of 80.

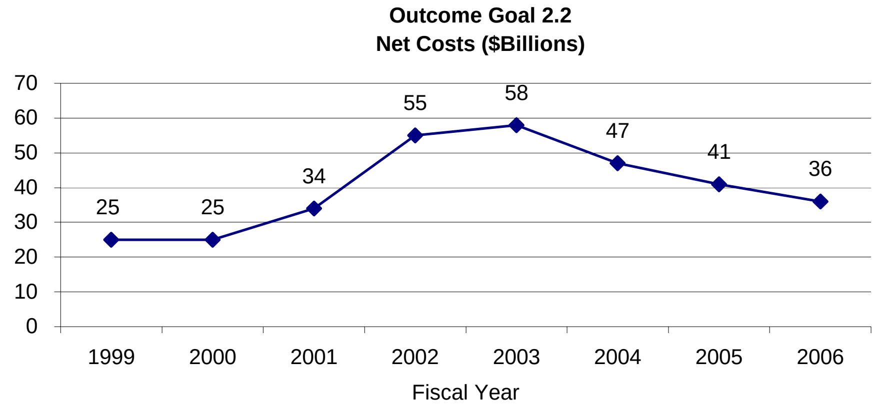
Hurricane Katrina threw thousands of people in south Louisiana into the jobless line. Five weeks after the hurricane, more than 224,200 victims of the hurricane were receiving Unemployment Insurance or Disaster Unemployment Assistance, a five-week total that surpassed all of the initial claims for 2004. The Baton Rouge Job Center on Wooddale Boulevard alone saw an average of 300 people a day for weeks compared with about 50 per day pre-Katrina. This unprecedented evacuation of Louisiana residents sent evacuees to virtually every other state, causing massive problems with UI payments, a problem only compounded when Hurricane Rita hit the southwest corner of the state resulting in about 30,000 new disaster relief claims. Several states, however, partnered with Louisiana to process the staggering number of claims and by early May, Louisiana had paid about $750 million in UI benefits to hurricane victims.
Photo Credit: Ed Pratt

Net Cost of Programs

FY 2006 program costs of $35.652 billion supported ETA's Unemployment Insurance (UI) programs, ESA programs to reduce the consequences of work-related injuries and EBSA efforts to ensure that individuals receive promised benefits. PBGC is not included in the Consolidated Statements of Net Cost, hence the cost of its programs is not reflected here. Costs are driven almost entirely by UI and ESA's OWCP; the $5 billion decrease from FY 2005 is explained by changes in these two programs' costs for reasons discussed below.

UI program costs, which account for $33.340 billion (94 percent) of FY 2006 cost for this outcome goal, were $900 million lower than the $34.243 billion cost reported for FY 2005. Benefit payments were slightly lower – $31.322 in FY 2006 compared to $31.761 billion in FY 2005 – accounting for half of the decrease. This is consistent with the small decrease in claims, as measured by the comprehensive average weekly insured unemployment (AWIU) − the average number of people filing claims for continuing UI benefits each week. AWIU decreased from 2.770 million in FY 2005 to an estimated 2.623 million in FY 2006. The balance of the difference resulted from an adjustment in cost allocation methodology among ETA grant programs.

Net costs for this outcome goal in FY 2005 included a one-time increase in actuarial liability of $3.5 billion due to assumption of workers' compensation costs associated with Part E of the Energy Employees Occupational Illness Compensation program, which Congress transferred to DOL from the Department of Energy. The remaining $500 million reduction in costs resulted from changes to actuarial assumptions related to Part E payouts.



Future Challenges

Strategies to pay UI claims accurately and promptly include providing oversight and assistance to States. DOL will continue to monitor State performance and ensure that States falling below minimum criteria establish corrective actions. Accuracy and integrity of UI payments will be improved by fostering States' use of and access to tools such as the National Directory of New Hires; by conducting and sharing analyses of approaches to identify and prevent or recover overpayments; and by sharing information on States' best practices. DOL provides States an incentive to prevent and detect overpayments through the use of a State-level detection of overpayments core measure with a performance criterion. In addition, the Department will support identity theft prevention activities and promote payment accuracy and swift reemployment of UI beneficiaries through reemployment and continued eligibility assessments.

The Department will take a number of steps to improve coordination of benefits and service for workers who suffer work-related injuries or illnesses, which include:

- Increase employer partnerships in administration of laws and service to injured workers.
- Improve accuracy of benefits payments and liability forecasts and reduce risk to benefit funds.
- Assist employers' compliance with Federal workers' compensation laws, including providing timely and accurate reports and compliance with insurance requirements.
- Maintain fair and balanced adjudication, and reduce time delays and administrative costs in disputed claims
- Improve case management quality for workers covered by the Federal Employees' Compensation Act.
- Better identification of potential Energy program claimants to guide them through the claims process.

Starting in FY 2007, EBSA's modified enforcement performance indicators will include the ratio of closed civil cases with corrected fiduciary violations to all closed civil cases. This ratio represents a more challenging measure than the previous one which included lower priority non-fiduciary cases. With respect to criminal case work, EBSA's new performance targets will report cases accepted for prosecution rather than the less ambitious cases referred for litigation. EBSA will also establish a baseline measurement for a customer service index of compliance assistance programs.

The Department will safeguard the pension insurance system for the benefit of participants, plan sponsors, and other stakeholders, provide exceptional service to customers and stakeholders, and exercise effective and efficient stewardship of its resources. More specifically, PBGC will increase its effectiveness in minimizing loss to the program and increase technical assistance to plan sponsors to encourage their voluntary compliance with pension laws and regulations. To fulfill its commitment to providing the highest level of service to its customers and stakeholders, PBGC will encourage customers to interact electronically and improve the quality and consistency of customer information.

Protect Workers' Wages

Performance Goal 06-2.1A (ESA) – FY 2006

American workplaces legally employ and compensate workers.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours	–	Base	**293**	**Y**
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation.	72%	73%	**76%**	**Y**
Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA	–	Base	**92%**	**Y**
Number of wage determination data submission forms processed per 1000 hours	1667	1684	**1834**	**Y**
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data.	84%	82%	**100%**	**Y**
Cost (millions)	$214	**–**	**$214**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
ESA's Wage and Hour Division (WHD)'s mission is to promote and achieve compliance with labor standards to protect and enhance the welfare of the Nation's workforce. WHD enforces laws establishing minimum standards for wages and working conditions. These include the minimum wage, overtime, and youth employment provisions of the Fair Labor Standards Act (FLSA); the Migrant and Seasonal Agricultural Worker Protection Act; and the Family and Medical Leave Act. WHD also enforces field sanitation standards in agriculture and the government contracts prevailing wage statutes, and administers the wage determination provisions of the Davis-Bacon and Service Contract Acts (SCA).

The agency's performance objectives are to maximize benefits for the greatest number of workers through efficient complaint resolution; to promote long-term sustained compliance among employers that the agency investigates; to increase compliance on behalf of low-wage workers in industries with the most persistent and serious violations; and to ensure that wage rates are established in an accurate and timely manner.

To ensure efficiency in WHD complaint investigations and to achieve compliance on behalf of all potentially affected workers, WHD tracks the number of workers helped for every 1000 enforcement hours expended in complaint investigations. The agency's low-wage indicator, i.e., percent of low-wage workers employed in compliance, enables WHD to track the effectiveness of its various compliance strategies in low-wage industries over the long term, while the annual recidivism survey measures the impact of prior WHD interventions on employer behavior. Wage determination indicators track key components of the wage determination survey process. Improvements in this process contribute to the timeliness of Davis-Bacon Act wage rates.

The statutory protections administered by WHD, and the agency's success in ensuring that workers are legally employed and compensated, are guaranteed by balancing resources among key strategies – compliance assistance; partnerships and collaborative efforts; and complaint-driven and directed enforcement. Compliance assistance activities promote voluntary compliance among employers and within industries. Partnerships leverage resources and broaden the impact of other strategies. WHD's directed enforcement in low-wage industries serve to detect, remedy, and deter violations of the law in industries where workers are reluctant to complain. WHD's complaint investigations serve individual complainants and provide opportunities for detecting and remedying violations on behalf of other employees.

WHD's allocation of resources and performance indicators reflect enforcement priorities in three core areas. The strategic use of complaint investigations, which represent approximately 70 to 75 percent of enforcement resources, will increase labor standards outcomes for the greatest number of workers. Reinvestigations measure and reinforce WHD's impact on employer recidivism; and directed investigations are a key component in ensuring greater compliance for workers in low-wage industries, including immigrant and young workers. WHD's compliance assistance, including partnership activities, also contributes to the agency's ability to promote compliance on behalf of all workers. The hours spent by WHD staff in these key activities are used to track the resources allocated for each indicator. Another priority seeks to guarantee appropriate worker compensation levels by issuing timely and accurate prevailing wage determinations. Wage determinations issued and wage surveys conducted provide output measures by which the agency measures progress.

Two key factors influence WHD's ability to meet and exceed its performance objectives – the increased reliance on foreign-born labor and the growth in the number of illegal or undocumented immigrants. The tension between the supply and demand for low-wage service sector workers constantly challenges WHD's ability to target low-wage industries and maintain its effectiveness in resolving complaints.

The costs for this performance goal were unchanged between FY 2005 and FY 2006.

Analysis and Future Plans

WHD achieved its targets in FY 2006. This fiscal year, WHD established a baseline to measure its efficiency in resolving complaint investigations. WHD expects only modest improvements in this indicator over the next several years, in large part because productivity has declined with the attrition of senior investigative staff. However, some efficiency gains are expected as investigators focus on producing quality investigations that ensure that full compliance reviews are completed in a timely manner. WHD also expects complaints to increase as its outreach and partnership activities in immigrant communities increase workers' awareness and comfort in seeking remedies through the agency.

In FY 2006, WHD completed its fourth statistically valid investigation-based compliance survey of prior FLSA violators. The agency found 76 percent of prior violators in compliance, representing an increase of four percentage points over the FY 2005 result. This significant increase in compliance – 71 percent as recent as FY 2004 – suggests that the newly implemented strategies of follow-up telephone calls and letters, documentation of employers' stated commitments for future compliance, commitments for corporate-wide compliance, and the use of civil monetary penalties and other sanctions, are promoting employer compliance. In FY 2007, WHD will add a measure to track the percentage of prior violators who achieve and maintain "substantial" compliance to improve upon the existing measure, which only tracks those who have achieved "full" compliance.

WHD has traditionally measured low-wage industry compliance by conducting surveys among previously investigated establishments within low-wage industries. In FY 2006, WHD conducted a nationwide survey of establishments across a broad spectrum of low-wage industries. This compliance survey will provide the baseline from which changes in industry behavior can be assessed over the long-term, and will inform the agency of the nature and patterns of non-compliant behavior. WHD will use this information to design and implement strategies for improving compliance during the intervening years between surveys. WHD will analyze low-wage industries to refine its targeting strategies. In the years between the FY 2006 baseline and a subsequent national survey, WHD will measure its performance and efficiency by reporting on the number of workers in low-wage industries that WHD helps for every 1000 enforcement hours expended. WHD also continues to implement upgrades in information technology to drive success in the wage determination program.

PART, Program Evaluations and Audits

A 2003 PART assessment of WHD's prevailing wage determination program rated it Results Not Demonstrated. Despite recent process changes in the program, the review found the program lacked ambitious, outcome-oriented performance measures and procedures to measure and achieve efficiencies and cost effectiveness. In response, WHD developed performance indicators and targets and conducted an external review of the program. WHD continues to examine changes to the wage survey and outreach to improve data collection processes.

WHD completed two program evaluations in FY 2006. The first study, *Evaluating the Wage and Hour Division Web Site* (see Study 10 in Appendix 2), reported that 56 percent of respondents rated the Web site very good or excellent at providing information. Sixty-four percent said that the information they were looking for was easy to find. In response, WHD is redesigning and upgrading the information on its Web site. The second evaluation, *Low Wage Industry Operational Models for Compliance,* assessed the agency's performance and efficiency in targeting low-wage industries (see Study 9 in Appendix 2). The evaluation helped WHD establish measures of incidence and severity of violations across industry sectors, provided a methodology for determining low-wage industries with the highest potential for violations, and analyzed the relationship between violation and complaint rates in order to strengthen targeted enforcement activities. The next phase will focus on efficiency measures, more effective and strategic use of enforcement tools, and an analysis of compliance within the eating and drinking industry.

In October 2005, the Office of Inspector General (OIG) released the results of its audit, *Agreement with Wal-Mart Indicates Need for Stronger Guidance and Procedures Regarding Settlement Agreements*, which recommended developing written guidance and coordinating with the DOL Solicitor (see Study 11 in Appendix 2). The OIG acknowledged in its report that a new settlement agreement policy initiated by WHD in June 2005 resolved both OIG recommendations. WHD also started implementing recommendations from Government Accountability Office (GAO) reports. The SCA directory of occupations was updated, enforcement data was integrated into the FY 2007 planning process, and WHD is revising the SCA poster to include agency contact information based on recommendations from the GAO report *Service Contract Act: Wage Determination Process Could Benefit from Greater Transparency and Better Use of Violation Data Could Improve Enforcement* (Study 13 in Appendix 2). WHD is also adding contact information to the FLSA poster and has started to evaluate how FLSA misclassification cases are referred to other agencies based on recommendations from the GAO report *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification* (Study 12 in Appendix 2).

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Good. Strengths of the data include relevance, completeness and the quality controls in place to verify the data. With the exception of the wage determination measures, performance information is extracted from the Wage Hour Investigator Support and Reporting Database, the agency's record of its investigative case findings and investigator enforcement time. Investigative case records are reviewed by WHD management staff and are the subject of WHD internal accountability reviews. Although data are reported quarterly, year-end statistics are not available when the agency begins its planning cycle in April. As the agency gains experience with new measures and receives better trend information for recent indicators, these concerns will ease and the impact of year-end data on future planning will be minimal.

For wage determination programs, almost all data submission forms come from two sources, paper forms and electronic forms submitted via the Internet. In both cases, the contents of the data submission forms are electronically entered into the Automated Survey Data System. The current IT infrastructure does not permit survey results from ASDS to be electronically transferred into the Wage Determination Generation System. A bridge between these two systems is in the final stages of development and is scheduled to be deployed in the first quarter of FY 2007.

Union Financial Integrity and Transparency

Performance Goal 06-2.1B (ESA) – FY 2006

Ensure union financial integrity, democracy, and transparency.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of unions with fraud	–	8%	**8%**	**Y**
Percent of unions complying with standards for democratic union officer elections	–	Base	**92%**	**Y**
Percent of union reports meeting OLMS standards of acceptability for public disclosure	94%	96%	**93%**	**N**
Cost (millions)	$63	–	**$56**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic
OLMS ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). The Act requires public disclosure reporting by unions and others; establishes standards for union officer elections; and imposes criminal sanctions for embezzlement of union funds. To implement the LMRDA protections, OLMS conducts criminal and civil investigations, audits unions, and administers the Act's reporting and public disclosure program.

Union transparency underpins the union democracy and financial integrity objectives of the LMRDA and is a critical component of the OLMS program. Therefore, a primary performance objective is to secure complete and accurate union financial reports for public disclosure. Approximately 25 percent of OLMS resources support the agency's Internet public disclosure system and a wide range of compliance assistance, liaison, enforcement, and regulatory activities to increase union transparency and LMRDA reporting compliance.

Enforcement of LMRDA union financial integrity protections is another critical OLMS responsibility. A primary performance objective is to reduce union fraud. Union audits and embezzlement investigations are key strategies aligned with that effort. Timely and complete filing of LMRDA public disclosure reports and the resulting increased union transparency are also factors that support union financial integrity. OLMS dedicates more than 50 percent of appropriated resources annually to support a program of audits and criminal investigations to protect the millions of dollars in dues paid by labor union members.

Another critical responsibility for OLMS is to ensure union democracy. A primary goal is to ensure that union elections are run fairly and that union members have access to the rights guaranteed them under the LMRDA. In FY 2006 OLMS conducted a study to determine the rate of union compliance with standards for democratic union officer elections. OLMS will seek to increase compliance through liaison and compliance assistance as well as through LMRDA enforcement. OLMS dedicates about 20 percent of its budget to investigating complaints of election misconduct and supervising union officer election reruns to enforce LMRDA union democracy provisions.

The costs for this performance goal decreased by 11 percent between FY 2005 and FY 2006.

Analysis and Future Plans
OLMS did not achieve this performance goal. OLMS met its target, 8 percent, for the percentage of unions with fraud. OLMS also met its target to set a baseline for its new union democracy compliance rate measure, which was found to be 92 percent. However, not reached was OLMS' target of 96 percent of unions filing timely and complete financial reports. Although performance fell short at 93 percent, OLMS has made considerable progress since its FY 2003 baseline of 73 percent for this measure.

Acting on a complaint filed by a member of American Postal Workers Union (APWU) Local 199 in Richmond, Virginia concerning a union election held using mail-in ballots, an OLMS investigation determined that requirements of the LMRDA had been violated. On May 9, 2006, representatives from the Washington District Office of OLMS supervised a rerun of the contested election to ensure its compliance with the LMRDA. The violation in the original election involved 80 disputed ballots for which voter eligibility could not be confirmed. The presence of OLMS at the election rerun sends a message that the agency will not hesitate in taking corrective action to ensure conformity with federal law. In this photo, APWU member Junious (standing) assists OLMS representative Meng (sitting at left) and APWU Election Committee Chairman Kevin in reviewing returned ballots.
Photo credit: DOL/ESA/OLMS

PART, Program Evaluations and Audits
The PART review conducted in 2005 resulted in a rating of Adequate. It found the program well defined but lacking sufficient tools to effectively enforce the Act's public disclosure reporting provisions and a performance measure for mission critical union democracy goals. As a result, OLMS conducted a study in FY 2006 to determine compliance with standards for democratic union officer elections so that goals for improvement can be established and measured. In FY 2006, OLMS completed this study and established a baseline for a new indicator measuring the rate of compliance with union officer election standards. The PART also found that no recent independent review of OLMS' programs had been conducted, noting that such a review "could help to identify and address weaknesses in procedures, compliance and enforcements strategies, or program design, as well as establish a clean performance baseline against which the program could manage." OLMS has contracted with an independent research firm to conduct such an external review with the aim of identifying possible areas for improvement in the LMRDA reporting and public disclosure program.

An FY 2005 evaluation of the OLMS Web site found a fairly low customer satisfaction rating, with the lowest scores going to the navigation and search functionality areas. In response, OLMS has redesigned their Web site, which was launched in January 2006 (see Study 14 in Appendix 2).

Data Quality and Major Management Challenges
Data for this performance goal was rated as Good. Strengths of the data include its relevance to program performance and accuracy. OLMS will continue refining data collection protocols to ensure the development of meaningful long-term trends for each of its performance indicators. In addition, OLMS will continue to examine sampling and data collection protocols, particularly for the recently implemented union democracy performance indicator. OLMS will continue to promote the use of electronic filing for union financial reports which will enable additional error checking for data accuracy.

Pay Unemployment Insurance Claims Accurately and Promptly

Performance Goal 06-2.2A (ETA) – FY 2006

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.

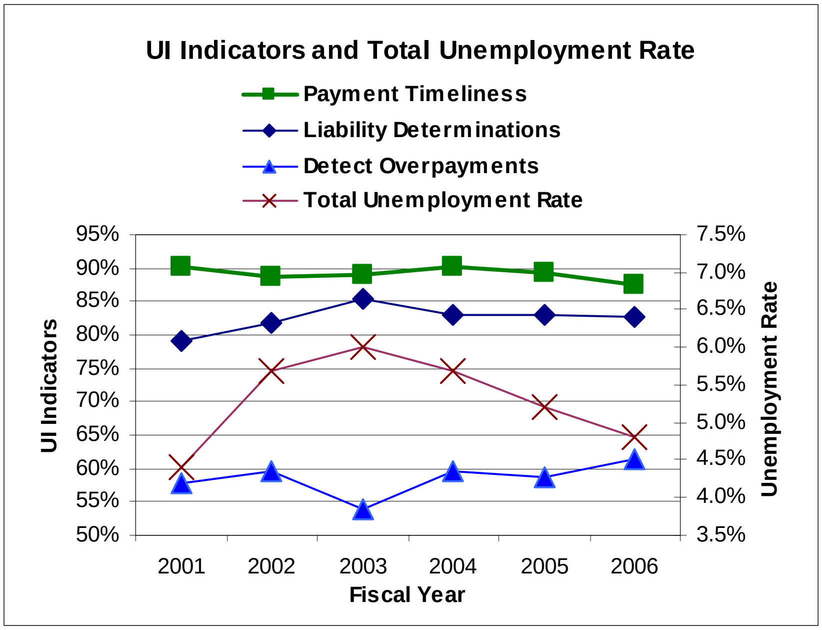
Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of all intrastate first payments made within 21 days	89.3%	89.9%	**87.4%****	**N**
Establish for recovery a percent of the amount of estimated overpayments that the States can detect and recover	58.7%	59.5%	**61.4%****	**Y**
Percent of UI claimants who were reemployed by the end of the first quarter after the quarter in which they received their first payment	–	Baseline	**62.4%**	**Y**
Percent of new employer liability determinations made within 90 days of the end of the first quarter in which they became liable	82.4%	82.5%	**82.8%****	**Y**
Cost (millions)	$34,243	–	**$33,340**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated (actual data for year ending August 2006)			**Goal Not Achieved**	

Program Perspective and Logic
By temporarily replacing part of lost wages, the Federal-State Unemployment Insurance (UI) system minimizes individual financial hardship due to unemployment and stabilizes the economy during economic downturns. For both workers and employers, the program's success depends upon timely payment of benefits, prevention or prompt detection of erroneous payments, timely establishment of new employers' tax accounts to ensure the reporting of workers' wages and payment of taxes to fund benefits, and promoting and facilitating workers' return to suitable work. States operate their own programs under their own laws, which must conform to Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, exercises performance oversight, and ensures that States meet requirements of Federal UI laws and regulations. Measuring efficiency and effectiveness of States' administrative operations is an important aspect of program management.

Economic conditions and the resulting program workloads affect many aspects of UI performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines; on the other hand, new business creation slows, reducing the number of new employer tax accounts, and the timeliness of tax liability determinations generally goes up. In addition, external factors such as natural disasters can be extensive enough to affect aggregate UI system performance negatively – e.g., the series of hurricanes that hit the Gulf during 2005. Performance targets are based on the Administration's current economic assumptions.

The costs for this performance goal fell by three percent from FY 2005 and FY 2006. As indicated in the preceding discussion of net costs for Outcome Goal 2.2, this is consistent with the small decline in the average weekly insured unemployment between reporting periods. This statistic, which represents the average number of people filing claims for continuing UI benefits each week, generally exhibits a positive correlation to benefit payments.

Analysis and Future Plans
The UI system performed well in FY 2006, aided by improving economic conditions; the total unemployment rate declined from 5.2 percent in FY 2005 to 4.8 percent in FY 2006, and the number of beneficiaries was virtually unchanged at 8.1 million. States exceeded the Detection of Overpayments target and the new employer status determinations timeliness target. States began reporting reemployment data in March 2006, establishing a baseline of 62.4 percent. However, States' first payment timeliness declined sharply, from 89.3 to 87.7 percent. Analysts estimate that two thirds of the decline was due to the effects of Hurricanes Katrina and Rita on timeliness in the Gulf



States, especially Louisiana, Mississippi, and Texas. Some of the remaining decline may be attributed to impacts on States that assisted them.

The Department continues to improve UI payment integrity by providing funds for States to implement access to the National Directory of New Hires (NDNH), an additional tool for swiftly detecting and preventing payments to claimants who have returned to work; and conduct Reemployment and Eligibility Assistance (REA) reviews to enforce UI eligibility requirements and speed beneficiaries' return to suitable work. Thirty-seven states were funded to implement a NDNH cross match and twenty states have been conducting REAs since 2005. DOL's FY 2007 budget request included funding to raise the number of States conducting REAs to 40.

The UI program demonstrated improved efficiency by processing 8.9 quality-weighted initial claims per $1,000 of inflation-adjusted base grant funds, versus a target of 8.7. The Department promoted efficiency through competitive grants for automation and remote systems (e.g., telephone and Internet claims-taking).

PART, Program Evaluations and Audits

The Program Assessment Rating Tool review of the UI program in 2003 rated it Moderately Effective. The improvement plan includes emphasizing use of the NDNH to quickly detect and prevent overpayments to claimants who have returned to work (37 States funded in FY 2005 to use the NDNH); funding States for REAs to enforce continuing eligibility for UI benefits and connect claimants with reemployment services (20 States funded in 2005; funds have been requested to raise the number to 40 in 2007); and simplification of the performance measurement system (announced in 2005 and 2006).

A GAO report issued in May 2006, *Unemployment Insurance: Enhancing Program Performance by Focusing on Improper Payments and Reemployment Services* (Study 19 in Appendix 2), drew upon results of recent GAO and OIG reports and DOL sources to provide a useful overview of UI overpayments and what steps the Department has taken or planned to address them, as well as how the system promotes the reemployment of UI claimants. Although the report makes no formal recommendations, the GAO approves the steps taken so far to reduce overpayments, but believes that more needs to be known about the extent claimants receive reemployment services and the outcomes they achieve than what the new reemployment measure will yield.

In March 2006, GAO issued *Unemployment Insurance: Factors Associated with Benefit Receipt* that examined the extent to which an individual worker's characteristics are associated with the likelihood of UI benefit receipt and with unemployment duration (Study 18 in Appendix 2*).* The report revealed that workers who are younger, who have more years of education, and who have higher earnings are more likely to get benefits, as are workers with a history of UI receipt. Workers who do get UI benefits tend to be unemployed longer than others with similar characteristics, as do older workers and those with lower earnings before unemployment.

In March 2006, the Government Accountability Office issued *Offshoring in Six Human Services Programs: Offshoring Occurs in Most States, Primarily in Customer Service and Software Development* (Study 15 in Appendix 2) that examined the occurrence and nature of offshoring in six federally funded human services programs that included UI. Offshore contracting for software development was found in only 8 of 46 responding UI state programs in 2004. These contracts amounted to about $1.3 million, out of only $194 million in total outsourcing and $3 billion in total administration.

Recent OIG studies addressed two UI integrity issues: overpayments and misclassified workers. *Claimants with Unemployment Claims in both Mississippi and Louisiana Related to Hurricane Katrina* (Study 16 in Appendix 2) reported on a crossmatch of 251,589 UI claims and 101,546 DUA claims that identified 213 overpaid claimants (0.06 percent). The State agencies are taking steps to recover the $239,648 still outstanding. In December 2004, the OIG found that only nine States were using IRS 1099-MISC information to find employees misclassified as self-employed (see *State Workforce Agencies Use of IRS Form 1099 Data to Identify Misclassified Workers* – Study 17 in Appendix 2). The Department sent the OIG report to all State UI agencies urging them to do so. By April 2006, 28 SWAs were using 1099 data, and more were expected to enroll in August.

Data Quality and Major Management Challenges

Data for this performance goal was rated Very Good. Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened in order to continue to reduce instances of overpayment and worker misclassification, for example, by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. ETA continues to address these challenges by enhancing UI data validation efforts; in 2005 ETA provided funding to 25 states to have independent verifications of reported data conducted and expects to have an updated automated validation system in place by spring 2007. On August 31, 2006, the Department received OMB approval to collect additional data that will enhance the overpayment detection measure. Full implementation is expected in January 2008.

The OIG expressed concern that the UI overpayment estimates reflected little improvement in the UI overpayment rates over the past several years, and in a 2004 report, the OIG listed reducing improper payments and improving the integrity and solvency of the UI program among the Department's top management challenges (see item II, *Safeguarding Unemployment Insurance*, in the Major Management Challenges section of the Executive Summary). In addition to funding for identity theft detection and prevention and New Hires crossmatches, the Department has promulgated a State-level detection of overpayments Core measure with a performance criterion, giving States incentives to prevent and detect overpayments. Effectiveness of these tools is limited by State agency expertise. In April 2006, the Department held an Integrity Conference for State staff involved in overpayment prevention, detection and recovery activities, at which best practices and information about new tools to reduce overpayments were shared.

To reduce overpayments and facilitate reemployment, REA grants were implemented in 21 States in FY 2005 and have been continued in 20 states in FY 2006. The REA grants have been used to conduct in-person claimant interviews in One-Stop Career Centers to assess UI beneficiaries' need for reemployment services and their continued eligibility for benefits, and to assure that beneficiaries understand that they must stop claiming benefits upon their return to work. The program plans expansion to about 40 States during the FY 2007 budget cycle. A report on the FY 2005 REA activity is due in March 2007.

UI trust fund solvency has improved over the last two years. Borrowing from the UI trust fund by States has declined, and significant portions of previously borrowed amounts have been repaid. As of August 2006, only one State had an outstanding loan from the Federal UI trust fund. As the result of an expanding economy and the counter cyclical financing mechanisms characteristic of UI tax systems, most States' trust fund accounts had a positive cash flow over the last 12 months, and overall fund solvency is higher than last year.

Reduce the Consequences of Work-Related Injuries

Performance Goal 06-2.2B (ESA) – FY 2006

Minimize impact of work-related injuries

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Lost production days rate (LPD per 100 employees) for Federal Employees' Compensation Act (FECA) cases of the United States Postal Service	134.4	146	**139.9**	**Y**
Lost production days rate (LPD per 100 employees) for FECA cases of All Other Government Agencies	56.1	60	**52.6**	**Y**
Cost savings through staff-initiated evaluation of cases under Periodic Roll Management for changes in medical condition and fitness for duty	$23.2 million	$13 million	**$16 million**	**Y**
Trend in the indexed cost per case of FECA cases receiving medical treatment (compared to nationwide health care costs)	+2.8%	**+8.6%**	**+6.3%**	**Y**
Targets for five communications performance areas	3 targets	4 targets	**4 targets**	**Y**
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	254	250	**235**	**Y**
Percent of eligible Black Lung benefit claims for which there are no requests for further action pending one year after the date the claim is filed	80.6%	79.5%	**81.9%**	**Y**
Percent of Initial Claims for benefits in the Part B and Part E Energy Programs processed within standard timeframes	–	50%	**72%**	**Y**
Percent of Final Decisions in the Part B Energy Program processed within standard timeframes	94.7%	80%	**89%**	**Y**
Percent of Energy Program Part E claims backlog receiving initial decisions	–	75%	**85%**	**Y**
Cost (millions)	$6131	**–**	**$2130**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
DOL protects workers, their dependents and survivors from the economic effects of work-related injuries and illnesses by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation and other benefits through four disability compensation programs:

- Federal Employees' Compensation Act (FECA) program for civilian Federal workers;
- Longshore and Harbor Workers' Compensation for private-sector maritime workers;
- Black Lung Benefits program for coal miners;
- Energy Employees Occupational Illness Compensation (EEOIC) for nuclear weapons employees of the Department of Energy or its contractors.

Activities of the Office of Workers' Compensation Programs (OWCP) include adjudicating claims; mediating disputed claims; processing payments; assisting with injury recovery and return to work; controlling costs; and providing technical assistance and other customer services. Effective deployment of resources among these activities ensures that OWCP is able to effectively deliver benefits, properly manage its benefit funds, and ensure that employers comply with regulatory requirements and support delivery of services and program administration.

Ten performance indicators measure the outcomes of key OWCP strategies and program priorities. Quality Case Management success in FECA is measured as reductions in Lost Production Days (LPD) rates. Financial integrity of the FECA Compensation Fund is the objective of beneficiary roll reviews and medical benefit cost control. Communications goals seek to improve customer service by increasing the accessibility, quality, and responsiveness of program information and services. The Black Lung and Longshore programs measure the effective mediation of disputes and improved decision quality. Ensuring efficient and accurate claims processing is a vital objective of the EEOIC program.

This performance goal has been achieved or substantially achieved every year since FY 2002. Lost production days for both the Postal Service and for the rest of the Federal Government had been trending upward during the beginning of this decade, but both targets were met last year and this year. FECA has met its customer service and medical cost containment targets consistently. The Longshore program has met its ambitious targets to timely resolve disputed issues in contested cases three of the last five years, reducing the number of days to resolution by over 15 percent during that time. The Black Lung program has met its targets in each of the last five years, and EEOIC has met most of its timely and accurate claims processing targets since the program began in 2001.

Several external factors influence the achievement of OWCP program goals. Economic and workplace trends change the nature of new injuries and job availability for workers ready to return to duty. Medical costs continue to rise with the expanded use of new technology, medicines and treatment procedures. For the Longshore program, the potential for greater security threats to U.S. contractor employees overseas results in a growing number of Defense Base Act and War Hazards Compensation claims, which require additional planning and resource investment. Customer demands for sophisticated information and assistance grow more rapidly than OWCP's resources available to address these demands.

FY 2006 cost for this performance goal was less than half the level reported in FY 2005. The majority of this decrease is explained by an event unique to FY 2005 – an actuarial liability charge of $3.5 billion due to assumption of workers' compensation costs associated with Part E of the Energy Employees Occupational Illness Compensation program, which Congress transferred to DOL from the Department of Energy. The remaining $500 million reduction in costs resulted from changes to actuarial assumptions related to Part E payouts.

Analysis and Future Plans

Fulfilling DOL's commitment to injured workers is measured by the ten indicators. In FY 2006, DOL achieved this goal, meeting or exceeding each of the targets. The results discussion is organized into three categories: Return to Work, Reducing Program Expenses and Customer Service.

Returning Injured Employees to Work

Return-to-work outcomes are expressed as reductions in average LPD. In FY 2006, the USPS and All Other Government LPD goals were exceeded. Total paid disability days declined overall, reflecting a better than 18% reduction in continuation-of-pay being reported, few new cases overall, and continuation of FECA's principal strategy to reduce lost production days: Quality Case Management (QCM). QCM has reduced compensation costs by $50 million annually since the first measurement of LPD 11 years ago.

DOL also continued its leadership role in the OWCP/OSHA Safety, Health and Return-to-Employment (SHARE) initiative. Under SHARE, Federal agencies set goals to reduce on-the-job injury rates, expedite notification of injuries to DOL, and reduce lost production day rates. To capitalize on the program's momentum, the President has extended SHARE to FY 2009, with more ambitious SHARE performance targets. The Administration also has proposed legislation to reform and update the FECA program, which would build return-to-work incentives into the Federal Employees' Compensation Act.

Reducing Program Expenses

Measured in financial terms, DOL workers' compensation outcomes reflect the efficiency and quality of benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes. Periodic Roll Management (PRM) generates benefit cost savings through the careful review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those currently receiving compensation. Through PRM, DOL has saved over $1 billion since FY 1999. In FY 2006, OWCP exceeded its target with $15.8 million in savings.

OWCP also reached its target of keeping the inflation rate of FECA medical costs below the national rate of health care inflation, as measured by the Milliman USA Health Cost Index. In the past year, the rate of increase in average FECA medical treatment costs rose by only 6.3 percent compared to a projected 8.6 percent for the nation's average. DOL attributes this success to several recently implemented administrative procedures that include centralized bill processing, strengthened review of treatment authorization requests, fee schedules, and stronger automated edits and other controls. Since FY 2000, the growth rate for FECA medical costs has remained below the nationwide rate, resulting in savings of nearly $40 million annually.

Customer Service
OWCP met its FECA communications goal by increasing the use of electronic services, reducing average caller wait times, resolving more inquiries at the time of the call, and meeting call handling quality standards. OWCP exceeded its target to reduce the time required to resolve disputed issues in Longshore and Harbor Workers' Program contested cases by 14 days. The Longshore program attributes this success to its district offices' commitment to ensuring timely and amicable dispute resolutions in contested cases. Mediation will continue to play an important role in helping parties reach agreements. Longshore will continue conducting outreach and working closely with parties to contested cases in order to reach a timely resolution.

OWCP exceeded its target to reduce requests for further action following Black Lung benefit eligibility decisions. The revised regulations for Black Lung benefit claims have produced faster and fairer final benefit determinations without changing eligibility requirements. The result has been an increase in the number of stakeholders who accept the district director's initial decision and who decide not to pursue the claim further.

DOL reached its targets for processing timeliness in the Energy Part B program. The program processed 72 percent of initial claims and 89 percent of final decisions within standard time frames, against targets of 50 percent and 80 percent, respectively. In FY 2006, DOL established a new goal for the Energy Program of completing Initial Decisions on 75 percent of the Part E backlog inherited from the Department of Energy by returning decisions on 85 percent of those cases. That goal was achieved, and DOL is committed to making initial decisions on the remainder of these backlogged cases by the close of calendar year 2006. The Energy program also established a new GPRA goal to reduce the average number of days to process initial claims. DOL will report against this measure in FY 2007.

In October 2004, Congress amended EEOICPA and transferred benefit coverage (Part E) for DOE contract employees who became ill from exposure to toxic substances to DOL from DOE. DOL hired staff to process the more than 25,000 claims transferred from DOE. Adjudicating the Part E cases will continue to be a major priority for the Energy program, which faces performance challenges resulting from the complexity of the additional covered exposures, illnesses, and benefit provisions. In addition, all new claims have to be reviewed for eligibility under both Part B and Part E.

PART, Program Evaluations and Audits
The Federal Employees' Compensation Program received the PART rating Moderately Effective with recommendations to update the benefit structure, implement program evaluation findings, and to track customer satisfaction. In FY 2006, FECA sought sponsorship for legislation to update the benefit structure and convert benefits for retirement-age individuals to a typical retirement level. Following recommendations from a program evaluation completed in FY 2004, FECA adopted industry best practices for improving injury case management and strengthened technical assistance to Federal employers.

The Black Lung Program's PART, which resulted in a rating of Moderately Effective, recommended establishing efficiency measures and ambitious performance goals to encourage the efficient adjudication of claims. Black Lung has established efficiency measures tracking different aspects of the claims process, such as claims managed and claims adjudicated per FTE, and initiated a program evaluation of its performance systems, which will compare its efficiency and effectiveness with similar programs.

The Longshore Program rating of Adequate on the PART was largely attributed to the program's inability to measure the effectiveness of the services or outcomes of self-insured employers and insurance carriers and the lack of a comprehensive evaluation to gauge the program's cost-effectiveness or efficiency. Their improvement plan recommends identifying needed reforms to strengthen the Longshore and Harbor Workers' Compensation Act; evaluating the automated claims system to identify more effective alternatives for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs; and eliminating shortcomings identified in a 2004 audit by strengthening the processes and controls in the program's disbursement system. An evaluation, *Measuring the Comparability of the Longshore Program*, completed in FY 2006, outlined IT solutions to improve the Longshore Case Management System in order to track meaningful data for monitoring performance and benchmarking (see Study 24 in Appendix 2).

OIG and GAO completed several audits of financial, security, and data systems: *GPRA Data Validation Review – Federal Employees' Compensation Act* (Study 20 in Appendix 2)*; Compliance with Federal and Departmental Security Standards in Selected Control Areas for Three Employment Standards Administration Systems* (Study 21 in Appendix 2)*; Federal Compensation Programs: Perspectives on Four Programs* (Study 22 in Appendix 2); *Disability Benefits – Benefit Amounts for Military Personnel and Civilian Public Safety Officers Vary by Program Provisions and Individual Circumstances* (Study 24 in Appendix 2); and *Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund – FY 2005* (Study 25 in Appendix 2).

Data Quality and Major Management Challenges
Data for this performance goal was rated Very Good. This rating is reflective of OWCP's long history of managing workers' compensation case record and benefit payment history data and its extensive experience with performance measurement. Performance measurement in OWCP relies primarily upon data extracted from internal automated case management and benefit payment systems. Performance data is also obtained from outside sources that include other Federal agencies and Milliman USA, a nationally known research institute.

OWCP maintains strict oversight of data entry into its internal systems, with regular on-site review by local managers and formal periodic reviews that check the quality of the data record. Other tools used to ensure data quality include extensive checks and edits built into Automated Data Processing system programming, second-tier certifications of claims and payment decisions, telephone call monitoring, and ongoing performance reviews by district management. Multiple OWCP analytical staff collaborate in the report production, data collection and results measurement processes. Performance results are reviewed frequently in formal sessions by OWCP management.

The OIG considers the effective design and operation of the FECA program to be both a Departmental and government-wide major management challenge. DOL is spearheading efforts to improve injury case outcomes and reduce FECA costs throughout the government through the Safety Health and Return to Employment (SHARE) initiative and is making administrative improvements to that end. Actions are underway to better identify, report, and reduce fraud and overpayments, improve accounting and financial reporting, and reform the Federal Employees' Compensation Act to provide more incentives for return to work, address benefit equity issues, and make other benefit and administrative improvements.

Provide for Secure Pension and Health Plans

Performance Goal 06-2.2C (EBSA) – FY 2006

Secure pension, health and welfare benefits.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Ratio of closed civil cases with corrected violations to civil cases closed	76%	69%	**74**	**Y**
Ratio of criminal cases referred for prosecution to total criminal cases	45%	40.2%	**53**	**Y**
Customer Satisfaction Index for participants and beneficiaries who have contacted EBSA for assistance	67	65	**69**	**Y**
Applications to Voluntary Compliance programs	14,082	13,500	**17,214**	**Y**
Cost (millions)	$160	–	**$179**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
EBSA is responsible for enforcing the Employee Retirement Income Security Act (ERISA). EBSA's activities are essential to maintaining the public's trust and confidence in the employee benefits system. By achieving successful civil and criminal case closure and referral rates, DOL shows its success in identifying and pursuing wrongdoers. By providing outreach and education and directly assisting plan participants, beneficiaries, employers and plan officials in understanding their rights and responsibilities under the law, we help ensure workers' and retirees' benefits are protected.

President Bush Signs the Pension Protection Act of 2006
Photo Credit: White House

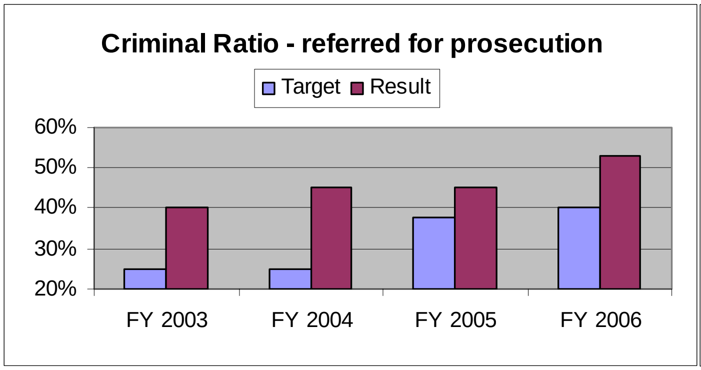
EBSA oversees benefit security for nearly seven million plans, 150 million participants and beneficiaries, and in excess of $4.5 trillion in assets with a relatively modest budget to achieve its performance goal of enhancing pension and health benefit security. Externalities such as the economy and tax policy have a significant impact on whether employers opt to offer benefits, whether employees choose to participate and to what extent.

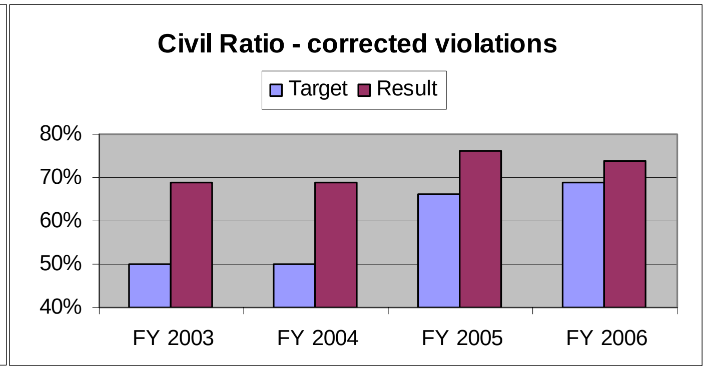
The 12 percent increase in net costs between FY 2005 and FY 2006 reflects increases in compensation and benefits, increases in DOL support agency and overhead expenses, and increases in accrued IT expenses.

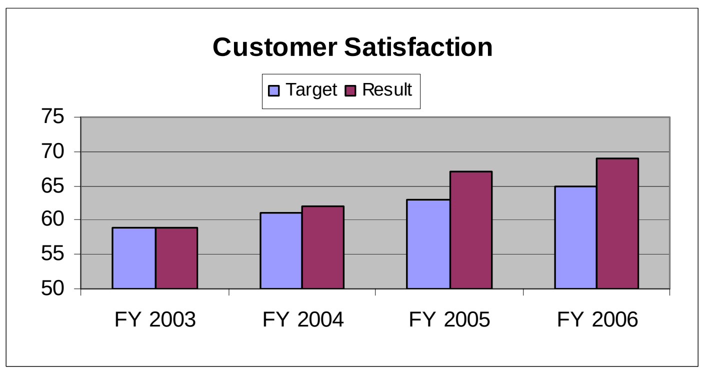
While investigating a company located in Sugar Land, Texas, the Department learned that the employer, as plan administrator, failed to follow the plan's rules to locate missing participants who were entitled to retirement benefits. As a result of the Department's involvement, the employer hired a locator service to find the lost participants. Ultimately, $1,602,953 in lump sum payments were distributed to 145 previously missing participants and 64 other participants began to receive approximately $23,000 in monthly benefits.

Analysis and Future Plans
DOL achieved its goal to enhance pension and health benefit security. In addition to meeting its criminal case, civil case, customer service and voluntary compliance targets, DOL obtained monetary results of over $1.4 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities. DOL investigated a number of high profile, resource-intensive cases with far reaching effects on the participant benefits community. Benefit Advisors responded to 98 percent of all written inquiries within 30 days of receipt and responded to over 99 percent of telephone inquiries by the close of the next business day.

In addition to long-term targets for civil and criminal ratios, EBSA monitored annual targets to evaluate success with respect to national enforcement initiatives, which may change from year-to-year based on strategic priorities. EBSA completed work with The Gallup Organization (Gallup) to refine the long-term target for their customer service satisfaction index consistent with other industry standards and experience. EBSA achieved its performance target for customer service in its participant assistance program two years early and will now begin developing a customer service performance target for its compliance assistance programs. EBSA continued to monitor its compliance assistance measure that demonstrates success in voluntary compliance programs such as the Voluntary Fiduciary Correction Program and their Delinquent Filer Voluntary Compliance Program.







Starting in FY 2007, EBSA will modify its enforcement performance indicators and will report the ratio of closed civil cases with corrected fiduciary violations to closed civil cases, a more challenging measure than the previous one which included lower priority non-fiduciary cases. With respect to criminal case work, EBSA will modify its performance targets to report cases accepted for prosecution rather than the less ambitious cases referred for litigation. In addition, EBSA's publication in FY 2006 of final regulations for abandoned plans established an efficient framework for the winding up of abandoned plans and distribution of benefits to workers. Therefore, EBSA will eliminate its Orphan (abandoned) plan project from its national priority projects and replace it with the new Consultant Advisor Project.

After receiving a participant complaint, the Department investigated a Green Brook, New Jersey heating and air conditioning business. The investigation revealed that, over a period of two and a half years, the business owner deducted approximately $75,000 from 13 employees' paychecks for deposit into the company's 401(k) plan. However, the money was never deposited into the plan, but instead used to operate the business. As a result of the Department's investigation, the owner was arrested by New Jersey law enforcement officials and charged with theft of the employee contributions. The owner pled guilty and was sentenced to probation, community service, and restitution of the missing money to the plan, which was paid.

PART, Program Evaluations and Audits
In EBSA's original PART assessment, 2002, it was rated Results Not Demonstrated. After implementing recommendations from the first assessment, in 2004 EBSA was assessed again through the PART, earning a rating of Moderately Effective. EBSA has acted on recommendations from its more recent PART, by conducting evaluations

and regulatory reviews. DOL contracted with Gallup to evaluate EBSA's participant assistance program (see *Office of Participant Assistance Program Evaluation Studies* – Study 26 in Appendix 2). EBSA was provided detailed performance information that helped improve the customer satisfaction score. In addition, with Gallup's assistance, EBSA conducted targeted training to address employee weaknesses and share best practices. Finally, field offices followed previously developed plans to continue improving their customer satisfaction scores. In FY 2006, Gallup conducted a follow-up study of EBSA's participant assistance program. Results will be reported in the FY 2007 Performance and Accountability Report. With respect to the regulatory review program, EBSA will commence, in FY 2007 with the assistance of outside contractor ICF, the cost benefit analysis of selected regulations. We anticipate reporting on the results in the FY 2007 report.

The GAO began conducting a review of EBSA's enforcement program during FY 2006. GAO visited six regional cities, and EBSA continues to respond to requests for information. The last enforcement review was conducted in FY 2002, when EBSA was deemed to be a well-managed organization. GAO contemplates completing the review by the end of CY 2006. The results will be reported in the DOL FY 2007 Performance and Accountability Report.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Excellent. Strengths of the data include its timeliness and reliability. EBSA's Enforcement Management System (EMS) provides the data for the enforcement ratios. EBSA's quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance on randomly selected closed cases. In the participant assistance area, Gallup provided the customer satisfaction score. The voluntary correction program data is maintained in the EMS and the Delinquent Filer Voluntary Compliance Program tracking system.

EBSA has one Major Management Challenge (MMC): Security of Employee Benefit Plan Assets (see item V in the MMC section of the Executive Summary). The specific areas of concern include benefit plan audits, benefit plan fraud, and corrupt multiple employer welfare arrangements. Because the risks associated with this challenge go to the heart of EBSA's goal to secure pension and health plans, EBSA has taken specific actions to address this challenge, including strengthening benefit plan audits through increased oversight of accounting firms, meeting ambitious targets for civil and criminal cases, and vigorously pursuing fraudulent Multiple Employer Welfare Arrangements.

Improving Pension Insurance

Performance Goal 06-2.2D (PBGC) – FY 2006

Improve the pension insurance program.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Customer Satisfaction score for Premium Filers	68	74	**68**	**N**
Customer Satisfaction score for responding to trusteed plan Participants' inquiries	79	80	**75**	**N**
Costs are not provided because PBGC is not included in the Consolidated Statement of Net Costs.				
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Not Achieved**

Program Perspective and Logic
The Secretary of Labor chairs the Pension Benefit Guaranty Corporation's Board of Directors. PBGC protects the retirement incomes of 44.1 million American workers in over 30,000 defined benefit pension plans. PBGC is committed to safeguarding the pension insurance program, providing exceptional service to its customers, and exercising effective stewardship over its resources.

As insurer, PBGC monitors the financial health of defined benefit plans, minimizing risk of loss to the insurance program, to pension plans and to participants. When underfunded plans terminate, PBGC must trustee them and assume responsibility for paying benefits. PBGC is actively monitoring some 3712 plans with underfunding of over $397 billion.

PBGC provides timely and uninterrupted payment of pension benefits to about 700,000 retirees in over 3600 pension plans that have failed since PBGC was established in 1974, providing benefit payments of about $4 billion annually. In FY 2006, PBGC assumed responsibility for an additional 50,000 plan participants, far less than in recent years. PBGC is now responsible for current and future pension benefits to over 1.3 million people. Providing exceptional service is an important part of PBGC's mission.

PBGC actively supported the Administration in promoting the Deficit Reduction Act (DRA), which passed in February 2006 and the Pension Protection Act (PPA), which passed in August 2006. These amendments to the Employee Retirement Income Security Act (ERISA) included new plan funding rules, new provisions for pension plan transparency, and reforms to the premium structure for defined benefit plans. PBGC is developing plans to implement the new law.

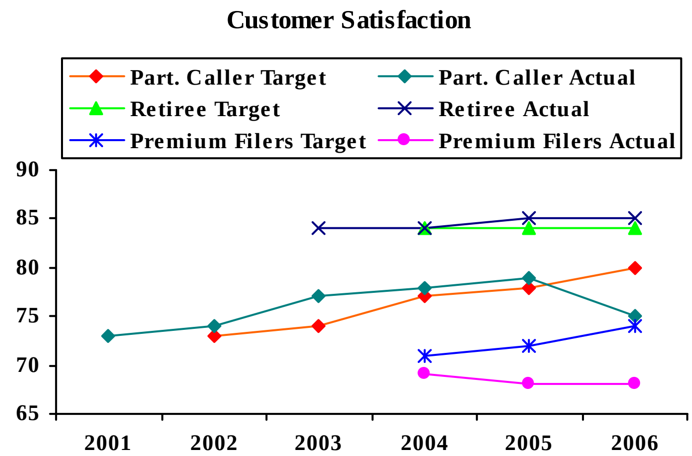
PBGC monitors its progress in meeting participant, premium filer, and stakeholder needs and expectations using the American Customer Satisfaction Index (ACSI) survey methodology, which provides comparisons to both private businesses and the federal government. PBGC uses the customer feedback to make specific improvements to processes and services directly impacting its customers. As a customer-focused agency, PBGC allocates resources to provide exceptional service to customers and stakeholders. Approximately 75 percent of funds are allocated to participant activity, while 25 percent are used for plan sponsor and pension practitioner activity. PBGC's FY 2005 operating budget was $347 million, and its FY 2006 operating budget was $386 million

Analysis and Future Plans
Practitioner Performance Indicators
Premium Filers gave PBGC a satisfaction index of 68, falling short of the targeted 74. Modest targets have been set in the short term as PBGC begins developing plans to implement the premium related provisions of the new law. PBGC's Web-based My Premium Administration Account (MyPAA) supports mandatory premium e-filing that is now in effect. In FY 2007, PBGC will streamline the premium process and continue development of a new premium system. The new system will support improvements in timeliness and accuracy, in both responding to customers,

and premium notices and billings. In FY 2006, PBGC established a Web page for policymakers with links to regulations, white papers, and discussion papers to enable customers and stakeholders to quickly find information and guidance. PBGC has established new performance measures relating to its responsibilities implementing the DRA and PPA.

Participant Performance Indicators

PBGC did not reach the performance target in FY 2006 for satisfaction of participants who call PBGC's toll-free Customer Contact center. Using the ACSI, PBGC scored a 75, compared to its target of 80. The decrease was unanticipated after five years of steady increase in satisfaction scores. In FY 2006, PBGC continued its efforts to enhance self service transactions which include the ability to request a benefit estimate on line. PBGC also implemented a customer relationship management system to create a unified desk top for tracking customer interactions from the telephone, e-mail, fax, incoming and outgoing correspondence, and Web-based transactions. In FY 2007, PBGC will continue to explore ways to meet and exceed customer expectations.



While not included as a DOL-level measure, PBGC sustained remarkably high customer satisfaction levels for retirees. The score of 85 exceeded the PART target for this measure and was one of the highest ACSI scores in government. Retirees remain highly satisfied with the reliability and efficiency of monthly payments from PBGC and the respect shown by PBGC staff. PBGC continues to expand the self service transactions customers can perform online with My Pension Benefit Account (My PBA).

Improving Efficiency

In the last few years, an increased workload has developed from the benefit determinations that must be issued to participants associated with newly terminated plans. Although the workload increased, PBGC's administrative cost to support this workload has decreased. In FY 2004, the cost was $219 per participant, and in FY 2006 the cost has dropped to $198. Continuous technological upgrades enable PBGC to provide better and faster service to participants.

PART, Program Evaluations and Audits

In its 2004 PART review, PBGC was rated Moderately Effective. Following the review and according to its PART Improvement Plan, PBGC increased efforts to support the Administration in amending ERISA. On August 17, 2006, the President signed into law the Pension Protection Act of 2006. PBGC is drafting an implementation plan that encompasses the various reforms. The new law is expected to improve the PBGC's financial condition for the near term. In FY 2006, PBGC continued to improve the ability to manage risk of loss to the pension insurance program. A GAO report, *Private Pensions: Opportunities Exist to Further Improve the Transparency of PBGC's Financial Disclosures*, highlights the challenges PBGC faces and actions it has taken in making and publishing single-employer probable claims forecasts (see Study 27 in Appendix 2).

Data Quality and Major Management Challenges

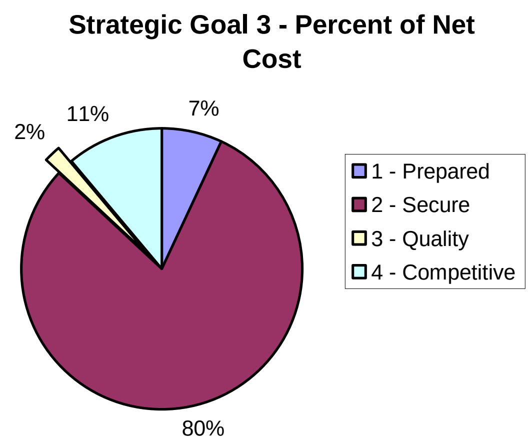
Data quality for this performance goal is rated Not Determined due to the relevance criterion. Measures of customer satisfaction for premium filers and participant inquiries are not representative of PBGC's overall performance in *Improving the Pension Insurance Program*. Under PPA employers will provide PBGC and other ERISA agencies with more relevant pension plan underfunding information. This is made possible because PPA provides more specific guidance on the valuation of single employer and multiemployer liabilities and assets. PBGC has one Major Management Challenge (MMC): Security of Employee Benefit Plan Assets (see item V in the MMC section of the Executive Summary). PBGC experienced an increased workload in recent years as more companies dropped their plans, increasing the burden on the private pension insurance system. The PPA will place PBGC on sturdier financial footing and should reduce the number of pension plans in default.

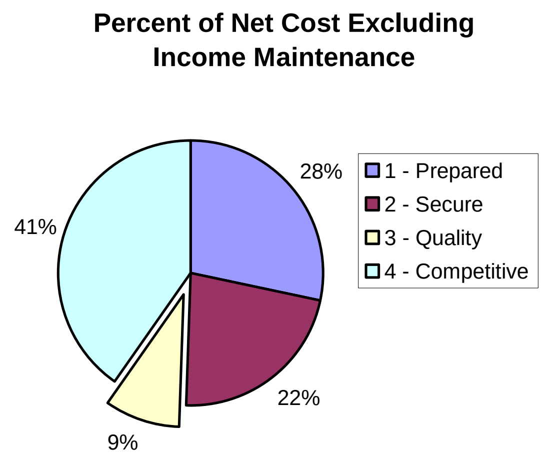
Strategic Goal 3: Quality Workplaces

Foster Quality Workplaces that are Safe, Healthy and Fair

All workers are entitled to safe, healthy, and fair workplaces. The Department has committed to achieving this goal by promoting practices that minimize safety and health hazards and provide equal opportunities for workers. In recent years, significant progress has been made in these areas. However, rapid technological advances and dynamic workplace environments have changed the nature of work, leading to new challenges for our safety and health mission. DOL promotes equal employment opportunity by enforcing regulations that deal with Federal contracting practices and the reemployment rights of veterans. In recognition of the global nature of labor markets, DOL also promotes respect for internationally recognized core labor standards. Agencies with programs supporting this goal are the Mine Safety and Health Administration (MSHA), the Occupational Safety and Health Administration (OSHA), the Employment Standards Administration (ESA), the Veterans' Employment and Training Service (VETS), and the Bureau of International Labor Affairs (ILAB).

The net cost dedicated to Strategic Goal 3 in FY 2006 was $1.114 billion. The first chart below is based on total Departmental costs of $45.328 billion; the second is based on an adjusted net cost of $12.101 billion that excludes the major non-discretionary program costs associated with Strategic Goal 2.[21] Net cost dedicated to Strategic Goal 3 in FY 2005 was $1.062 billion.





The Department's performance in achieving *Quality Workplaces* is determined by accomplishment of three broad objectives: Outcome Goal 3.1 – *Reduce Workplace Injuries, Illnesses, and Fatalities*; Outcome Goal 3.2 – *Foster Equal Opportunity Workplaces*; and Outcome Goal 3.3 – *Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets*. Their results, costs, and future challenges are discussed below.

Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities

Under the provisions of the Federal Mine Safety and Health Act (Mine Act) of 1977 and the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), the Department protects the health and safety of workers in the mining industry. More than 300,000 people work directly in the mining sector, and the mining environment is an inherently hazardous workplace. Critical to the Department's success is an effective blend of enforcement, technical support, and education and training, with compliance assistance as a fundamental ingredient of each. Four performance goals directly measure reductions in workplace injuries, illnesses and fatalities, across general industries and specifically within the mining industry.

The Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA) strive to improve workplace safety – an important part of the Department's mission. OSHA enforces the

[21] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($31.322 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($1.905 billion).

Occupational Health and Safety Act of 1970 by responding promptly to imminent danger situations; investigating fatalities, catastrophes and worker complaints; enforcing whistle blower rights; and inspecting workplaces. The Department targets inspections and outreach to work sites and industries with the highest injury and illness rates. In addition to workplace inspections, the Department employs a variety of compliance assistance and educational and outreach programs to improve employer health and safety management systems.

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-3.1A (MSHA) Reduce work-related fatalities and injuries.	Goal not achieved. Neither target reached.	$823[22]	$223
06-3.1B (MSHA) Reduce mining-related illnesses.	Goal not achieved. Three targets reached and one not reached.		125
06-3.1C (OSHA) [23] Reduce work-related fatalities.	Goal not achieved. One target not reached.		519
06-3.1D (OSHA) Reduce work-related injuries and illnesses.	Goal achieved. One target reached.		
Total for Outcome Goal 3.1	**One performance goal achieved and three not achieved**	**$823**	**$868**

Results Summary

MSHA did not achieve its fatality and injury reduction goal. From FY 2000-2005, fatalities and injuries in the mining industry declined dramatically. However, in 2006 tragedies at the Sago and Alma mines in West Virginia and the Darby mine in Kentucky claimed the lives of 19 miners, reversing the positive trend in fatalities. The injury rate declined, but not enough to reach the ambitious target. MSHA also failed to meet its health goal, despite reaching the noise target for coal mines and both silica dust and noise targets for metal and non-metal mines. The target for respirable coal dust was not reached, as the percent of samples exceeding standards rose to a level not seen since FY 2002. This result is in part attributed to a significant increase in production in response to higher energy prices and revisions to the coal sampling procedures to be more representative of today's production level conditions.

Pam, mine owner and operator, did not realize the importance of first aid training MSHA asked her to take. Pam operates a small mine, frequently running the mine's large front end loader herself. On December 31, 2005 her husband Curtis choked on a piece of food, resulting in a complete obstruction of his airway. Within seconds he collapsed to the floor and Pam realized she must act quickly. She immediately implemented the MSHA-required first aid training that she had recently taken at the American Red Cross. Pam and Curtis live in a remote area where emergency medical service is more than 40 minutes away. Due to her recent training, Pam was able to save her husband's life. Pam stated that her husband would have died that night if she had not known immediately what actions she needed to take. Pam and Curtis credit the Southeastern District MSHA inspector Billy, and state that "this type of training is not only important at the mine but as in this case can benefit everyone."

Photo Credit: Judith Etterer

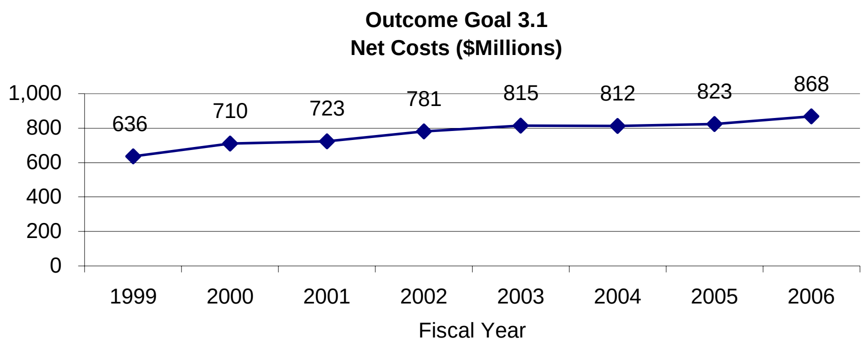
[22] In FY 2005, MSHA and OSHA shared performance goals for which costs could not be separated (see next note).

[23] The same activities contribute to reductions in both injuries and fatalities, so costs are not separable between OSHA's two performance goals.

The workplace fatality rate decreased slightly, but OSHA had targeted a significant reduction, so the goal was not achieved. Data show that both the number of deaths and the fatality rate have been fairly constant for at least six years. A substantial and disproportionate percentage of deaths still occur in the construction industry. The safety and health goal was achieved. The estimated days away from work case rate equaled its target, continuing a steady four year-decline. Contributing to this success are OSHA's cooperative programs, such as the Voluntary Protection Programs (VPP). In FY 2006, an evaluation of the VPP program concluded that injury rates at the VPP sites declined from the inception of the decision to participate in the VPP through to their full participation.

Net Cost of Programs

FY 2006 program costs of $868 million, which supported MSHA and OSHA programs to reduce worker fatalities, injuries, and illnesses, is five percent higher than FY 2005 costs of $823 million. Cost containment efforts, including operating and administrative efficiencies, have kept safety and health compliance assistance and enforcement costs relatively flat for the last several years.



Future Challenges

In the Department's FY 2006-2011 Strategic Plan, MSHA combined its safety and health goals and OSHA combined its fatality and safety and health goals. Both are part of the new *Safe and Secure Workplaces* goal (still Goal 3). Prominent in MSHA's immediate plan is to successfully implement the MINER Act of 2006, which is the most significant mine safety legislation in 30 years. The Act requires each underground coal mine to have an up-to-date emergency response plan; to have experienced rescue teams, each with a one-hour response time; and to be equipped with wireless two-way communications and electronic tracking systems within three years. It gives MSHA the authority to request an injunction to shut down a mine in cases where the mine operator has refused to pay a final MSHA penalty, and raises criminal and civil penalty caps dramatically. DOL will continue expanding its active partnerships with industry, labor, and equipment manufacturers in order to identify and evaluate new technologies for their potential to strengthen miners' health and safety, reduce accidents, and strengthen mine rescue efforts. Outreach efforts will address priority issues, and MSHA will ensure that its training specialists and technical support personnel are readily accessible to assist the mining industry in its efforts to mitigate hazards.

OSHA will continue to protect the safety and health of America's workers through a balanced approach utilizing enforcement and compliance assistance. Regulations and standards will continue to be developed or revised under the agency's focused regulatory agenda. DOL will continue to direct inspections and outreach at establishments and industries with the highest injury, illness, and fatality rates and will respond to complaints of serious workplace hazards. Since construction fatalities occur more than six times as often as all workplace fatal incidents, OSHA is addressing the growth in the construction field of immigrant and non-English speaking workers and workers in hard-to-reach work sites via a new Voluntary Protection Program for Mobile Workforce in Construction. OSHA is also further implementing its Enhanced Enforcement Program, which focuses on employers who repeatedly ignore safety and health obligations and targets inspection resources where they can have the greatest impact.

Outcome Goal 3.2 – Foster Equal Opportunity Workplaces

The Department is committed to fostering workplaces that provide equal opportunities to all working Americans. DOL pursues this commitment through two performance goals addressing equality in the workplace. The Employment Standards Administration's (ESA's) Office of Federal Contract Compliance Programs (OFCCP) protects the employment rights of thousands of American workers by enforcing laws and providing compliance assistance regarding equal employment opportunity in companies that do business with the Federal government.

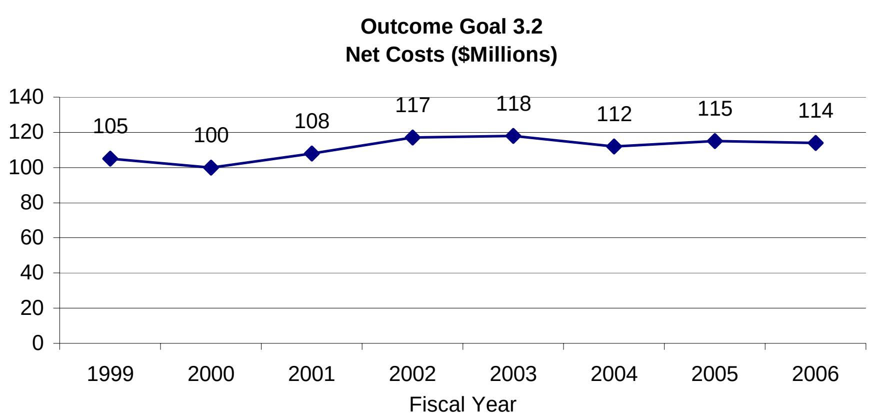
DOL's Veterans' Employment and Training Service (VETS) administers the Uniformed Services Employment and Reemployment Rights Act (USERRA), which protects the employment and reemployment rights of uniformed service members who encounter barriers in civilian employment related to their service. VETS educates employers and service members about rights established by the law and investigates complaints filed by veterans who believe their rights have been violated.

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-3.2A (ESA) Federal contractors achieve equal opportunity workplaces.	Goal achieved. Two targets reached.	$99	$97
06-3.2B (VETS) Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	Goal not achieved. One target not reached.	16	17
Total for Outcome Goal 3.2	**One performance goal achieved and one not achieved**	**$115**	**$114**

Results Summary
OFCCP exceeded its targets of reducing the incidence of discrimination and increasing compliance in all other aspects of EEO standards among Federal contractors. OFCCP believes its efforts to more effectively target non-compliant Federal contractors and utilize compliance assistance largely contributed to its continued success in exceeding its annual and long-term goals.

The USERRA goal was not achieved, despite improvement in the comprehensive Progress Index, which measures reduction of violations and meritless complaints. Claims and violations increased, primarily due to continued mobilizations and demobilizations of Guard and Reserve units fighting the War on Terrorism. Claims also increased due to the introduction of a new electronic form that enabled filing via the Internet. The improvement in USERRA performance according to the Progress Index is attributed to a significant reduction of average case processing time.

Net Cost of Programs
FY 2006 program costs of $114 million supported programs to assure that Federal tax dollars do not support workplace discrimination or discrimination in the availability of program services. Costs associated with this goal have been virtually constant for several years.



Future Challenges
Continued efforts to achieve equal opportunity workplaces will emphasize compliance assistance to inform Federal contractors of their obligations and to help them comply with requirements. In addition to vigorously enforcing compliance with Federal equal employment opportunity laws, DOL will evaluate its data collection processes and review program regulations and requirements to identify areas for improvement or reform.

USERRA plans include increasing the quantity and quality of information available on the World Wide Web for both service members and employers. DOL will also continue to work with the Department of Defense and the individual Military Services to maximize the direct delivery of information to Reserve and National Guard members and units.

Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets

Today's global economy is having an undeniable impact on the 21st Century American workforce. The well-being of American workers is increasingly tied to international stability, which is in part a function of broad-based economic prosperity. Through its complementary missions of supporting the expansion of free and fair trade and providing technical assistance grants to eliminate exploitive child labor and promote basic rights of workers, the Department's Bureau of International Labor Affairs (ILAB) strives to increase economic well-being around the world.

ILAB-supported international technical assistance programs focus on raising living standards through labor and workplace-related interventions. These programs focus on supporting initiatives to combat the trafficking and commercial sexual exploitation of children; promote education in developing countries; increase compliance with labor laws; and fulfill the Department's role in negotiating international trade agreements.

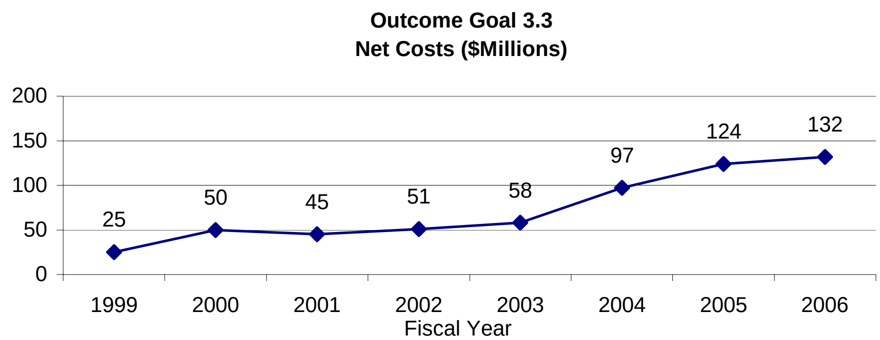
Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005	FY 2006
06-3.3A (ILAB) Contribute to the elimination of the worst forms of child labor internationally.	Goal achieved. Both targets reached.	$74	$95
06-3.3B (ILAB) Improve living standards and conditions of work internationally.	Goal not achieved. One target reached and two not reached.	43	30
Other ILAB programs		7	7
Total for Outcome Goal 3.3	**One performance goal achieved and one not achieved**	**$124**	**$132**

South-West Railway is one of the successful examples of HIV/AIDS workplace prevention programs implemented in cooperation with DOL-funded SMARTWork project in Ukraine. It employs about 70,000 workers and covers 6 regions in Ukraine, including Kyiv. In 2005, the Youth Council of the Trade Union of Railway Workers and Transport Builders of Ukraine began to work with SMARTWork to implement a pilot HIV/AIDS Workplace Education project on the South-West Railway with future plans to transfer the project to all Ukrainian railways. Through this HIV/AIDS prevention program, young trade union leaders mobilized themselves at the railway sub-divisions to unite young people and to inspire them to work towards the goal of increasing HIV/AIDS awareness among their coworkers. In the future, South-West Railway intends to increase workplace activities, making HIV/AIDS workplace prevention one of the highest priorities for workers' health. Plans include the adoption of an HIV/AIDS workplace prevention policy by the railway administration, wider use of trainers and volunteers, and adaptation of South-West Railway's HIV/AIDS workplace prevention activities for other railway networks.
Photo Credit: DOL/ILAB

Results Summary
The child labor goal was achieved. In 2006, 236,787 children were removed or prevented from exploitive work through the provision of education or training opportunities in programs funded by DOL, exceeding the target by over 20 percent. Increasing capacity to address child labor is defined by a country's legal framework, public policy, and monitoring of child labor. To this end, DOL reached its target, as DOL-funded programs increased the capacity of 53 countries to address child labor.

DOL did not achieve its goal to improve living standards and working conditions internationally. ILAB projects exceeded expectations for measures to reduce employment discrimination against persons living with HIV/AIDS. However, the target for improving beneficiaries' perception of DOL-funded projects' impact on conditions of work was not reached. Labor law improvement performance was significantly below the target due to measurement changes in one of the compliance projects.

Net Cost of Programs
FY 2006 program costs of $132 million supported ILAB's efforts to reduce the worst forms of exploitive child labor internationally and to address core international labor standards issues. The growth in spending since FY 2003 is attributable to increased budget authority from FY 2001-03 that was largely expended via grants to foreign entities. ILAB grants traditionally have their highest expenditures two to three years after grants are obligated.



Future Challenges
Key strategies for ILAB include research, monitoring and reporting on international labor developments, including the labor dimension of U.S. trade and investment agreements, the application of labor standards, and exploitive child labor in foreign countries; policy development and representation in the negotiation of trade agreements, in international organizations such as the International Labor Organization and the Organization for Economic Co-operation and Development, and at international forums where labor issues are addressed.

Reduce Mine Fatalities and Injuries

Performance Goal 06-3.1A (MSHA) – FY 2006

Reduce work-related fatalities and injuries.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Mine industry fatal injury incidence rate (per 200,000 hours worked)	.018	.021	**.026****	**N**
Mine industry all-injury incidence rate (per 200,000 hours worked)	3.93	3.13	**3.65****	**N**
Cost (millions)	–	–	**$223**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated (3rd Qtr.)			**Goal Not Achieved**	

Program Perspective and Logic

The purpose of the Mine Safety and Health Administration is to enforce the Federal Mine Safety and Health Act of 1977 and the Mine Improvement and New Emergency Response (MINER) Act and their implementing regulations. The MINER Act was signed into law by the President on June 15, 2006, and it is the most significant mine safety legislation in nearly 30 years.

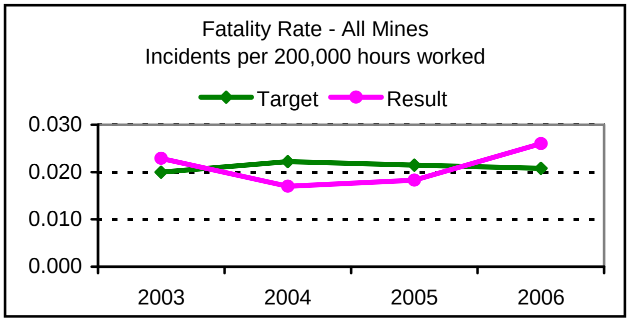
The MINER Act builds upon MSHA's efforts to improve mine safety and calls for the modernization of safety practices and development of enhanced communication technology. It requires each underground coal mine to develop and continuously update a written emergency response plan which includes making available two experienced rescue teams capable of a one-hour response time. Underground coal mines will be required to have wireless two-way communications and electronic tracking systems in place within three years. The MINER Act gives MSHA new enforcement authorities, including the authority to request an injunction to shut down a mine in cases where the mine operator has refused to pay a final MSHA penalty. The Act also raises the criminal penalty cap to $250,000 for first offenses and $500,000 for second offenses, and establishes a maximum civil penalty of $220,000 for flagrant violations of the Mine Safety and Health and MINER Acts.

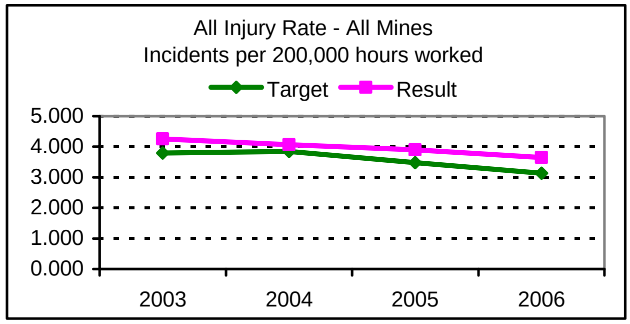
MSHA's performance indicators assess effectiveness of assistance to miners and mine operators in attaining safer workplaces. Incidence rates, which measure the number of fatalities and injuries per 200,000 hours worked by miners, are used by MSHA to report on performance because they reflect not only the number of fatalities and injuries that occur each year but also the amount of time miners are exposed to potential hazards. In establishing performance targets, MSHA considers factors such as the increased demand for coal and the consequent opening of new mines and re-opening of previously inactive sites, which create new work environments and safety challenges. The fatality rate target (.0208) represents an eight percent reduction from the FY 2003 baseline (.0229) and was selected as an ambitious but potentially attainable goal. The all-incidence injury rate is a calculation of all mining injuries and fatalities per 200,000 hours worked at mining facilities. The all injury target represents a 38 percent reduction from the FY 2000 baseline of 5.07.

Analysis and Future Plans

MSHA did not achieve the goal. From FY 2003 to FY 2005, fatalities in the mining industry declined to the lowest levels since 1910 when statistics were first recorded. The all-injury incident rate also dropped in that same time period. These were outstanding achievements. However, in January 2006 the nation witnessed the tragedies at the Sago Mine and Alma Mine in West Virginia and the Darby Mine in Kentucky which claimed the lives of 19 miners. These incidents are the primary cause for the fatality rate increase in FY 2006. Although the target was not reached, the all-incidence injury rate dropped for the third year in a row in FY 2006 to 3.65.

MSHA initiated comprehensive accident investigations for the incidences at the Sago, Alma, and Darby mines, which will include an evaluation of potential causes and mine operator compliance with health and safety standards. In addition, MSHA issued an emergency temporary standard to strengthen mine safety practices in four key areas: Self-Contained Self Rescue Devices, lifelines, training, and accident notification. The MINER Act of 2006 will build upon MSHA's efforts to improve mine safety nationwide. Future plans include successfully implementing the MINER Act while continuing to remain vigilant in its safety and health efforts. Strong enforcement will be supplemented by helping mine operators understand the law and how to comply with the law's requirements.





PART, Program Evaluations and Audits

The Program Assessment Rating Tool review of the MSHA program in 2003 produced a rating of Adequate. The improvement plan includes continuing targeted enforcement and compliance assistance actions at high-risk mines beyond the requirements of the Mine Act with initiatives such as the Cooperative Accident Reduction Effort, analyzing the costs and benefits of major regulatory alternatives in the agency's Regulatory Impact Analyses for proposed regulations, and developing efficiency and cost-effectiveness measures for a larger percentage of the agency's program activities.

In January 2006, GAO was asked to submit to Congress a statement for the record, *MSHA's Programs for Ensuring the Safety and Health of Coal Miners Could be Strengthened* (Study 28 in Appendix 2). This statement highlighted findings from a 2003 GAO report on how well MSHA oversees its process for reviewing and approving critical types of mine plans and the extent to which MSHA's inspections and accident investigations help ensure the safety and health of underground coal miners. Revisions to MSHA's corrective actions may result from a GAO follow-up study now in progress. MSHA is developing its response to the GAO recommendation to collect hours by independent contractors at the mine level and to develop a plan to improve services to independent contractors as a part of its plan to implement the MINER Act.

Two recent OIG audits addressed MSHA's oversight of its Coal Mine Safety and Health Program. *Coal Mine Hazardous Condition Complaint Process Should Be Strengthened* (Study 29 in Appendix 2) addressed MSHA's coal mine hazardous condition complaint process and recommended that the process be strengthened. The OIG also issued a Management Letter regarding MSHA's accountability program (*MSHA Accountability Program: Coal Mine Safety and Health*, Study 30in Appendix 2). Normally, the OIG provides a Management Letter in conjunction with an accompanying audit report. However, the OIG issued this letter in advance of its completed ongoing audit to assist MSHA with the reviews it is currently conducting. To address the letter's one open recommendation, MSHA is drafting a policy memorandum to require that mine visits are included in all Headquarters Reviews and the District Peer Reviews include visits to a percentage of mines selected for review.

Data Quality and Major Management Challenges

Data quality for this goal is rated Good. The data for fatality and the all-injury rate are calculated by dividing the number of fatalities and injuries times 200,000 hours worked by actual hours worked at mines. Mine operators are required by regulation to submit, either electronically or manually, information on all injuries and fatalities as well as data on the number of hours worked at mines.[24] Information quality assurance is maintained through the use of built-in edit checks of the data at the electronic and manual points of data entry as well as through audits conducted by MSHA enforcement personnel of accident, injury, and hourly data.

Ensuring the Safety and Health of Miners is a Major Management Challenge (MMC) for the Department (see item VII in the MMC section of the Executive Summary). MSHA has an initiative in place to replace the mine inspectors who will be retiring in the near future. MSHA has developed and implemented systems that ensure that mine

[24] Certain independent contractors are exempt from reporting employment and injury information if they participate in "low hazard" mining activities as defined by MSHA policy. Non-exempt contractors report employment information for aggregate work locations, not by individual mine site.

operators and contractors comply with the Mine Act including the Mine Plan Approval Database which enables headquarters to monitor the timely submission and approval of all required and optional plans including critical ventilation and roof control plans; and the Hazardous Condition Complaints Database which tracks hazardous condition complaints from receipt to investigation and resolution for complaints received by online, telephone, written or verbal submissions. Headquarters and district management can monitor daily activities to ensure that complaints which allege imminent danger are followed up with timely field office inspections.

Reduce Miners' Exposure to Health Hazards

Performance Goal 06-3.1B (MSHA) – FY 2006

Reduce mining-related illnesses.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	10.8%	9.5%	**12.2%****	**N**
Percent of noise samples above the citation level in coal mines	5.3%	5.0%	**4.4%****	**Y**
Percent of silica dust samples with at least 50% of the permissible exposure limits in metal and non-metal mines	16.3%	17.1%	**19.3%****	**Y**
Percent of noise samples with at least 50% of the permissible exposure limits in metal and non-metal mines	20.9%	21.9%	**24.3%****	**Y**
Cost (millions)	–	–	**$125**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated (3rd Qtr.)			**Goal Not Achieved**	

Program Perspective and Logic

The MSHA program also ensures compliance with regulations to prevent serious occupational illnesses and health hazards in the mining industry. Overexposures to respirable dust and noise are significant health concerns in the mining industry. Health issues such as lung diseases and impairment of respiratory function among miners caused by respirable coal mine dust, silica-bearing dusts, asbestos, diesel exhaust, and toxic chemicals remain pervasive, but preventable. Noise exposures above regulatory standards could lead to permanent loss of hearing. MSHA is committed to strengthening the protections for miners exposed to these health hazards and to reducing their incidence. Because these conditions develop gradually after repeated exposures, determining the rate at which miners are overexposed to respirable dust and noise is a proxy measure of future miner health. Reducing miner exposure to well-known health hazards in the near term, MSHA believes, contributes to the longer term goal of reducing the incidence of black lung disease, silicosis, and hearing loss.

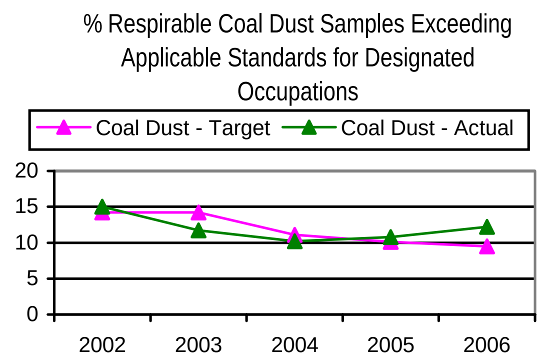
There are two sets of health indicators for this performance goal, including two indicators for coal mines and two indicators for metal and non-metal mines. The coal mine health indicators assess MSHA's performance in reducing miner overexposures to respirable coal mine dust and noise. For the coal mine health program at MSHA, targets are set for decreasing the percent of respirable coal mine dust samples exceeding the applicable standards for designated occupations and the percent of noise samples above the citation level in coal mines. By reducing the number of miner overexposures to coal dust and noise, the future health of the coal miners is better protected. Six years ago, MSHA issued a uniform rule for coal and metal/non-metal mining industries so that all miners, regardless of the commodity in which they work, are protected from occupational noise. The noise standard is performance-based; mine operators can install and implement controls to fit their needs and comply with the provisions of the regulations. The regulation also recognizes the importance of engineering or administrative controls, or a suite of controls, to minimize miners' occupational noise exposures and to achieve compliance.

For the metal/non-metal mine program MSHA undertook an internal process improvement for sampling practices of MSHA inspectors. This goal is for the metal/non-metal MSHA inspectors to identify more silica and noise hazards and near hazards in the short term. By finding more areas that need improvement, metal and non-metal mine operators will be provided with appropriate notice and will be able to initiate abatement and personal protective actions and improve health of the miners in this way.

Analysis and Future Plans

MSHA did not reach its target for reducing coal miners' over-exposures to respirable coal mine dust. The agency has set ambitious targets for reducing miner exposure to coal dust since FY 2002 and targets further reduction to a low of

6.9 percent in FY 2011. Reduced exposure to coal dust reduces the miners' risk of developing black lung disease. The attainment of this target is complicated by many factors, including increased coal production due to high natural gas and oil prices. Coal production in the U.S. for the first three quarters of FY 2006 alone was 864 million tons, which exceeded the entire FY 2005 production of 846 million tons. MSHA has revised its sampling procedures to be more representative of today's production level conditions. This strategy is intended capture the increased number of new sampling entities with inadequately verified dust control parameters that came on line to meet the increased production demand. It is also intended to capture the higher dust generation rates produced in more difficult mining conditions. To achieve this ambitious goal, MSHA will examine respirable coal mine dust overexposures, trends, and operations plans to promote adequate controls.



MSHA reached its target for reducing noise samples above the citation level for coal mines. The U.S. coal mining industry overall has made significant progress in controlling occupational noise since the implementation of the noise rule in FY 2001. Benefits include reduced workers' compensation costs, better running equipment, improved working conditions and productivity, and satisfied employees who do not suffer from hearing loss.

Strategies for achieving MSHA's health goals include making the technical support program – which applies scientific and engineering solutions to mitigate hazards – available to mine inspectors and mine operators. Education and training for the mining industry is also crucial to the reduction of miner illnesses. MSHA will be working to continue to ensure that its training specialists and technical support personnel are readily accessible to the mining industry.

Joe is a Virginia coal miner with an outstanding safety record – thirty-five years in coal mining without a single lost time accident. In recognition of this accomplishment, MSHA's Coal District 5 Manager Edward Morgan presented Joe with a Certificate of Appreciation from MSHA. Because this was such an extraordinary achievement, Joe was also presented with a Certificate of Honor at the April 13, 2006 regular meeting of the Lonesome Pine Council of the Joseph A. Holmes Safety Association.
Photo Credit: DOL/MSHA

PART, Program Evaluations and Audits
See discussion in Performance Goal 3.1A.

Data Quality and Major Management Challenges
Data quality for this goal is rated Good. MSHA safety and health compliance specialists conduct dust and noise sampling in accordance with established written procedures. While data for some health indicators lacked timeliness in the past, MSHA has worked diligently to correct this issue. Over the past year, MSHA has implemented more rigorous sampling protocols to concentrate resources on the higher risk occupations by identifying and controlling mining conditions where excessive silica exposures in metal and nonmetal mines are more likely to occur. In addition, the metal and non-metal data indicators have been recently revised to enhance their use by the agency and to assist the public in drawing conclusions about program performance.

Reduce Occupational Fatalities

Performance Goal 06-3.1C (OSHA) – FY 2006

Reduce work-related fatalities.

Indicators, Targets and Results[25]	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Workplace fatalities per 100,000 workers (for sectors covered by the Occupational Safety and Health Act)[26]	1.71	1.47	**1.73****	**N**
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated				**Goal Not Achieved**

Program Perspective and Logic
The Occupational Safety and Health Administration (OSHA) aims to promote employee safety and health in the United States by working with employers and employees to create safer working environments. As the agency celebrates its 35th Anniversary, it is proud of its long-term record of reduced injuries, illnesses, and fatalities. A strong, fair, and effective enforcement program establishes the foundation for OSHA's efforts to protect the safety and health of the nation's employees. As a complement to its enforcement program, OSHA seeks to assist employers through compliance assistance. The agency strategically focuses its enforcement resources on sites in more hazardous industries. Additionally, outreach, education and compliance assistance enable OSHA to play a vital role in preventing on-the-job injuries, illnesses and fatalities.

Falls continue to be a leading cause of construction fatalities. Falls from roofs and through roof openings produce a significant number of construction fatalities. Employees doing roofing work must contend with unprotected sides, edges and through roof openings while working on slightly to steeply sloped surfaces. Weather conditions confound the employee attempts to find secure footing. Wind, rain, ice, snow, and dust all affect the employees' ability to see the walking working surface and to achieve stable footing. Loss of footing on a residential roof can result in an outright fall through a hole in the roof (as for a skylight or dormer), over the eaves, or rake edge. The same loss of footing can result in a long slide down the roof and over the eaves followed by a fall to the ground. The employee pictured is wearing a full body harness, which is attached to a lifeline running from the self-retracting reel (yo-yo) anchored to the pole mounted at the roof's peak. The system allows freedom of movement at normal speeds but locks like an automotive seatbelt within two feet if the employee accelerates too quickly as in a fall or slide. In addition, the employee is wearing head protection and sturdy work footwear necessary for placing the roofing tile and doing this kind of roofing.
Photo Credit: DOL/OSHA

External factors affecting performance include changes in the economy and employment, emerging and new technologies, and workforce characteristics. The entirety of OSHA's budget is directed towards achieving the outcomes of reducing workplace fatalities and injuries and illnesses. OSHA helps reduce on-the-job deaths by intervening at the workplaces where it has evidence that fatalities are most likely to occur and by responding to reports about potentially life-threatening workplace hazards. OSHA uses fatality data from its Integrated Management Information System (IMIS) to track fatalities, looking for emerging fatality patterns in order to focus

[25] Costs are not shown for OSHA's two performance goals because the same activities contribute to reductions in fatality and injury/illness indicators, i.e., their costs are not separable.
[26] For target setting and reporting, OSHA uses a three-year moving average to smooth year-to-year fluctuations. The result provided for FY 2006 is calculated using data for July 2004 – June 2006.

interventions and implement national and local emphasis programs. Using FY 2000-2002 as a baseline, OSHA set a challenging goal to reduce workplace fatality rates by 15 percent by 2008. The FY 2006 target is a nine percent reduction from the baseline and the result is an estimate of the average fatality rate for FY 2004-2006 (see table below).

Analysis and Future Plans
The goal was not achieved. Based on the most recent data, DOL estimates a slight decrease in the workplace fatality rate – from 1.75 in FY 2005 to 1.73 in FY 2006 (see following table). However, the estimated three-year average rate of 1.73 is an increase over the corresponding FY 2005 average of 1.71and falls short of the target of 1.47. Total fatalities and the fatality rate have been increasing slightly. As shown in the table, a substantial and disproportionate percentage of deaths are in the construction industry. OSHA is working to enhance fatality analysis and statistical modeling capabilities to plan specific interventions to address particular types of fatalities.

Estimating Year (July-June)	Construction Fatalities	Construction Employment (thousands)	Construction Fatality Rates	Total Fatalities	Total Private (Nonfarm) Employment (thousands)	Total Fatality Rates
2000	736	6,704	10.98	1,729	109,989	1.57
2001	749	6,823	10.98	1,846	111,368	1.66
2002	744	6,774	10.98	1,773	109,524	1.62
2003	741	6,694	11.07	1,827	108,528	1.68
2004	784	6,840	11.46	1,849	108,913	1.70
2005	808	7,128	11.34	1,940	110,744	1.75
2006	802	7,419*	10.81	1,943	112,563*	1.73
2000-2002 BASELINE	**743**	**6,767**	10.98	**1,783**	**110,294**	**1.62**
2002-2004 AVERAGE	**756**	**6,769**	11.17	**1,816**	**108,988**	**1.67**
2003-2005 AVERAGE	**778**	**6,887**	11. 30	**1,872**	**109,395**	**1.71**
2004-2006 AVERAGE	**798**	**7,129***	11.19	**1911**	**110,740***	**1.73**
Data sources are the OSHA Integrated Management Information System (IMIS) for the number of fatalities and Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) for the employment data. *Indicates preliminary data.						

OSHA has been emphasizing the importance of timely input of fatality data both from OSHA's field offices as well as from State plan partners operating their own OSHA programs. OSHA believes that in addition to the benefit of having more accurate and timely fatality data, some of the recent increases to the fatality numbers result from this effort, as a greater emphasis of timely inputting of fatality data into the system. The construction fatality rate is more than six times the fatality rate for all industries. OSHA is addressing the growth in the construction field of immigrant and non-English speaking employees; and employees in hard-to-reach work sites. Fall hazards continue to be an occupational safety issue. The expanding population of mobile workers also requires the agency to think of safety and prevention in a new way. To achieve the targeted reductions in fatalities, OSHA has identified and targeted sectors and hazards that require interventions and has increased its compliance assistance efforts.

In FY 2006, OSHA unveiled its Voluntary Protection Programs (VPP) Mobile Workforce Demonstration for Construction. The initiative aims to provide greater flexibility for eligibility, which will enable all qualified employers in the construction industry to apply for VPP without regard for duration of a project or worksite control.

By removing some of the barriers found in the traditional VPP, OSHA allows construction companies with mobile workforces to develop alternative safety and health management systems that are shown to provide protections equal to those found at fixed VPP worksites. At the same time, OSHA will have opportunities to explore and test appropriate modifications to VPP that will help bring the benefits of this program to the entire construction industry.

Other compliance assistance efforts are paying off. In the last three years, OSHA's trenching initiative, which aims to reduce accidents related to excavation, has shown positive results. These results include greater awareness of trenching hazards through a concentrated outreach effort. The agency is also undertaking a new residential fall protection initiative. Additional efforts include local and special emphasis programs that aim to prevent accidents and illnesses by identifying workplaces in selected geographic regions or industries for inspections and compliance assistance. Also, OSHA continues to implement its Enhanced Enforcement Program, which focuses on employers who repeatedly ignore safety and health obligations. The Enhanced Enforcement Program has been a useful tool to continue to help target inspection resources where they can have the greatest impact.

PART, Program Evaluations and Audits

OSHA received a rating of Adequate in its Program Assessment Rating Tool (PART) review in 2002. In response to a PART recommendation, OSHA developed a new fatality indicator based on internal data sources and data from the Bureau of Labor Statistics. OSHA continues to address other PART findings; in addition to evaluating the agency's VPP program, OSHA has implemented peer reviews of scientific and technical data used to support new, significant regulations. The agency is also developing efficiency and cost effectiveness measures for a larger percentage of the agency's program activities, with five measures in place and two more proposed for the near future.

In 2006, OSHA conducted an evaluation to determine the efficacy of the development and implementation of its voluntary guidelines (see *Evaluation of OSHA Voluntary Guidelines* – Study 32 in Appendix 2). Prior to this evaluation, employer awareness of specific guidelines was not known, and the extent to which employers used or implemented OSHA voluntary guidelines was not well documented. Evaluation findings are being used to determine future strategies for OSHA voluntary guidelines development and promotion.

In a study concluded in April 2006, *OSHA Could Improve Federal Agencies' Safety Programs with a More Strategic Approach to its Oversight* (Study 31 in Appendix 2), GAO recommended that OSHA implement a more strategic approach to its oversight of safety programs at federal agencies. In response, OSHA has initiated a program for targeted federal agency inspections and efforts are underway to develop an internal tracking system for appealed violations. Also, OSHA is altering its data collection system to ensure regular notification of appeal status.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Excellent. Strengths of the data include accuracy and reliability. OSHA estimates achievement for this goal using actual data from July 1st of the previous fiscal year to June 30th of the current fiscal year, which is an OMB-approved estimating methodology. The agency relies on its Integrated Management Information System (IMIS) for fatality data and BLS Current Employment Statistics for employment data because data from the BLS Census of Fatal Occupational Injuries are not as timely. The IMIS and the BLS Current Employment Statistics data are complete, reliable, accurate, and verifiable. IMIS, which has numerous automated quality control and edit checks, uses a well-defined and tested protocol for counting and is the best available data source for an actual fatality count. The agency will continue to expand its capacity to measure the impact of its program on occupational fatalities, injuries, and illnesses in the sectors where it intervenes in a timely way. OSHA has initiated the development of a revised data system which can be used to evaluate activity and set strategic planning goals. In FY 2007 the agency will continue development of this system.

Collecting complete and comprehensive data on OSHA's Voluntary Programs is a Major Management Challenge (MMC) of the Department (see item I, *Improve Accountability for Performance and Financial Data*, in the MMC section of the Executive Summary). While OSHA's voluntary compliance programs appear to have yielded many positive outcomes, much of the agency's data have had limitations. GAO recommended that OSHA identify cost-effective methods of collecting complete and comparable data on program outcomes. In response, OSHA is working to collect more complete and sufficient data on voluntary programs through voluntary program refinements and to develop a new OSHA Information System by September of 2009.

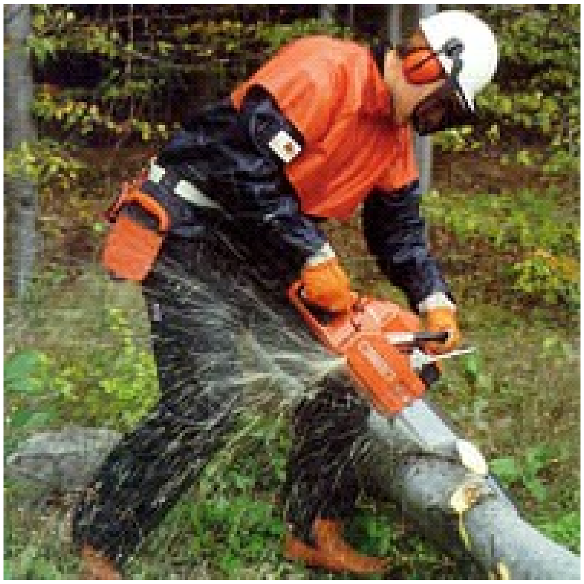
Reduce Workplace Injuries and Illnesses

Performance Goal 06-3.1D (OSHA) – FY 2006

Reduce work-related injuries and illnesses.

Indicators, Targets and Results[27]	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Days away from work cases per 100 workers	1.4	1.4	**1.4****	**Y**
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated				**Goal Achieved**

Program Perspective and Logic
The Occupational Safety and Health Administration aims to promote employee safety and health in the United States by working with employers and employees to create safer working environments. As the agency celebrates its 35th Anniversary, it is proud of its long-term record of reduced injuries, illnesses, and fatalities. A strong, fair and effective enforcement program establishes the foundation for OSHA's efforts to protect the safety and health of the nation's employees. As a complement to its enforcement program, OSHA seeks to assist employers through compliance assistance. The agency strategically focuses its enforcement resources on sites in more hazardous industries. Additionally, outreach, education and compliance assistance enable OSHA to reduce occupational injuries and illnesses, measured by the days away from work case rate.



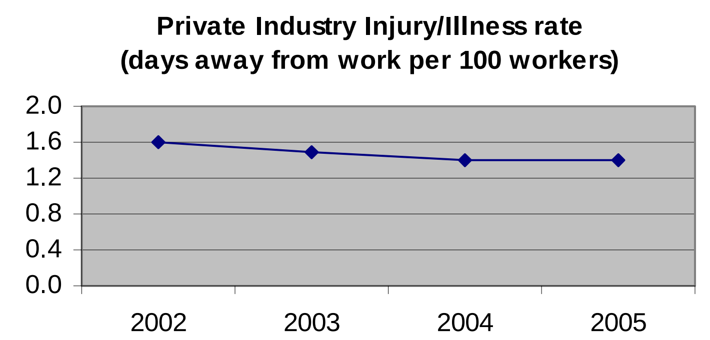
By many measures, logging is one of the most dangerous occupations in the United States. The tools and equipment used in logging, such as chain saws and logging machines, pose real hazards. As loggers use their tools and equipment, they are dealing with massive weights and irresistible momentum of falling, rolling, and sliding trees and logs. Additionally, employees are exposed to hazards such as falls, being struck by moving equipment, hazards associated with wildlife, heat stress, and lacerations and amputations from power tools. The hazards are even more acute when dangerous environmental conditions are factored in, such as uneven, unstable or rough terrain; inclement weather including rain, snow, lightning, winds, and extreme cold; and remote work sites without health care facilities. The combination of these hazards presents a significant risk to loggers, regardless of the type of timber or location. The employee pictured is performing a task called "bucking" – the cutting of felled trees into logs. He is wearing appropriate personal protective equipment for the task, such as cut-resistant leg protection, eye and face protection, hearing protection, hand protection, and sturdy footwear.
Photo Credit: DOL/OSHA

External factors affecting performance include changes in the economy and employment, emerging and new technologies, and workforce characteristics. The majority of working men and women in the nation come under the jurisdiction of Federal OSHA or Federally approved State plans (with some exceptions such as miners, transportation workers, some public employees, and the self-employed). OSHA's FY 2006 target of 1.4 days away from work case rate is part of a long-term goal of reducing the rate by 20 percent between FY 2002 and FY 2008. OSHA is committed to working with employers and employees to meet this goal, and is on track to achieve it. OSHA selected both the long-term goal and the annual target because they exceeded previous performance for injury and illness rate reductions, yet OSHA's managers believed that it would be attainable if the agency's injury and illness reduction strategies were successful. Strategies for achieving these goals include a balanced use of strong, fair and effective enforcement, outreach, education and compliance assistance, free and confidential consultation services in all states

[27] Costs are not shown for OSHA's two performance goals because the same activities contribute to reductions in fatality and injury/illness indicators, i.e., their costs are not separable.

and cooperative programs. OSHA managers track Federal inspection activity, the number of consultation visits, and new participants in cooperative programs, which include Voluntary Protection Programs (VPP), Strategic Partnerships and Alliances.

Analysis and Future Plans
The goal was achieved. OSHA used CY 2005 data, which BLS published in October 2006, as an estimate of this year's injury and illness rate. The days away from work case rate has declined over the last three years. Contributing to this success are OSHA's cooperative programs, such as the VPP. A new VPP program was approved in FY 2006 – the Voluntary Protection Program for Mobile Workforce in Construction Program referenced under Performance Goal 06-3.1C.



The most recent BLS Annual Survey of Occupational Injuries and Illnesses is used to report on performance for this goal. The 2005 data is the most recent available.

PART, Program Evaluations and Audits
OSHA received a rating of Adequate in its Program Assessment Rating Tool (PART) review in 2002. This review, as well as studies conducted by independent contractors and by the GAO that apply to both OSHA performance goals are discussed in this section of the narrative for Performance Goal 06-3.1C.

Data Quality and Major Management Challenges
Data quality for this performance goal was rated Fair. While the BLS Annual Survey of Occupational Injuries and Illnesses is the most comprehensive and reliable information currently available on national levels of injuries and illnesses, there is a nine and a half month lag in the availability of this BLS injury and illness data after the end of the survey year or calendar year. The most recently available calendar-year BLS data that OSHA uses for program management include the first quarter's data for OSHA's just completed fiscal year (October 1 through December 31 of the BLS survey year). Historically, due to the DOL production schedule for the APAR, data for this performance report lagged by two calendar years. This year is the first year that OSHA, working with BLS, is able to report on more current data.

The Survey of Occupational Injuries and Illnesses is a Federal/State program in which employer's reports are collected annually (January 1 through December 31 period) from about 176,000 private industry establishments and processed by State agencies cooperating with the Bureau of Labor Statistics. Survey estimates are based on a scientifically selected sample of establishments. Even though the data that are used for this performance measure include some employers over which OSHA has no jurisdiction and others who have not received OSHA interventions, the data are the best available for representing the impact of the full OSHA program and its influence on increased employer and employee awareness and attention to occupational safety and health issues.

OSHA will continue to improve the effectiveness of agency use of available data, with improved targeting serving as the most reasonable, cost-effective means of reducing injuries and illnesses. The agency will continue to expand its capacity to measure the impact of its program on occupational injuries and illnesses in the sectors where it intervenes in a timely way. OSHA is working with a contractor to develop a model that will use information on the impacts of various establishment-level interventions on injuries and illnesses to estimate their larger impact based on the number of interventions.

Foster Equal Opportunity Workplaces

Performance Goal 06-3.2A (ESA) – FY 2006

Federal contractors achieve equal opportunity workplaces.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Incidence of discrimination among Federal contractors	2%	6%	**1.7%**	**Y**
Compliance among Federal contractors in all other aspects of equal opportunity workplace standards	86%	64%	**87.2%**	**Y**
Cost (millions)	$99	–	**$97**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
ESA's Office of Federal Contract Compliance Programs (OFCCP) administers and enforces three equal employment opportunity laws which prohibit Federal contractors and subcontractors from discriminating on the basis of race, color, religion, sex, national origin, disability, and protected veterans' status: Executive Order 11246; Section 503 of the Rehabilitation Act of 1973; and the Vietnam Era Veterans' Readjustment Assistance Act of 1974.

OFCCP seeks to ensure that Federal contractors provide equal employment opportunity to all applicants and employees through the fair and effective enforcement of these laws. By continuing to reduce the incidence of discrimination among Federal contractors, OFCCP is able to demonstrate a positive correlation between its targeted enforcement and compliance assistance activities and its performance goal of achieving equal opportunity in Federal contractor workplaces. Budgetary resources are allocated to both enforcement and compliance assistance. Program-related strategies are shaped by the following external trends and factors: the total number of Federal contractors; company acquisitions and mergers; and turnover in the Federal contractor community. Compliance assistance efforts focus on raising contractor awareness of equal opportunity obligations and encouraging self-evaluations. The Compliance Assistance Program provides one-on-one customer assistance and easy-to-access information, including a growing number of resources and tools available online, that teach contractors how to comply with Federal employment laws.

Analysis and Future Plans
OFCCP's performance indicators track compliance evaluations of contractors, with a new group of contractors being evaluated every year. In FY 2006, OFCCP completed 4,012 compliance evaluations, of which 66 were classified as systemic violations. OFCCP exceeded its target of reducing the incidence of discrimination among Federal contractors to six percent. The 87.2 percent rate of compliance among Federal contractors in all other aspects of Equal Employment Opportunity standards also exceeded significantly the FY 2006 target of 64 percent. OFCCP believes its efforts to more effectively target non-compliant Federal contractors and to provide increased compliance assistance largely contribute to its continued success in exceeding its annual and long-term goals. Having consistently achieved these goals, OFCCP has established new, more ambitious long-term targets in DOL's FY 2006–2011 Strategic Plan in order to demonstrate continuous improvement.

During FY 2006, OFCCP focused on increasing the program's transparency while reducing the burden on the Federal contractor community and other stakeholders. OFCCP continually works to simplify regulations and reduce the information burden on Federal contractors. Since FY 2003, OFCCP has published four final rules and two notices that clarify its regulations. On September 8, 2006, OFCCP published the final rule rescinding the Equal Opportunity (EO) Survey, which failed to demonstrate its value as a tool for selecting contractors for audits. In addition, OFFCP continues to develop its performance and cost information using a logic model. OFCCP has calculated unit costs for program outputs on national, regional, and individual compliance officer basis. The program also identified cost drivers that were most likely to impact the cost of a particular activity. Outputs were selected based on the percentage of their contribution to the performance indicators. OFCCP will continue to provide compliance assistance in an effective and efficient manner with special emphasis on OFCCP's new Internet

Applicant record-keeping rule. OFCCP is working to increase the number of compliance assistance seminars and workshops provided to the Federal contractor community.

The costs for this performance goal decreased by two percent between FY 2005 and FY 2006; this is considered a minor variance.

PART, Program Evaluations and Audits

OFCCP was initially assessed through the PART in FY 2002 and was rated Results Not Demonstrated. The PART found that OFCCP could not quantify the impact of its civil rights enforcement efforts. OFCCP implemented the PART recommendations, which included developing measures to track the incidence of discrimination and level of compliance. Based on its new measures and its improved performance, OFCCP was reassessed through the PART in FY 2004. Its current rating is Adequate.

OFCCP continued progress on its PART improvement plan which included recommendations to set more ambitious targets, to review program regulations and requirements to identify areas for improvement, and to continue evaluating and modernizing agency data collection processes. OFCCP used the Departmental strategic planning process as well as completed program evaluations to address each of these recommendations. As noted in the performance analysis, OFCCP established more ambitious long-term targets using FY 2005 as a baseline. As mentioned in the preceding section, OFCCP recently published a final rule rescinding the ineffective EO Survey. By doing so, OFCCP can better direct its resources for the benefit of victims of discrimination, the government, contractors, and taxpayers.

OFCCP expects to improve the targeting of contractors engaged in systemic discrimination through more effective mathematical models. In mid-year FY 2006, OFCCP initiated a test to validate recommendations from program evaluations completed in FY 2003 and FY 2005 (*A Study to Refine the OFCCP Discrimination Prediction Model* – Study 33 in Appendix 2) that would improve their ability to select contractors more likely to discriminate for compliance reviews. These evaluations indicated that the predictive power of the U.S. Equal Employment Opportunity Commission's Employer Information EEO-1 Survey and U.S. Census data was only slightly better than selections made at random. In response, OFCCP developed different mathematical models that build upon the recommendations of the prior studies. By the end of FY 2007, OFCCP will begin assessing the effectiveness of these new modeling procedures.

OFCCP also implemented a new contractor jurisdiction verification system through the Contracts First initiative, designed to target contractors that had not been reviewed previously and to streamline further the contractor selection process. The initiative also directs more resources toward compliance. OFCCP will continue to use case history information and other databases to enhance the targeting methodology and will explore other statistical methods for identifying predictive relationships in the available data.

Data Quality and Major Management Challenges

Data for this performance goal was rated Good. Strengths of the data include its timeliness and accuracy. OFCCP's Case Management System captures performance outcome goal related activity data as data entries are made at field offices as compliance activities progress. Monthly, quarterly and yearly reports are available on all compliance activities. Using different query and categories, the data can be cross-referenced for accuracy. Given OFCCP's track record of consistently exceeding its targets, data is needed on performance areas where increased effectiveness can be demonstrated. In addition, OFCCP trend data would be more meaningful with the ability to capture those long-term improvements.

Assist Veterans' Return to Jobs After Military Obligations

Performance Goal 06-3.2B (VETS) – FY 2006

Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
USERRA Progress Index (measures compliance and assistance performance)	100%	105%	**101%****	**N**
Cost (millions)	$16	–	**$17**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated			**Goal Not Achieved**	

Program Perspective and Logic
The Department's Veterans' Employment and Training Service (VETS) is responsible for protecting employment and reemployment rights of persons who are current or former members of the uniformed services, and who encounter barriers in civilian employment related to their service. Legislative authority for protection of these rights is established by the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Over 50 percent of VETS' staff provide USERRA services, ranging from compliance assistance to employers and protected individuals to investigation of individuals' complaints alleging their rights have been violated. VETS seeks to reduce both employer violations and the filing of meritless complaints by protected individuals. The goal and associated indicators focus on resolving filed claims. Most violations and meritless complaints could be avoided with greater knowledge of the rights and protections established by USERRA. For this reason VETS has an active compliance assistance program directed to employers and members of National Guard and Reserve units to increase knowledge and understanding of USERRA's key provisions.

The two external factors having the greatest impact on achievement of this goal are the economy and increases in military active duty periods. Both of these factors cause more service members to face difficulties associated with their civilian employment or reemployment. While the economy remains steady, the U.S. war effort continues to increase Guard and Reserve active duty by significant numbers – a trend that will likely increase USERRA activity.

Goal achievement is measured using a comprehensive Progress Index that demonstrates reduction of violations and meritless complaints by consolidating indicators of cases and assistance (non-case-related contacts) using weights for each element that are determined by service priorities. It consists of seven compliance indicators and one assistance indicator. The compliance indicators are 1) Number of Guard/Reserve de-mobilized per USERRA claim filed by Guard/Reserve; 2) Number of Guard/Reserve de-mobilized per USERRA claim filed by Guard/Reserve in primary issues; 3) Number of USERRA violations; 4) Number of USERRA violations in primary issues; 5) Number of meritless USERRA claims; 6) Number of meritless USERRA claims in primary issues; and 7) Average days cases remain in VETS jurisdiction. The assistance indicator is Number of USERRA assistance contacts per Guard/Reserve mobilized and de-mobilized. Other Federal agencies that process USERRA claims are outside the scope of VETS' Progress Index: the Employer Support of the Guard and Reserve – an agency in the Department of Defense, and the U.S. Office of Special Counsel, which is conducting a USERRA demonstration project that is testing an alternate way of handling USERRA complaints filed by Federal employees.

Costs associated with this goal did not change significantly between FY 2005 and FY 2006.

Analysis and Future Plans
The goal was not achieved, although the Progress Index did increase from the FY 2005 baseline. After declining in FY 2005, claims increased by 10 percent in FY 2006, resuming an upward trend that began following the 9/11 terrorist attacks. Violations, which rose 14 percent in FY 2006, were another key factor in the Progress Index shortfall. Contributing to the increase in claims was introduction of a new electronic form that enabled claimants to

file USERRA claims via the Internet. Increasing claims made case resolution the key focus of VETS' FY 2006 USERRA efforts, taking priority over other forms of assistance. The extra attention to resolving cases led to a reduction of average case processing time from 84 to 72 days.

Both compliance and assistance efforts will continue to focus on National Guard and Reserve components because since FY 1997, they have been the source of 82 percent of all USERRA claims. This has been even more the case in recent years; in FY 2005, for example, Guard/Reserve claims accounted for 85 percent of the total. VETS expects this trend to continue and possibly increase due to mobilizations/demobilizations relating to the War on Terrorism.

PART, Program Evaluations and Audits

GAO's *Federal Management of Servicemember Employment Rights Can Be Further Improved* (see Study 34 in Appendix 2) found the multiple agencies involved in USERRA services – DOL, Department of Defense (DOD), Department of Justice (DOJ), and Office of Special Counsel (OSC) – lack reliable data on complaints and employer support, and are hampered by incompatible data systems, reliance on paper files, and a segmented process that lacks visibility. GAO recommended the agencies share information covering the entire USERRA complaint resolution process and automate complaint files. In FY 2006, DOL enhanced its USERRA Information Management System (UIMS), which became the central repository for USERRA case status reporting in October 2006. VETS is studying options to further upgrade UIMS to enable electronic case documentation files to be uploaded into UIMS case records – the first step toward a fully automated complaint file system tentatively planned for implementation in FY 2008.

Two other GAO studies of USERRA initiated during FY 2006 – one examining the USERRA Demonstration Project for Federal employer claims under the Veterans' Benefits Improvement Act of 2004 and another analyzing reemployment challenges faced by Guard and Reserve members – are expected to conclude during FY 2007.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Excellent. Strengths of the data include its accuracy, completeness and reliability. Validation and verification of UIMS data is accomplished periodically via Quality Assurance Reviews at State, regional, and national levels. UIMS data reflects official data documented in the hard-copy case records.

Reduce Child Labor in Developing Countries

Performance Goal 06-3.3A (ILAB) – FY 2006

Contribute to the elimination of the worst forms of child labor internationally.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Number of children prevented or withdrawn from child labor and provided education and/or training opportunities as a result of DOL-funded child labor elimination projects	150,708[28]	178,000	**236,787**	**Y**
Number of countries with increased capacities to address child labor as a result of DOL-funded child labor elimination projects	39	39	**53**	**Y**
Cost (millions)	$74	–	**$95**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal**	**Achieved**

Program Perspective and Logic
The Bureau of International Labor Affairs (ILAB) has worked to reduce exploitive child labor worldwide since 1993, conducting research, and funding and overseeing projects that combat exploitive child labor in more than 70 countries. ILAB's activities include reporting on various aspects of international child labor, increasing public awareness and understanding of the problem, and supporting international projects to eliminate exploitive child labor and increase access to quality basic education. ILAB's international child labor technical assistance programs are implemented through two major initiatives. First, ILAB provides support to the International Program on the Elimination of Child Labor (IPEC), a worldwide technical assistance program of the International Labor Organization (ILO), to progressively eliminate exploitive child labor. Second, ILAB's Child Labor Education Initiative (EI), originating in 2001, provides funds for international projects focusing specifically on access to and quality of basic education as a means of reducing exploitive child labor. A wide variety of organizations implement EI projects. In recent years, ILAB has increasingly focused its assistance on large-scale national programs to eliminate the worst forms of child labor within a specific timeframe. This approach integrates child labor issues into national poverty and education plans and policies.

ILAB measures the progress of all of its technical cooperation projects on two levels: community-based direct interventions benefiting individual children and families and country-level activities to build institutional capacity and strength. ILAB establishes its annual targets for its indicators through close consultations with grantees and analysis of baseline information, individual project targets, past performance and external factors.

For FY 2006, Congress appropriated $61 million to ILAB's child labor program. Seventy-eight percent of the funds directly contributed to ILAB's two performance indicators described above. Remaining funds contributed to ILAB's performance goal indirectly through administration and oversight funds, including child labor research and reporting.

Various external factors influence ILAB's targeted outcomes, such as the implementing environment of developing countries. ILAB-funded projects work in countries with diverse political, social, and economic environments. Civil unrest, natural disasters, economic shocks, frequent changes in governments, and poor infrastructure may also impact the progress of project implementation.

Costs for this performance goal increased by 28 percent between FY 2005 and FY 2006, primarily due to lags in obligating funds at the project level. Child labor projects are usually four years in length and the obligation of project funds generally increases after a one year start up phase.

[28] In FY 2005, the indicator only reflected children withdrawn or prevented from the worst forms of child labor for USDOL-funded ILO-IPEC programs only.

Analysis and Future Plans
The goal was achieved. ILAB exceeded targets for both of its performance indicators. In FY 2006, ILAB funded a total of 17 projects to combat child labor world-wide and to increase access to basic education. These projects support the Administration's foreign policy objectives of eliminating exploitive child labor and fulfilling the U.S. Government's responsibilities under international trade agreements. More specifically, the focus of projects in Africa was on supporting time-bound initiatives to eliminate the worst forms of child labor as a matter of urgency. In Latin America, the focus was on children working in urban informal sector work. In Asia, the primary focus was on anti-trafficking initiatives, bonded labor and preventing children from exploitive work as a result of the devastating earthquake in Pakistan.

In FY 2006, 236,787 children were removed or prevented from exploitive work through the provision of education or training opportunities in ongoing ILO-IPEC and EI programs funded by DOL, exceeding the target of 178,000 children. Since 1995, DOL-funded ILO-IPEC and EI projects have removed or prevented approximately 860,000 children from exploitive work and given them meaningful alternatives to child labor.

Preventing and withdrawing children from the worst forms of child labor in the long-term depends on a country's willingness and ability to address the issue and sustain the efforts even after projects end. In FY 2006, DOL-funded ILO-IPEC and EI programs increased the capacity of 53 countries to address child labor, exceeding its target. Increasing capacity to address child labor is defined by a country's legal framework, public policy, and monitoring of child labor. One example of a country that increased its capacity to address child labor is Benin, where in coordination with DOL funded ILO-IPEC and Catholic Relief Services projects, the government of Benin signed anti-trafficking legislation into law on January 30, 2006. Further, with assistance from the same projects, the Government of Benin signed a *Multilateral Cooperation Agreement to Combat Trafficking in Persons, Especially Women and Children in West and Central Africa* on July 7, 2006. Another example of a country that has increased its capacity to address child labor is Peru, where, the first *National Plan for the Prevention and Eradication of Child Labor*, with emphasis on the worst forms, was approved by the Government in Supreme Decree No. 0800-2005 and published on September 30, 2005.

While ILAB is adding indicators to measure its research, reporting and policy functions, the child labor indicators will remain unchanged in FY 2007.

DOL's International Child Labor Program is funding World Education to carry out the "OPTIONS: Combating Child Trafficking and Commercial Sexual Exploitation Through Education" project in Cambodia. The project assists children who have been trafficked, or who live in areas where they are vulnerable to trafficking for commercial sexual exploitation or other forms of exploitive labor. Children in the project are provided various types of educational assistance, including "non-formal" or catch-up educational programs for those who have not had the opportunity to go to formal schools. In this photo, young children work together on an assignment in a "non-formal" education class.
Photo Credit: Peter Pigott

PART, Program Evaluations and Audits
ILAB was assessed through the PART in 2004, receiving a rating of Adequate. A principal finding of the PART was the need for more data to assess the impact of ILAB's programs. The PART assessment also concluded that the child labor goals were outcome oriented, meaningful, and relate to the long-term goal.

In response to the PART finding and accompanying recommendation, ILAB received funding from the Department for a comprehensive study to assess its technical assistance program, effectiveness and sustainability. In FY 2006, the external evaluator analyzed project documents from 29 technical assistance projects.

ILAB, with other U.S. Government agencies, is also currently involved in two GAO studies. The first is a review of U.S. agencies' funding and implementation strategies of international basic education programs, initiated in response to a congressional mandate contained in Public Law 109-102, Section 567. At the end of the year, the GAO will have visited ILAB's child labor projects in nine countries. The second study conducted by GAO assessed the efforts of U.S. Government agencies to combat trafficking in persons. DOL's efforts on trafficking, including planning, funding, and monitoring of trafficking programs were reviewed.

At ILAB's request, the Office of the Inspector General (OIG) audited the Jesus Cares Ministries (JCM) EI project. JCM is a first-time Federal government grantee and a local, Zambian faith-based organization working to eliminate exploitive child labor. The OIG assessed JCM's compliance with US and DOL regulations and policies and helped the organization to increase its capacity to manage Federal grant funds.

ILAB is also implementing an efficiency measure to demonstrate its cost effectiveness in withdrawing or preventing children from exploitive child labor. ILAB is implementing its efficiency measure within its technical cooperation projects by requiring all project proposals for new grants in FY 2006 to meet its efficiency target. For example, project proposals of $5 million must provide direct services for the withdrawal or prevention of at least 8,600 children involved in the worst forms of child labor in order to meet ILAB's efficiency target.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Excellent. Strengths of the data include its accuracy, relevance, and completeness. ILAB grantees are required to submit semiannual project-level financial and technical progress reports including data for each ILAB indicator. ILAB also requires that grantees develop Performance Monitoring Plans specifying sources of data, method and frequency of data collection, responsible personnel, and costs for monitoring project indicators. ILAB corroborates grantee reporting through monitoring visits, project evaluations, and project audits. Many of these enhancements to data collection and verification directly respond to a PART finding identifying the need to collect more data to assess the impact of its programs.

To further ensure the quality and accuracy of its performance indicator data, ICLP continues to work in consultation with the OIG and an accounting firm to conduct independent audits of its technical assistance projects. These audits examine grantees' financial reporting, compliance with federal and DOL grant rules and regulations, and verify the accuracy of project-level performance data. ILAB scheduled 12 project-level audits in FY 2006 and an additional 19 audits are scheduled for FY 2007. A summary of the audit reports are available on the ILAB Web site at http://www.dol.gov/ILAB/grants/main.htm, and copies of the individual reports are available upon request.

Improving Life for Workers Around the Globe

Performance Goal 06-3.3B (ILAB) – FY 2006

Improve living standards and conditions of work internationally.

Indicators, Targets and Results[29]	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of beneficiaries who consider a DOL-funded project to have improved their conditions of work	83%	85%	**80%**	**N**
Percent of targeted individuals whose economic situation has benefited from DOL project assistance	60%	63%	**–**	**–**
Number of workers benefiting from compliance with national labor laws through improved inspections	3.78 million	3.80 million	**1.48 million**	**N**
Number of targeted workers reporting a reduction in HIV/AIDS risk behaviors	19,500	19,750	**–**	**–**
Number of workplaces adopting policies and procedures to reduce the level of employment related discrimination against persons living with HIV/AIDS	270	300	**459**	**Y**
Cost (millions)	$43	–	**$30**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic
The Bureau of International Labor Affairs (ILAB) seeks to ensure that the greatest possible number of workers benefit from a more open world economy. Expanding trade and investment and improving working conditions should be understood as mutually reinforcing objectives, not opposing ones – increased trade helps foster economic growth and raise living standards while promoting employment in the United States. The Department believes the creation of more open, stable economies that increase employment and standards of living for people will lead to increased political stability and security.

Various external factors influence ILAB's targeted outcomes, particularly the implementing environment of developing countries. ILAB-funded projects work in countries with diverse political, social, and economic environments. Civil unrest, natural disasters, economic shocks, frequent changes in governments and poor infrastructure may also impact the progress of project implementation. In FY 2006, the achievement of targeted results was influenced by political instability in Nepal and the Philippines. The earthquake in Pakistan also influenced performance, as it prevented field staff from continuing planned activities.

The first two indicators for this performance goal support the President's International Trade Agenda and the final indicator gauges performance of projects that support the President's Emergency Plan for AIDS Relief (PEPFAR) by promoting HIV/AIDS prevention education programs in the workplace. These indicators measure the achievement of the long term objective to improve the life of workers worldwide through international technical assistance projects. The results indicated above derive from activities financed by previously allocated project funds in the past five years. ILAB establishes its indicators for this goal through close consultations with grantees, analysis of baseline information, and past performance. ILAB will add indicators to measure its research, reporting, and policy functions in FY 2007.

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[29] Subsequent to publication of the FY 2006 President's Budget, two measures were discontinued. Due to shifting priorities and premature closing of project activities, it became apparent that ILAB would receive incomplete data to support the performance measurement, "percent of targeted individuals whose economic situation has benefited from DOL project assistance." The second measurement, "number of targeted workers reporting a reduction in HIV/AIDS risk behaviors," was no longer realistic given its complexity (estimating risk across generations) and de-emphasis in projects to which the indicator applied.

Costs associated with this performance goal decreased by 30 percent between FY 2005 and FY 2006 due to closing out of ongoing international technical assistance projects.

Analysis and Future Plans
ILAB achieved one of the three targeted results for Performance Goal 3.3B. ILAB projects increased the number of workplaces adopting policies and procedures to reduce employment-level discrimination against persons living with HIV/AIDS by 189, of which 2.8 million workers benefited. The increasing ability of the implementing organization to replicate new HIV/AIDS program and policies in subsidiaries of large partner enterprises accounted for this dramatic expansion.

ILAB did not achieve its target measuring the anticipated percentage of project beneficiaries who considered a DOL-funded project to have improved their conditions of work due to the changing portfolio of ILAB projects. In the past year, many ongoing technical assistance projects closed out. The remaining projects primarily support free trade initiatives. It is much more difficult for project activities to have an impact on the beneficiaries in their individual workplaces when the projects are now primarily working with stakeholders at the ministerial level.

The number of workers benefiting from improved labor inspections was just 38 percent of the target due to a data collection and methodology problem in one of the largest projects. ILAB is working with the project implementer to improve the data collection methodology and will adjust the target for this indicator for FY 2007.

In FY 2006, the Bureau focused on providing oversight, monitoring and closing out remaining non-Child Labor technical assistance projects and supporting the President's Trade Initiative and the PEPFAR. From the US Department of State, ILAB received $12 million in additional funding to implement projects and activities in support of the Dominican Republic - Central America - United States Free Trade Agreement and $744,050 in support of HIV/AIDS Education in the Workplace activities in Haiti and Guyana. The Department of State also provided $1.5 million in funding to ILAB to continue activities in Ukraine to support the Mine Safety and Health project and $500,000 to fund activities in Morocco, Oman, and Bahrain as part of the Middle East Partnership Initiative.

Funded through the $50 million President's Initiative to Combat Trafficking in Persons, the Combating Forced Labor program in Brazil is currently providing income generation assistance to 465 workers at risk for trafficking for forced labor. Catholic Relief Services, the implementing partner, has reached 7,448 vulnerable workers since it began in 2004. In addition to supporting trafficked victims and at-risk Brazilians, the project trains community leaders to raise awareness about the dangers of trafficking and builds the capacity of local organizations to monitor and report trafficking violations. Up to 40,000 Brazilians work in conditions analogous to slavery in the Amazon region. Given promises of a comfortable life for their families, many workers are persuaded to climb aboard trucks that transport them to jungle farms that are several days' journey from their families and cities. Rarely do the promised wages materialize and in a short time, these workers find themselves in debt to the farm that "employs" them and unable to leave their situation.
Photo Credit: Caritas

PART, Program Evaluations and Audits
ILAB was reviewed in the 2004 PART process and rated Adequate. The review is discussed in this section of the narrative for Performance Goal 06-3.3A.

ILAB is implementing two efficiency measures to demonstrate its cost effectiveness in improving labor law compliance in host countries through improved labor inspections and in improving HIV/AIDS policies and programs in host countries. In the first 6 months of FY 2006, workers benefited from improved labor inspections for $0.53 per worker and workers benefited from improved HIV/AIDS policies and program in host countries for $2.29 per worker. Together with other U.S. Government agencies, ILAB was involved in a GAO study to assess ways of enhancing US international efforts to combat the trafficking of persons. As part of the study, ILAB's efforts to reduce trafficking – including planning, funding, and program documents – were reviewed.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Good. Strengths of the data include its relevance and completeness. ILAB is working with an implementer to correct deficiencies in their data collection methodology in time for reporting deadlines in FY 2007. ILAB grantees are required to submit semi-annual project-level financial and technical progress reports including data for each ILAB indicator. ILAB also requires grantees to develop Performance Monitoring Plans specifying sources of data, method and frequency of data collection, responsible personnel, and costs for monitoring project indicators. ILAB corroborates grantee reporting through monitoring visits, project evaluations, and project audits. Areas for improvement are verification, which would require stronger quality controls for grantees, and validity, which would require examining the extent to which ILAB is capturing outcomes that directly result from their program activities.

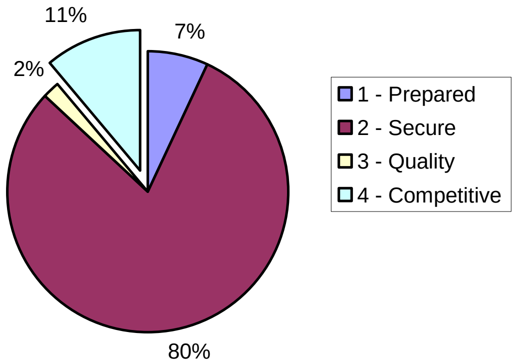
Strategic Goal 4: A Competitive Workforce

Maintain Competitiveness in the 21st Century Economy

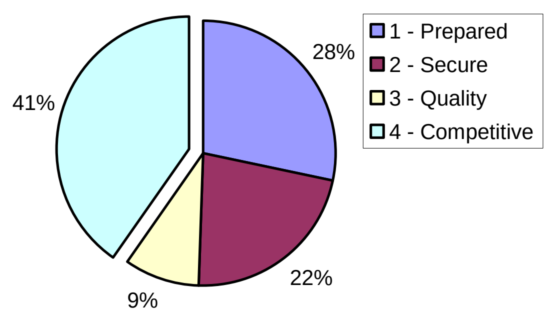
Of the eight performance goals under *A Competitive Workforce*, seven are associated with Employment and Training Administration (ETA) programs that focus on retooling the national workforce investment system to respond to needs for labor skills geared toward technological advancements and global competition. Similarly, the other performance goal under *A Competitive Workforce*, is managed by the Department's Office of the Assistant Secretary for Policy (OASP). This performance goal gauges DOL's success in retooling regulatory strategies and approaches to promote flexibility; employment laws, regulations and regulatory practices are reviewed to ensure they do not impose costs on employers without yielding corresponding benefits to the workforce and the economy.

The net cost dedicated to Strategic Goal 4 in FY 2006 was $4.889 billion. The first chart below is based on total Departmental costs of $45.328 billion; the second is based on an adjusted net cost of $12.101 billion that excludes the major non-discretionary program costs associated with Strategic Goal 2.[30] Net cost dedicated to Strategic Goal 4 in FY 2005 (restated to reflect current goal structure) was $4.943 billion.

Strategic Goal 4 - Percent of Net Cost



Percent of Net Cost Excluding Income Maintenance



This goal consists of two broad objectives – *Build a Demand-Driven Workforce System* (Outcome Goal 4.1) and *Promote Workplace Flexibility and Minimize Regulatory Burden* (Outcome Goal 4.2). Their results, costs, and future challenges are discussed below.

Outcome Goal 4.1 – Build a Demand-Driven Workforce System

The nation's future success will largely depend on a workforce that meets employers' needs for new and skilled workers. DOL is committed to making the workforce investment system responsive to the changing needs of business and to linking job seekers with opportunities in high-growth industries. Through partnerships with State and local workforce agencies, business and industry, education and training providers, faith-based and community organizations, and economic development agencies, DOL seeks to understand the skills demanded by the labor market, make strategic investments in job training and increase accessibility and quality of information that helps match workers with employers.

[30] The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment ($31.322 billion) plus disability benefit payments to individuals who suffered injury or illness on the job ($1.905 billion).

Goal (Agency) and Statement	Performance Summary	Cost (millions)	
		FY 2005 PY 2004	FY 2006 PY 2005
05-4.1A (ETA) Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act (WIA) Adult program.	Goal achieved. All three targets reached.	$906	$912
05-4.1B (ETA) Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	Goal achieved. All three targets reached.	746	791
05-4.1C (ETA) Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker program.	Goal not achieved. One target reached and one not reached.	1472	1543
05-4.1D (ETA)[31] Assist older workers to participate in a demand-driven economy through the Senior Community Service Employment Program.	Goal not achieved. Three targets not reached.	426	432
05-4.1E (ETA) Increase accessibility of workforce information through the National Electronic Tools.	Goal achieved. All three targets reached.	111	120
06-4.1A (ETA) Address worker shortages through the Foreign Labor Certification Program.	Goal not achieved. Three targets reached and one not reached.	60	46
06-4.1B (ETA) Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade who receive trade adjustment assistance benefits.	Goal not achieved. Two targets reached and one not reached.	846	700
Other (Indian and Native American Adult, National Farmworker, and Work Incentive Grants programs, Transition Assistance Program, Pilots, Demonstrations, Research and Evaluation, and H-1B Technical Skills Training)		376	345
Total for Outcome Goal 4.1	**Three performance goals achieved and four not achieved**	**$4943**	**$4889**

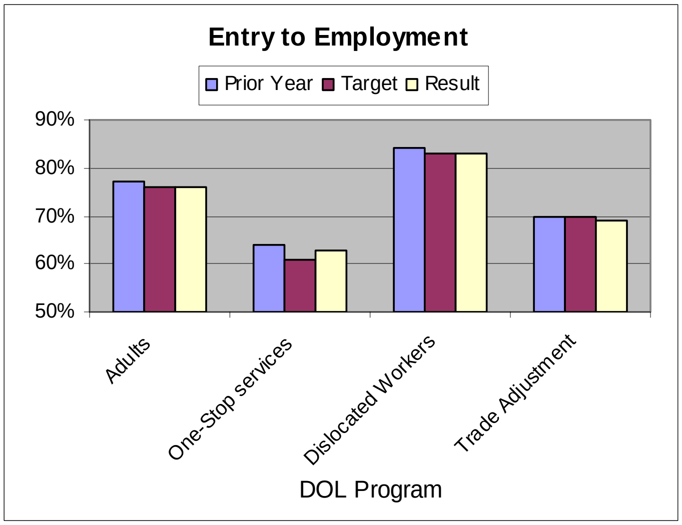
Results Summary

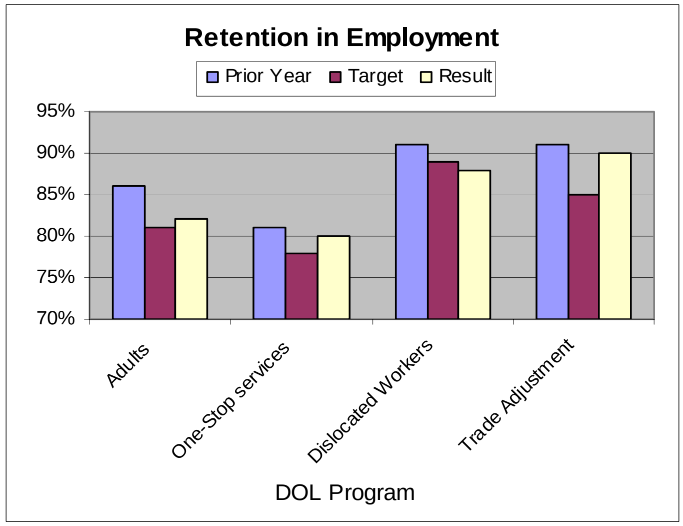
Five of the seven performance goals in Outcome Goal 4.1 are for employment and training programs whose results are measured by entered employment rate – percent of participants who obtain jobs subsequent to receipt of services – and by retention – percent of those who obtained jobs who are still employed six months later. The charts below indicate results for the previous year, plus the current year's targets and results.[32] Earnings are important, too, but results are not provided because the programs that have earnings data used different indicators. This will be resolved in the next year or so as Federal job training program common measures are fully implemented. Significant differences in results between programs are generally explained by differences in types of services offered and populations served.

The Department achieved its performance goal for the WIA Adult program. All three performance indicators reached or exceeded targets. However, entered employment and employment retention rates are lower than prior year results. The earnings change of $4044 exceeded the target and remains on an upward trajectory, reflecting an improved economy and sustained employment. One-Stop employment services entered employment and retention rates both exceeded targets for the third year in a row but were slightly below PY 2004 results, and a baseline was established for earnings change. The WIA Dislocated Worker goal was not achieved; entered employment reached the target, but retention dipped below the target and was three percentage points below the prior year's performance.

[31] In FY 2005, this goal was included in Other programs under Outcome Goal 1.1.
[32] The Senior Community Service Employment Program (Performance Goal 05-4.1D) is omitted because of problems discussed in the performance goal narrative.

This may to some extent be attributed to the change in the definition for retention, which now requires verification of employment in two periods instead of one – a factor in this year's results for many programs using common measures. Earnings change was reported under a new definition and excluded from the goal achievement calculation. The Trade Adjustment Assistance program achieved targeted levels for retention and earnings but fell just shy of the target for entered employment.



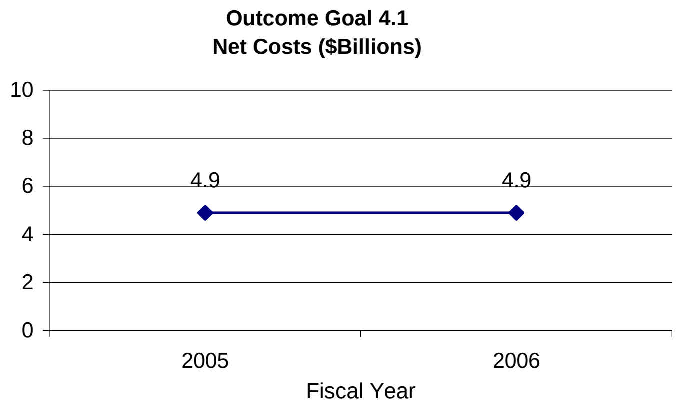


The Senior Community Service Employment Program (SCSEP) did not achieve its performance goal. None of its targets were reached – entered employment and retention due to historically unprecedented targets, and average earnings because baseline data were not collected. The Department achieved its performance goal for electronic tools, exceeding the target for increased dissemination of O*NET data and setting baselines for Career Voyages and America's Career InfoNet Web site page views. The Foreign Labor Certification goal was not achieved, but three of four targets were reached. The H-1B (specialty workers) Program processed all applications within the statutory seven-day timeframe. The permanent program significantly exceeded its target of processing 60 percent of applications within six months. The program also exceeded its processing target for H-2A (temporary agricultural) but not for H-2B (temporary non-agricultural).

When Jerry was laid off from his machinist position in April 2003, he decided to make a career change. In search of more reliable employment, Jerry enrolled in the Trade Adjustment Assistance (TAA) tuition assistance program to receive training in the healthcare field. With guidance from a specialist, Jerry developed a career plan to reach his goal of becoming a health care worker. Using tuition assistance from TAA, Jerry enrolled in the Respiratory Therapy program at Illinois Central College in August 2003. With hard work and commitment to his goal, Jerry graduated in May 2005. Soon after graduation, Jerry found full-time work as a Respiratory Therapist at St. Francis Medical Center. Jerry is now self-sufficient, able to support his family and is personally fulfilled in his career.
Photo Credit: Lacy Peyton

Net Cost of Programs

Total net cost for this goal for FY 2006 was $4.889 billion – one percent less than FY 2005 net cost after restatement to include the WIA Adult, One-Stop, Dislocated Worker and several smaller programs (Other) that were moved from Outcome Goal 1.1, for comparison.



Future Challenges
To improve outcomes for WIA participants, the Department is integrating service delivery and providing workers with the right skills to get and retain good jobs with good wages. Key strategies include strengthening strategic partnerships with business and industry and the education community. The objective of these partnerships is to develop workforce solutions customized to State and local economies that use WIA resources and targeted to prepare workers for jobs with career pathways in high demand occupations and industries. Other strategies involve assuring that every individual, including individuals with disabilities, veterans, new Americans, older workers and others have access to the full array of services through the One-Stop delivery system. DOL is also examining workforce education strategies and optional arrangements that would provide greater flexibility to States and local workforce agencies to tailor services to meet the needs of their regional economies. During FY 2007, the Department will host national Rapid Response Summits and Trade Coordinators' meetings and follow-up forums that will emphasize the importance of reliable, accurate performance data in meeting the needs of dislocated workers. In addition, the Department has undertaken a multi-State study of the effects on performance of co-enrollment in the WIA Dislocated Worker and Trade Adjustment Assistance programs.

Enhancements to the SCSEP that will be pursued in the context of reauthorization of the Older Americans Act include strengthening the efforts of the workforce investment system to integrate the full spectrum of services available to older workers and increasing the range of training services that can be offered to older workers. The reauthorized program should more effectively target those most in need and provide flexibility to grantees to use other training options in addition to community service employment.

Strategies to improve labor certification programs include continuing efforts to eliminate the permanent program's backlog (applications filed and being processed under the regulation in effect prior to March 28, 2005) and to reengineer the H-2B temporary program. DOL will continue to seek legislative approval to fund application processing activities for the permanent program through an employer-paid application fee. The Department will focus on improving overall program integrity by emphasizing fraud detection and prevention and by providing employer compliance assistance.

Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden

A competitive economic environment requires a regulatory structure in which benefits of regulations exceed their costs. Many employment laws and regulations were written long ago; the applicable context for them has changed considerably, yet the rules themselves have not. DOL is systematically reviewing the regulations it is responsible for enforcing, to ensure they do not pose unnecessary barriers. In addition, DOL is conducting reviews pursuant to the Regulatory Flexibility Act of 1980 to determine if regulations have or will have a significant economic impact on a substantial number of small entities. These reviews also examine the effect on employers' compliance costs and whether the regulatory burdens of all employers, both large and small, are reduced. Performance indicators measure DOL's success in creating a more competitive economic environment through promotion and development of a regulatory structure that is congruent with the modern workplace.

Costs of achieving DOL's results in maximizing regulatory flexibility are included in the Department's regulatory agencies' costs of operations.

Goal (Agency) and Statement	Performance Summary
06-4.2A (OASP) Maximize regulatory flexibility and benefits and promote flexible workplace programs.	Goal achieved. All three targets reached.

Results Summary

DOL agencies continue to make progress on their regulatory agendas. In the course of promulgating revised regulations, agencies conduct cost benefit analyses to help assure that the regulations maximize net benefits. The following are examples of these regulatory initiatives.

- MSHA published a supplemental proposed rule that would establish new mandatory electrical safety standards for the installation, use, and maintenance of high-voltage continuous mining equipment used in underground coal mines, thereby eliminating the need for mine operators to seek petitions for modifications to use high-voltage equipment.
- OSHA conducted hearings on its intent to update a 30-year old construction standard, to address technological advances, and amend the maintenance provisions of the general industry standard.
- EBSA has proposed rulemaking that would update the regulatory requirements to allow employee benefit plan annual reports to be filed electronically.

The regulatory review and clean-up project implementation continued to update obsolete, non-substantive references in the Code of Federal Regulations (CFR) that can be accomplished without notice or comment. In the second and third quarters of FY 2006, four direct final rules affecting 51 parts of the CFR and 740 discrete regulatory changes were published by DOL to correct or remove obsolete regulatory references. Another direct final rule that will affect 10 parts of the CFR and make 330 discrete regulatory changes will be published by the end of 2006 or early 2007.

The Women's Bureau's Flex-Options for Women project encourages business owners to develop workplace flexibility policies and programs in response to the growing demand for such options in the workplace. Seven of ten Women's Bureau's Regional Offices participate – covering 27 states along with Puerto Rico, the Virgin Islands, and Guam. FY 2006 has been its most successful year to date, with 92 companies implementing or enhancing significant flexible workplace policies and programs.

Future Challenges

The Department will promote the greater flexibility desired by workers and employers. This includes examining the regulatory environment — employment-related laws, regulations and regulatory practices — in light of non-traditional work arrangements and the need to reduce regulatory burdens. In particular, some regulations written decades ago may no longer be applicable or effective; they may impose costs on employers without yielding corresponding benefits to the workforce. The shift to knowledge work will also reinforce the ongoing trend of "non-traditional" work arrangements. Over the next several years, OASP and the Department's regulatory agencies, such as the Occupational Safety and Health Administration, Employment Standards Administration and the Employee Benefits Security Administration will continue to conduct comprehensive reviews of key laws and regulations to determine their effectiveness and applicability to the new workplace.

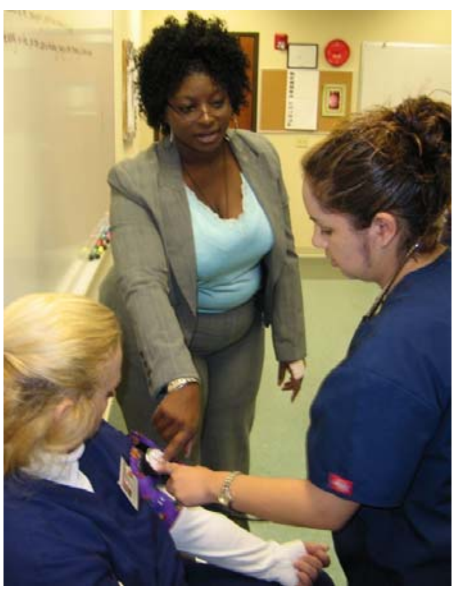
Increase Employment, Retention, and Earnings for Qualified Adults

Performance Goal 05-4.1A (ETA) – PY 2005

Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of participants employed in first quarter after program exit	77%	76%	**76%**	**Y**
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after program exit	86%	81%	**82%**	**Y**
Average earnings change for those employed in the first quarter after program exit and still employed in the third quarter after exit	$3746	$3400	**$4044**	**Y**
Cost (millions)	$906	–	**$912**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
The Workforce Investment Act (WIA) Adult program is designed to help adult workers (unemployed and employed) acquire the skills and jobs they need to compete in a global economy. WIA Adult program funds are provided by formula to States and local areas, which operate statewide networks of One-Stop Career Centers. These centers provide a continuum of comprehensive services to workers and employers. Examples of services are assessments of skills and service needs, individual employment planning, group counseling and career planning, case management and short-term prevocational services. The types of training services available to Adults are occupational skills training, on-the-job training, skills upgrading, entrepreneurial training, job readiness training, and adult education and literacy activities. States also use the WIA Adult program to leverage additional, non-Federal resources to increase the quality and variety of assistance. Through collaboration with program partners, the WIA Adult program seeks to assist individuals in their career goals, reduce welfare dependency, and improve the quality, productivity and competitiveness of the nation's workforce.



On August 26, 2005, Geovanna had a good job working as a medical assistant and a nice apartment in Jefferson Parish, Louisiana. A few days later, Hurricane Katrina left her unemployed and homeless. Before the storm hit, Geovanna made her way to Austin, Texas, where she learned about the employment services offered at WorkSource, a WIA-funded organization in Greater Austin that oversees the activities of all 28 regional Workforce Boards across Texas. She went to the nearest Career Center and was immediately connected to the WIA and National Emergency Grant programs. WorkSource staff helped Geovanna register for work using WorkInTexas.com and put together a new resume for an upcoming job fair at the Career Center. At the job fair, Geovanna was introduced to a representative from a local healthcare academy that was looking for someone with her skills. Four days later, Geovanna landed a job at the school teaching medical assisting, earning approximately $10 more per hour than her previous job in Louisiana.
Photo Credit: Leanne James

The Department uses the Federal job training common measures to evaluate the success of WIA employment and training services for adults: entered employment, employment retention, and earnings change. A high entered employment rate indicates that participants have improved financial opportunity. A high retention rate indicates stability of participants' new positions. Increased average earnings indicate that participants are getting better jobs.

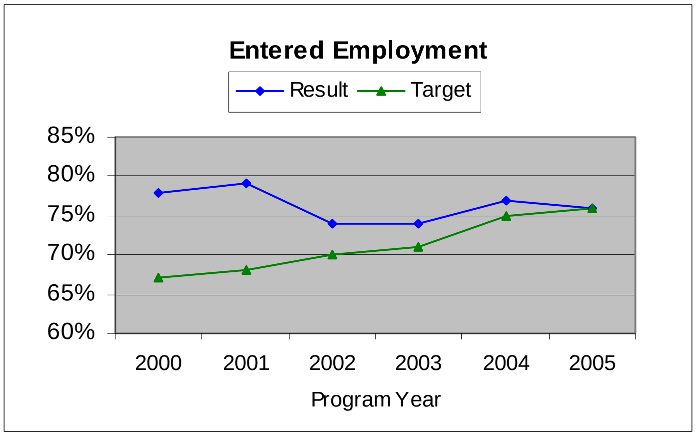
National labor market conditions strongly influence employment program outcomes. Results for the indicators associated with this goal showed continuous improvement up until PY 2005 as the unemployment rate decreased.

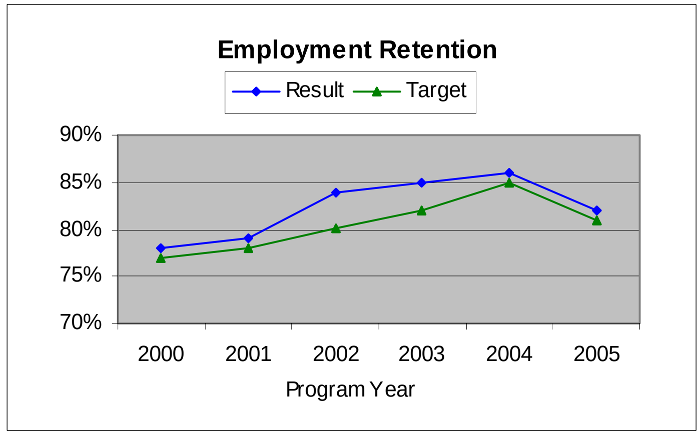
While lower than the previous year's results, the PY 2005 results did reach or exceed targets. The targets for future years build upon the PY 2005 results to drive continuous program improvement.

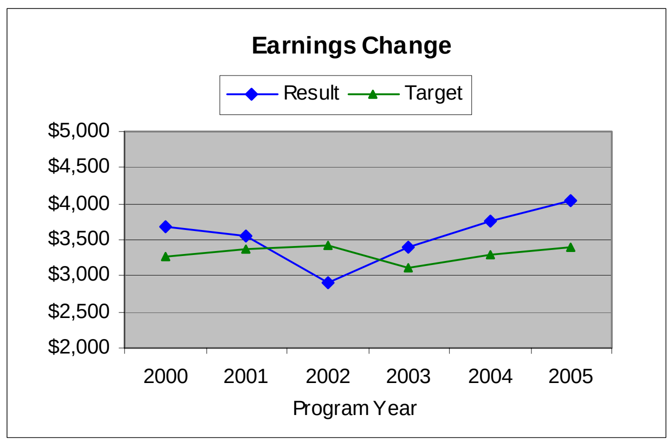
Analysis and Future Plans

The Department achieved its performance goal for the WIA Adult program. All three performance indicators reached or exceeded targets. However, the entered employment outcome of 76 percent dropped slightly from PY 2004. The employment retention rate of 82 percent is also lower than prior-year results. This change may be attributed to the change in the definition for retention, which now requires verification of employment in two consecutive calendar quarters, instead of one. The earnings change of $4044 exceeded the target and remains on an upward trajectory, reflecting both an improved economy and sustained employment.

Costs associated with this goal were virtually flat from PY 2004 to PY 2005. The average cost per participant fell from $2025 to $1323 as a result of an increase of 231,000 individuals receiving services – from 447,265 in PY 2004 to 678,012 in PY 2005.







To improve outcomes for WIA participants, the Department is focusing on integrated service delivery and new approaches to workforce investment designed to ensure workers have the right skills to get and retain good jobs with good wages. Key strategies include strengthening strategic partnerships with business and industry and the education community. These partnerships are used to develop workforce solutions customized to State and local economies that use WIA resources and targeted to prepare workers for jobs with career pathways in high demand occupations and industries. Other strategies involve assuring that every individual, including individuals with disabilities, veterans, new Americans, older workers and others have access to the full array of integrated services through the One-Stop delivery system. Finally, the Department is leveraging a wide array of non-WIA resources to maximize the impact of WIA investments and to train more workers in the skills they need to be successful.

In PY 2006, the Department will continue to provide direction and technical assistance to state and local workforce organizations in support of a flexible, demand-driven, fully integrated workforce investment system focused on helping workers develop the skills necessary to succeed in the 21st century innovation economy. The Department will encourage and support States and local areas to eliminate duplicative system infrastructures, to develop integrated service delivery strategies for the wide array of populations served through the One-Stop delivery system, and to focus job training investments on high-demand skills and occupations. In turn, this will enable individuals to successfully access career pathways leading to self-sufficiency.

PART, Program Evaluations and Audits

In 2005, the WIA Adult program was assessed under the Program Assessment Rating Tool (PART) review, and was rated Adequate. The PART improvement plan follow-up actions included conducting the Personal Reemployment

Account Demonstration to test integrated funding streams and self-directed career accounts, and making revisions to performance reporting requirements to implement common measures. In the FY 2007 Budget, the Department proposed Career Advancement Accounts to help workers more efficiently access education and training and successfully transition to the global market place, and to support workforce investment boards' efforts to streamline the One-Stop service delivery system through the elimination of outdated service delivery processes. This proposal, which is contingent on legislative action, would increase the number of workers trained, improve services by providing participants individual choice, and increase flexibility in States' use of Federal funding.

One study by the OIG (*Insufficient Federal Guidance Could Result in Misuse of Incumbent Worker Training Program Funds*) and another by GAO (*Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed*) apply to several WIA programs and are summarized in the narrative for Performance Goal 05-1.1A. More information on these studies is also available in Appendix 2, where they appear as Studies 1 and 2.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Very Good. Strengths of the data include its validity, accuracy and completeness. In PY 2004, in response to concerns raised by OIG regarding accuracy of data reported by States for WIA performance, DOL developed and implemented a data validation methodology for WIA programs (see item I, *Improve Accountability for Performance and Financial Data*, in the Major Management Challenges section of the Executive Summary). State workforce agencies used handbooks, user guides, and software developed by DOL to validate outcomes reported in PY 2003-04. DOL is in the process of revising the data validation materials and software to support accurate and reliable data reporting. In addition to data validation, which includes both report and data element validation, implementation of common measures addressed a major management challenge related to DOL programs having different definitions, such as "veteran" or timing of retention measurement. Uniform definitions for performance indicators aid understanding of system impacts. To facilitate implementation of the common measures for PY 2005, DOL revised guidance on data elements definitions.

Improve Employment Outcomes for One-Stop System Users

Performance Goal 05-4.1B (ETA) – PY 2005

Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Participants employed in the first quarter after program exit	64%	61%	**63%**	**Y**
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after program exit	81%	78%	**80%**	**Y**
Average earnings change for those employed in the first quarter after program exit and still employed in the third quarter after exit	–	Baseline	**$1580**	**Y**
Cost (millions)	$746	–	**$791**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
A fundamental underpinning of the nation's One-Stop Career Centers is the delivery of core employment and workforce information services to a universal population of both businesses and job seekers. Core services include a wide array of workforce and labor market information, career guidance products and tools, assessments, job matching and referral, reemployment services for UI claimants, targeted services for veterans and more. Funded principally through the Wagner-Peyser Act and programs administered by the Veterans' Employment and Training Service (VETS), as well as the Workforce Investment Act (WIA), these services are designed to help workers (employed and unemployed) obtain jobs and give employers access to skilled workers who will help them compete in the global economy. Providing effective employment and workforce information services that account for the uniqueness of local/regional labor market conditions and the needs of workers is the key to achieving successful outcomes for both workers and employers. Such services are provided in collaboration with a wide array of One-Stop partners and are fully integrated with other services (training, for example) available through One-Stop Centers.

Employment services are provided at no charge, with special emphasis on services for Unemployment Insurance (UI) claimants, migrant and seasonal farm workers, veterans, and businesses. We are encouraged that PY 2005 is the fourth consecutive year in which results for the indicators associated with this goal have exceeded targets. The targets for PY 2005 were higher than the targets for PY 2004, reflecting the trend of using ever-more ambitious goals to drive continuous program improvement.

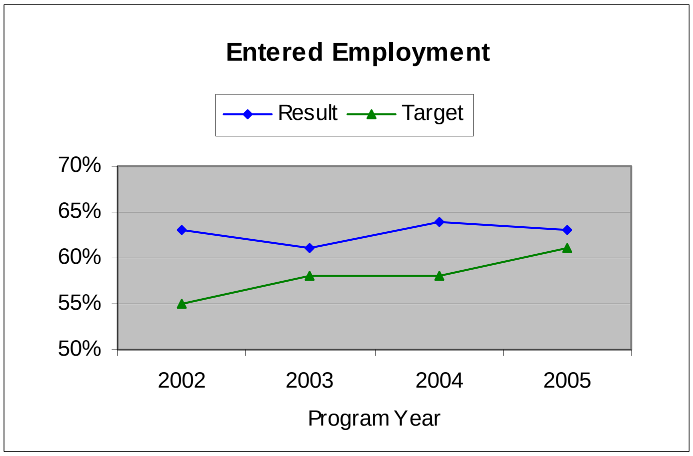
DOL uses the Federal job training program common measures to evaluate its core employment and workforce information services: entered employment, employment retention, and earnings change. A high entered employment rate indicates that participants have improved financial opportunity. A high retention rate indicates stability of participants' new positions. Increased average earnings indicate that participants are getting better jobs.

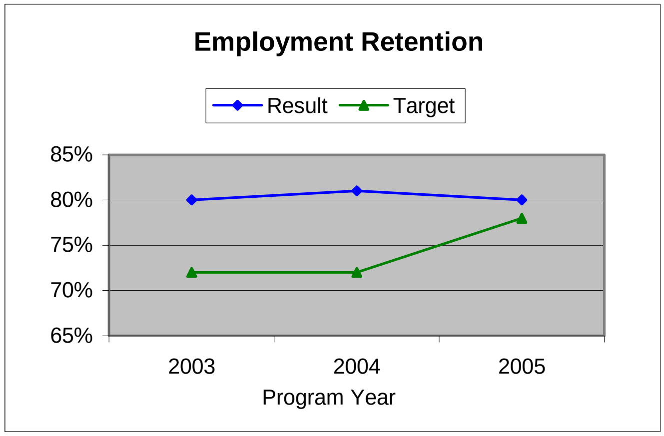
Costs associated with this performance goal increased by six percent between PY 2004 and PY 2005. Budget authority increased slightly, but most of the increase likely resulted from States' expenditure of prior years' funding because the grants provide spending authority for two years.

Analysis and Future Plans
Reports submitted by the States for the quarter ending June 30, 2006 contain four quarters of outcome data for entry into employment and employment retention for job seekers who registered and received core employment and workforce information services.[33] The entered employment rate highlights the effectiveness of the workforce system

[33] Final data for PY2005 does not include any data for Wyoming.

in meeting the employment needs of job seekers, most of whom are unemployed, as well as the workforce system's ability to match employers with high skilled workers in occupations that are in demand. Performance levels were first established for Wagner-Peyser Act funded employment services in PY 2002, hence there are four years of measured results for entered employment and three years for employment retention, which lags by six months.





For the entered employment rate, the illustration above shows that outcomes for employment services have exceeded targets in each of the past four Program Years. While the PY 2005 rate of 63 percent exceeded the target, it was one percentage point lower than that achieved in PY 2004. The 80 percent result exceeded the target but is slightly lower than the prior year outcome. This may be attributed to the change in the definition for retention, which now requires verification of employment in two periods instead of one. The earnings change, which in PY 2005 was a new indicator for employment services, was $1580.

For the third year running, the Massachusetts Department of Workforce Development sponsored the Annual Jobs First Day to help job seekers connect with employers across the Commonwealth. This one-day event featured a statewide job fair hosted by the 32 One-Stop Career Centers. Job First Day resulted in impressive turnouts with 6,500 job seekers and over 600 employers participating at the 32 Career Center locations. Recruiters representing many different industries were on hand to share information about a wide variety of available positions and interview qualified workers. Throughout the day, workshops were hosted for employers to learn about employment resources such as the state's Workforce Training Fund, tax incentives for hiring and regional labor market information. In addition to meeting prospective employers, job seekers were able to attend workshops on job search strategies, get their resumes critiqued and talk to a career counselor.
Photo Credit: Henry Soones

PART, Program Evaluations and Audits
In 2004, the Program Assessment Rating Tool (PART) review rated this program Adequate. The review found that accountability for performance results by grantees was insufficient, and that services duplicate some services offered by the WIA Adult and Dislocated Worker programs. In response, DOL accelerated implementation of the Federal job training program common measures. Separate funding streams that fund core employment services through the One-Stop system, particularly the WIA Adult and Dislocated Worker funding and the Wagner-Peyser Act funding, continue to present challenges to program performance. DOL is proposing to streamline reporting for these programs. With WIA reauthorization, DOL proposes to combine these funding streams and WIA Youth into one consolidated program to minimize duplication of services and administrative support funds.

In *Two of Illinois' One-Stop Centers Have Not Fully Implemented the Seamless Service Concept*, the OIG reported challenges and deficiencies related to One-Stop implementation (see Study 35 in Appendix 2). The State of Illinois indicated that it had already identified some of the issues identified in the OIG audit in its own reviews and was already implementing improvement strategies. The State also indicated that challenges in these two One-Stops were not reflective of overall state conditions. In another study, *The State of Texas has Effectively Implemented the One-Stop Seamless Service Concept* (Study 36 in Appendix 2), the OIG found that the State of Texas had effectively implemented a seamless One-Stop service delivery model and operational structure, and made no recommendations.

Data Quality and Major Management Challenges

Data for this performance goal was rated Very Good. Strengths of the data include its completeness and validity. In response to concerns raised by the Office of the Inspector General regarding the accuracy of performance data reported by States, DOL developed and implemented a data validation methodology for WIA programs, including employment services (see item I, *Improve Accountability for Performance and Financial Data*, in the Major Management Challenges section of the Executive Summary). State workforce agencies used handbooks, user guides, and software developed by DOL to validate outcomes reported in PY 2003 and PY 2004. DOL has updated the data validation materials and software to support accurate and reliable data reporting; details regarding the updates are available on ETA's Performance Web site (http://www.doleta.gov/Performance/Reporting/datavalidation.cfm).

Assist Dislocated Workers

Performance Goal 05-4.1C (ETA) – PY 2005

Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act Dislocated Worker Program.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of participants employed in the first quarter after program exit	84%	83%	**83%**	**Y**
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	91%	89%	**88%**	**N**
Average earnings change for those employed in the first quarter after program exit and still employed in the third quarter after exit	93%	92%**	**$461**	**–**
Cost (millions)	$1472	–	**$1543**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Target was established using a different definition – replacement of earnings prior to dislocation/layoff.			**Goal Not Achieved**	

Program Perspective and Logic

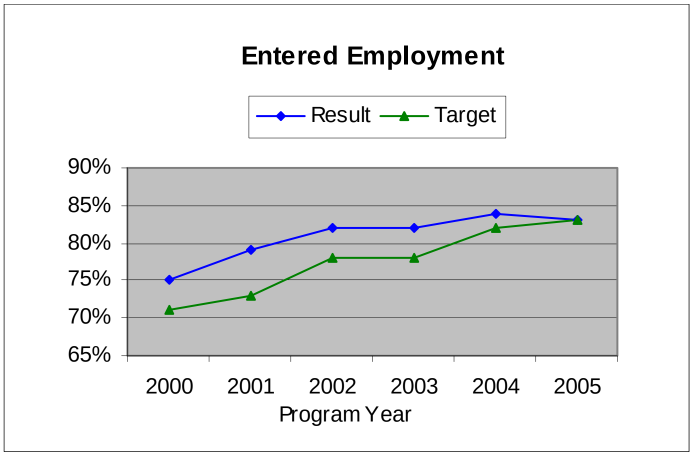
The Workforce Investment Act (WIA) Dislocated Worker program aims to quickly reemploy laid off workers and preferably to enhance their employability and earnings by increasing occupational skills. The Department allocates 80 percent of funds by formula to the States. The Secretary may use the remaining 20 percent for discretionary activities specified in the Workforce Investment Act, including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters and military base realignment and closures. This program is seamlessly integrated with other programs (such as the Wagner-Peyser Act employment services and the WIA Adult program) to offer comprehensive assistance to workers and employers at One-Stop Career Centers. The types of training services available to Dislocated Workers are occupational skills training, on-the-job training, skills upgrading, entrepreneurial training, job readiness training, adult education and literacy activities and customized training for employers who commit to hiring.

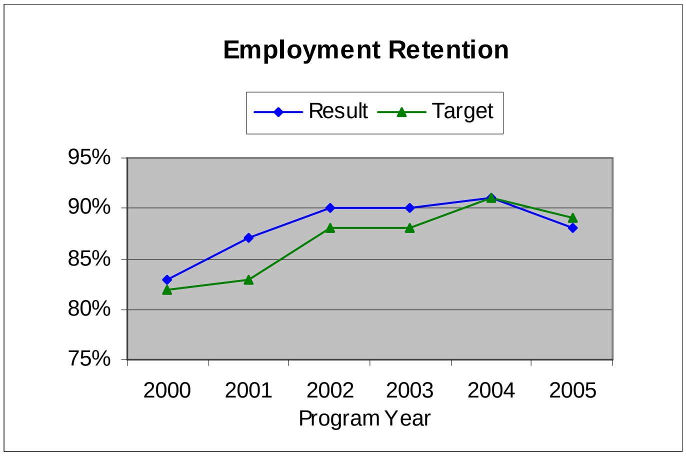
Three key indicators – Federal job training program common measures – are used to assess the program's success. The entered employment rate measures the program's effectiveness at helping participants return to work. The retention rate and earnings replacement indicators demonstrate the program's effectiveness at matching or enhancing participants' skills and abilities to fit employment opportunities. In PY 2006, ETA will measure average earnings in lieu of the earnings replacement rate to be consistent with measures for similar programs.

Analysis and Future Plans

The Department did not achieve its performance goal for the WIA Dislocated Worker program. Results for the entered employment rate have been between 82 and 84 percent for the past several years. Employment retention for dislocated workers dipped to a rate of 88 percent, below the target and down from 91 percent in PY 2004. This could be attributed in part to the change in the definition for retention, which now requires verification of employment in two periods instead of one. DOL previously reported wage replacement as the earnings measure for this population, but has recently adopted the common measures definition of earnings change. Consequently, performance against the target for this indicator is unknown.

Cost for this performance goal increased by five percent between FY 2005 and FY 2006 due to increased budget authority. Average cost per participant continues to rise, from $3505 in PY 2004 to $4610 in PY 2005, because participants served dropped by 30 percent – from 330,566 in PY 2004 to 320,204 in PY 2005. The program is projected to serve only 292,460 dislocated workers in PY 2006. To maximize resources, workforce systems are introducing innovative methods of worker preparation that are less staff-intensive. Enhancing the systems' role as labor market and career advisor will help workers and businesses make self-directed informed choices in preparing for their future. Integrating system services (such as the array of separately authorized programs for dislocated workers), further using and expanding the existing public infrastructure (such as the nationwide network of community colleges, vocational and adult education programs, and apprenticeships), as well as reducing duplication and achieving economies of scale will maximize resources and minimize duplication of services.





The Department continues to provide direction and technical assistance to state and local workforce organizations in support of a flexible, demand-driven, fully integrated workforce investment system focused on helping dislocated workers develop and upgrade their skills in order to successfully make employment transitions and obtain reemployment that supports economic self-sufficiency. The Department is working to encourage states and local areas to eliminate duplicative system infrastructures, to develop integrated service delivery strategies for dislocated workers, and to focus education and training investments on skills and occupations in demand. In turn, this will enable dislocated workers to successfully access career pathways that provide multiple opportunities for advancement.

The Department is also examining workforce education strategies and developing strategies for a regional approach to workforce development, economic development and education. In FY 2007, DOL proposed that Congress pass legislation that would consolidate the WIA Dislocated Worker Program, the WIA Adult and Youth Programs, and the Employment Service into a single grant to States for Career Advancement Accounts and basic employment services. Consolidation of funding streams would provide greater flexibility to states and local workforce areas to tailor service delivery to meet the needs of their regional economies.

Kevin lost his job when his employer announced they were downsizing. Losing the sole income for his family of six was very stressful and required many adjustments. He enrolled in the Dislocated Worker Program at the Missouri Career Center in Washington and entered a 15-month accelerated Registered Nursing Program at Barnes School of Nursing. While attending training, his wife worked, and his family received assistance through the Family Support Division and the Jefferson/Franklin Community Action Agency. Kevin also joined the Navy Reserves, which provided extra income. Notwithstanding a multitude of family health issues, Kevin graduated in August 2004 and now works at St. John's Medical Center's Intensive Care Unit, where he has also been accepted into the Critical Care Fellowship Program. He is now proudly serving in Iraq, applying his skills and defending his country. Kevin's accomplishments would not have been achieved without the support of Missouri's workforce system.
Photo Credit: Michael Waltman

PART, Program Evaluations and Audits

In the Program Assessment Rating Tool (PART) review conducted in 2002, the WIA Dislocated Worker program was rated Adequate. The review found that States and local communities have insufficient flexibility due to separate Federal funding streams and requirements, and that administrative overhead was excessive. In response, DOL issued guidance that outlined existing service provisions and funding flexibility in WIA applicable to special layoff and disaster situations.

Additionally, the FY 2007 Budget proposed to consolidate the program with three other State grant programs, and use the consolidated State grant to finance Career Advancement Accounts. This proposed program redesign would increase the number of workers trained, improve access to quality workforce education services and eliminate unnecessary overhead spending.

One study by the OIG (*Insufficient Federal Guidance Could Result in Misuse of Incumbent Worker Training Program Funds*) and another by GAO (*Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed*) apply to several WIA programs and are summarized in the narrative for Performance Goal 05-1.1A. More information on these studies is also available in Appendix 2, where they appear as Studies 1 and 2.

In December 2005, the OIG issued a report, *Alleged Violations of WIA Program and Federal Guidelines at One-Stop Center Operated by Affiliated Computer Services, Inc.*, documenting findings regarding its investigation of a complaint that a WIA program operator in Kansas mismanaged the Dislocated Worker program and funds (see Study 37 in Appendix 2). The OIG determined that the allegation was unsupported and made no recommendations.

The Department is currently conducting a study in which seven State Workforce Agencies (SWAs) are co-enrolling all of their TAA participants into the Dislocated Worker program to examine how co-enrollment affects the performance outcomes of both populations. Results are expected in 2008.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Very Good. Strengths of the data include its validity, accuracy and completeness. In response to concerns raised by the Office of Inspector General regarding accuracy of data reported by States for WIA performance, DOL developed and implemented a data validation methodology for WIA programs (see item I, *Improve Accountability for Performance and Financial Data*, in the Major Management Challenges section of the Executive Summary). SWAs used handbooks, user guides, and software developed by DOL to validate outcomes reported in PY 2003 and PY 2004. In PY 2005, SWAs implemented Federal job training program common measures. In PY 2006, the States will report on average earnings, rather than an earnings change measure, to look at participant earnings 6 months after program completion.

Provide Older Americans Service and Employment Opportunities

Performance Goal 05-4.1D (ETA) – PY 2005

Assist older workers to participate in a demand-driven economy through the Senior Community Service Employment Program.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Percent of participants employed in the first quarter after program exit	36%	55%	**37%**	**N**
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	65%	65%	**48%**	**N**
Average earnings gain for those employed in the first quarter after exit and still employed in the third quarter after program exit	–	Baseline	–	**N**
Cost (millions)	$426	–	**$432**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			**Goal Not Achieved**	

Program Perspective and Logic

Older Americans are often unemployed because they lack up-to-date skills required of workers in our rapidly changing economy. The Senior Community Service Employment Program (SCSEP) is designed to serve low income workers age 55 and older by providing job training and work experience through community based organizations and government agencies. The goal of the program is to promote self-sufficiency for seniors by placing individuals in unsubsidized employment. The program, a required partner under the Workforce Investment Act (WIA), coordinates delivery of placement and training services through the One-Stop Career Center system. The program has served over 100,000 individuals each year for the last 3 years.

The Department uses the Federal job training common measures to evaluate the success of SCSEP: entered employment, employment retention and earnings change. A high entered employment rate indicates that participants have improved financial opportunity. A high retention rate indicates stability of participants' new positions in unsubsidized employment. Higher earnings gains reflect effective assistance, especially of training services. Effective Program Year 2006, SCSEP will measure average earnings instead of earnings gain.

Costs associated with this goal did not vary appreciably from FY 2005.

Analysis and Future Plans

Clearly, targets for PY 2005 were overly ambitious; they were not updated due to delays in funding and technical problems in implementing a new data collection instrument. In other words, the PY 2004 baseline results shown in the table were not available until late in the year. Moreover, the retention rate result is insufficient to establish a target; due to the inherent lag of six to twelve months, it represents incomplete data. No data were collected on average earnings; the baseline year has been shifted to PY 2006.

As noted in the Data Quality and Major Management Challenges discussion below, PY 2005 data are reliable. Because this is effectively the baseline year for employment and retention, there is nothing to be said about trends. However, as reported performance levels are low in comparison to other employment and training programs, there is room for improvement. To increase placement of its participants in unsubsidized jobs, the SCSEP program, through its partnership with the One-Stop delivery system, will aggressively expand its network of high growth industries and employers.

In addition to the common measures, SCSEP uses seven program-specific performance indicators that measure service level, service to most-in-need, and customer satisfaction of participants, host agencies, and employers. For this last indicator, SCSEP achieved an exceptional response rate and very high scores on the American Customer Satisfaction Index (ACSI).

Emmery's experience with the Senior Community Service and Employment Program (SCSEP) began in January 2004 when he turned to Experience Works for help after exhausting all other options. Experience Works worked with him to determine his work experience and thought the Wisconsin Veterans Home in King, Wisconsin, a nursing care facility for aging or disabled veterans and their spouses, was a natural fit for Emmery's skills and interests. After six months in a subsidized position within the activities department at the Wisconsin Veterans Home, he became a full-fledged employee, working 20 hours per week and earning almost double his training wage. Through Experience Works and SCSEP, he was able to benefit from this community service placement, gain valuable new experience, and work with individuals with a similar background.
Photo Credit: Emmery Perzentka

PART, Program Evaluations and Audits
In the 2005 Program Assessment Rating Tool (PART) process, the program was reviewed as the Community Service Employment for Older Americans Program and rated Ineffective. The review found that improvements were needed in the program's competitive grant process, performance measures and performance reporting systems. In response, DOL has worked with the Congress to modernize and strengthen the grants process; implemented the Federal job training program common measures; published a proposed rule to implement the 2000 Older Americans Act (OAA) Amendments; and made performance targets more challenging.

The Government Accountability Office (GAO) report, *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, issued in November 2005, recommended that DOL design a comprehensive public awareness campaign to bridge the gap between employers and older workers (Study 39 in Appendix 2). ETA has begun conducting outreach to employers about the benefits of hiring and retaining older workers with the intention of providing more employment opportunities. ETA will continue to sponsor an annual week-long event designed to raise the awareness of employers about the benefits of utilizing older workers. These activities have resulted in improved working relationships between local projects and local employers.

At the request of the Chairman of the Senate Special Committee on Aging, who expressed concerns regarding the effects of the OAA Amendments, the Government Accountability Office (GAO) issued *Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain* in April 2006 (Study 38 in Appendix 2). The report raised concerns about the number of unresolved issues concerning the coordination between SCSEP and WIA programs in helping older adults obtain intensive and training services at One-Stop centers. In response, DOL is taking steps to establish an enhanced performance accountability system for SCSEP and modifying some eligibility criteria to target limited program funds to individuals it believes are most in need of SCSEP services.

Data Quality and Major Management Challenges
Data quality for this performance goal was rated Good. Strengths of the data include its validity and completeness. Data are collected quarterly, linked to program purpose, and are reliable and verifiable, but there are difficulties in the process of verification. The SCSEP has implemented a new Internet-based data collection system called SPARQ2, which will ensure enhanced data quality. In addition, the SCSEP is scheduled to implement a data validation system in 2007.

Better Decision-making Through Workforce Information

Performance Goal 05-4.1E (ETA) – PY 2005

Increase accessibility of workforce information through the National Electronic Tools.

Indicators, Targets and Results	PY 2004 Result	PY 2005 Target	**PY 2005 Result**	**Target Reached***
Increase number of page views on America's Career InfoNet	–	Baseline	**61.4 million**	**Y**
Increase the dissemination of O*NET data measured by site visits	3.91 million	3.87 million	**7.0 million**	**Y**
Increase the number of page views on Career Voyages	–	Baseline	**7.9 million**	**Y**
Cost (millions)	$111	–	**$120**	
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic

The State and national workforce information system supports the goal of increased accessibility of workforce information through the National Electronic Tools by creating and broadly disseminating current, local information on high growth industries and occupations that is critical for planning and delivering demand-driven workforce services. Customers include employers, state and local Workforce Investment Boards, Workforce Investment Act partner agencies, and job seekers who find these information services useful for business, economic development, education, and individual career decision-making. The workforce information system consists of:

- Occupational Information Network (O*NET) – a database of occupational competency requirements (tasks, knowledge, skills, abilities, work activities, and other characteristics);
- State workforce agency core products and services that describe state and local labor market dynamics, e.g., employment, wages, and skills in demand by industry and occupation;
- CareerOneStop national electronic tools that allow universal distribution and self-service access to workforce information, including data on wages, occupations in demand, skills held and needed, and growth industries; and
- Workforce information services provided through state workforce agencies' One-Stop Career Centers.

The CareerOneStop electronic tools, Career Voyages, and the O*NET OnLine web sites are designed to improve self-service options for customers of the workforce investment system. Resources supporting these systems are used for technical assistance and emerging occupation research, to operate the web sites, and to keep the databases current. The performance indicators gauge usefulness of the occupational information to the wide-ranging user community—business, educators, students, parents, and job changers. External factors that could affect performance are changes in public demand for workforce information or in public participation in the data collection efforts.

Costs associated with this performance goal increased by 8 percent between PY 2004 and PY 2005. This increase is consistent with normal fluctuations in spending obligated funds. Some of the increase is attributable to the development of new electronic tools – for example, tools in support of identifying skills needed for high-growth occupations.

Analysis and Future Plans

The Department achieved its performance goal for workforce information systems. The result for increased dissemination of O*NET data exceeded the target and high baselines have been set for Career Voyages and America's Career InfoNet page views. After vastly exceeding last year's target, the growth in demand for O*NET information slowed this year. It has not yet been determined whether these are the appropriate indicators to measure the performance of this activity in PY 2006 and beyond.

Baseline data for an efficiency measure for this goal will be gathered in PY 2006. The measure will be the cost per page view of the activities that are included as indicators under this goal.

Workforce system partners, employers, career counselors, and the public have recognized the usefulness and accessibility of the national electronic tools, which results in an overall increase in both new and repeat users. The list of new and recently redesigned resources that account for an increase in site visits includes tools and technology data, skills profiler, job description writer, employer locator, online coaches, and occupational profiler. The use of the national electronic tools also has become increasingly popular due to customers ever-growing familiarity with and use of Web-based resources.

Photo Credit: Laurence Seidel

When a large manufacturer declared bankruptcy and closed plants employing 6,000 workers across eight states, the company asked state employment agencies to help their workers find new jobs. In California, the State Employment Development Department created a rapid response toolkit to help frontline local agency staff serve the company's former employees quickly and efficiently. This comprehensive "how to" instruction kit for case managers, rapid response teams, and One-Stop Career Center staff outlined a step-by-step process for using information from the O*NET OnLine Web site in conjunction with labor market information to smooth the transition of these dislocated workers by linking them to alternative occupations calling for similar skills. In addition, California made the toolkit available to other states with the firm's plants to enable them to prepare customized "just-in-time" resources and professional support for clients.

PART, Program Evaluations and Audits

The workforce information system was included in the FY 2004 Program Assessment Rating Tool (PART) review of the Wagner-Peyser Employment Service grants. None of the PART findings and recommendations addressed electronic tools, which were subsequently organized as a separate program.

Data Quality and Major Management Challenges

Data for this performance goal was rated Very Good. Strengths of the data include its completeness, accuracy, and reliability. Data for the O*NET indicators are gathered and validated by internal management information systems, which complies with industry standard and norms. However, the validity of Web site hits as a measure of performance is limited. While the usability of the Web site may be inferred from increasing use of the Web site, the data does not sufficiently link the use of the tools to employment outcomes.

Address Worker Shortages

Performance Goal 06-4.1A (ETA) – FY 2006

Address worker shortages through the Foreign Labor Certification Program.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	100%	100%	**100%****	**Y**
Percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing	57%	60%	**86%****	**Y**
Percent of accepted H-2A applications processed within 30 days of the date of need where there are no pending State actions	–	95%	**97.5%****	**Y**
Percent of the H-2B applications processed within 60 days of receipt	85%	90%	**82%****	**N**
Cost (millions)	$60	–	**$46**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated			**Goal Not Achieved**	

Program Perspective and Logic

The Office of Foreign Labor Certification (FLC) reviews requests for Department of Labor certification from U.S. employers seeking to hire foreign workers on a temporary or permanent basis when qualified American workers are unavailable. Labor certifications issued by the Department then become part of the documentation supporting employers' respective petitions, filed with the U.S. Citizenship and Immigration Services, to authorize the employment of foreign workers under temporary visas like H-2A and H-2B or under permanent, employment-based visas leading to lawful permanent residency.

In the face of growing market-driven demand, the Department has taken steps to improve processing efficiency and customer service while maintaining program integrity and deterring fraud. By regulation effective March 28, 2005, the Department eliminated the duplicative, staff-intensive State role in the Permanent Labor Certification Program, permitted the electronic filing of applications via a new Program Electronic Review Management (or PERM) system, and streamlined the process by providing for pre-filing recruitment and employer attestations (rather than lengthy post-filing recruitment supervised by State agencies). The Department will continue to evaluate the PERM Program and increase outreach efforts to encourage employers to file petitions electronically.

Performance indicators tie to statutory, regulatory, or internal processing requirements for various applications; performance is tracked using quarterly data and often linked to performance standards for individual managers and analysts. Indicators for the PERM program (percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing) reflect the new, automated system and seek to measure improvement in timeliness and cost-effectiveness over pre-PERM processes.

Cost associated with this performance goal decreased by 20 percent between FY 2005 and FY 2006. Most of the $14 million drop ($10.5 million) is accounted for by a lag in recovery of H-1B fees.

Analysis and Future Plans

The goal was not achieved, but three of the four targets were reached. The H-1B Labor Condition Applications Program for highly skilled professionals (specialty workers) continues to perform at a high level; in FY 2006, the program processed 100 percent of applications – now almost always filed electronically – within the statutory seven-day timeframe. In fact, virtually all applications filed using the Department's web-based system are processed within a couple of days of receipt.

The Department continues to place a high priority on improving the overall performance of the PERM program. In FY 2006, the program processed 86 percent of applications within six months, exceeding its target of 60 percent. An automated process, strong communication between the program's national office and its processing centers, and effective resource allocation and adjustments throughout the year contributed to this strong result. The Department expects this trend to continue as the program gains additional experience with the substantive issues and filing cycles of applications filed under the reengineered program.

Similarly, the program exceeded its target for processing H-2A temporary agricultural applications. The target for the H-2B temporary non-agricultural program was not reached. Although processing times for processing these applications have significantly decreased at both the State and Federal levels, the programs have not kept pace with employer demand for H-2B workers, and as a result, some employers seeking to hire H-2B foreign workers continue to experience delays. In FY 2007, the Department will provide additional training to staff performing state-level activities related to foreign labor certification. These changes, coupled with additional attention to competence and efficiency in various parts of the process should streamline and improve overall DOL administration and accountability of the H-2B program.

Program managers continually reevaluate the type of data being collected across foreign labor certification programs to ensure the best fit between information and needs. To improve performance measurement, program analysis, and applications management, the Department will continue to enhance its reporting capabilities to the case management systems for both the permanent and temporary programs. New modules and control mechanisms currently being added to the PERM system will significantly enhance the program's ability to analyze and manage individual applications and the overall workload.

Personnel from the Chicago National Processing Center (Center) share a light hearted moment to celebrate the One Year Anniversary of the Center. Opened a year ago to process all permanent labor certification cases filed under the new streamlined program that took effect on March 28, 2005, both the Chicago and the Atlanta National Processing Centers are significantly improving the speed and efficiency of foreign labor application processing. Specifically, the Centers, which also process labor certification requests for temporary or non-immigrant programs, have greatly improved the number of employer applications for labor certification resolved within six months of filing with the use of new computer software programs and streamlined procedures.

Photo Credit: Raymundo Garcia

PART, Program Evaluations and Audits

In 2004, the H-1B and PERM programs were reviewed in the Program Assessment Rating Tool (PART) process, and were rated Moderately Effective and Adequate, respectively. Findings included fraud concerns related to both programs and a need for measures of application backlogs for the PERM program. In response to H-1B findings, DOL implemented a fraud detection module; streamlined the automated process developed for employers to submit Labor Certification Applications; and collaborated with the Departments of Homeland Security and State in a multi-agency effort to identify, address, and deter H-1B and other visa fraud. In response to PERM findings, DOL developed a new data entry and application processing system; dedicated two facilities to the task of processing PERM applications; and has begun reporting on new performance and efficiency measures that are directly related to the new PERM process.

In June, 2006, the Government Accountability Office (GAO) issued *H1-B Visa Program: Labor Could Improve Its Oversight and Increase Information Sharing with Homeland Security*, recommending that DOL improve its checks of employers' applications and that Homeland Security's U.S. Citizenship and Immigration Services include Labor's application case number in its new information technology system (see Study 40 in Appendix 2). In response, DOL has developed 26 new fact sheets to describe employer responsibilities and employee rights that will be made available on the Internet, and is working with the Department of State to provide similar information on cards issued to H-1B workers and employers.

Data Quality and Major Management Challenges

Data for this performance goal was rated as Very Good. Strengths of the data include its timeliness and completeness. The quality of data collected through the web-based case management systems, as well as the collection methods and systems themselves are continually being assessed to ensure that data are reliable, appropriate, and that it informs management. In the future, a series of improvements to data management and data reporting functions will be implemented. The web-based systems used in combination with programmed and manual checks limit the number of errors or inaccuracies in data.

In its FY 2001 report, the Office of Inspector General (OIG) first listed integrity of the foreign labor certification programs among DOL's top management challenges, and it remains on the list in FY 2006 (see item IV, *Maintaining the Integrity of the Foreign Labor Certification Program*, in the Major Management Challenges section of the Executive Summary). Fraud cases involve applications filed on behalf of fictitious companies, the fraudulent use of legitimate companies without their knowledge, and the collection of fees from fraudulent applications filed on behalf of foreign workers. DOL continues to improve overall program integrity and employer compliance. For example, a fraud detection/prevention module is planned for the new PERM system. In FY 2006, FLC contracted an independent firm to conduct an evaluation of their website, which is the primary vehicle for communicating compliance assistance information to employers and others. The appearance, content, effectiveness, currency and maintenance of the FLC website were found to be favorable. Additionally, in 2006, the Department proposed changes in regulation to reduce the incentives and opportunities for fraud and abuse related to the permanent employment of foreign workers in the United States. The Department is currently evaluating comments; final publication is scheduled for April 2007.

Help Trade-Affected Workers Find New Jobs

Performance Goal 06-4.1B (ETA) – FY 2006

Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.

Indicators, Targets and Results	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of participants employed in first quarter after program exit	70%	70%	**69%****	**N**
Percent of participants employed in first quarter after exit who are still employed in the third quarter after exit	91%	85%	**90%****	**Y**
Average percent of pre-separation earnings for those employed in the third quarter after program exit	76%	80%	**84%****	**Y**
Cost (millions)	$846	–	**$700**	
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated			**Goal Not Achieved**	

Program Perspective and Logic

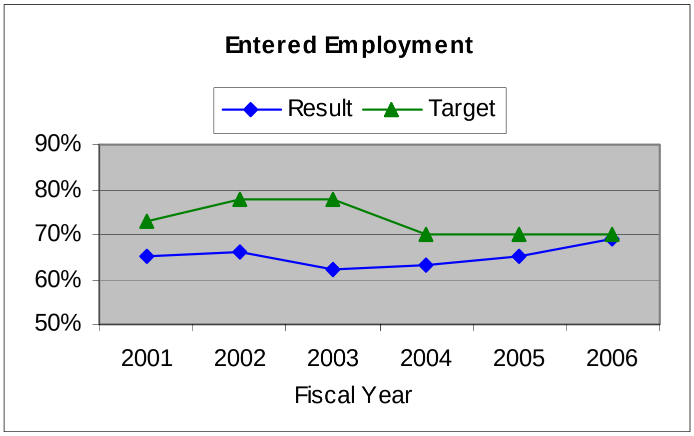
DOL's Trade Adjustment Assistance (TAA) program provides training, income support, and related assistance to workers who lose their jobs due to increased imports or shifts in production to foreign countries. TAA's goal is to return workers to suitable employment. The TAA program is one component of integrated products and services available through the nationwide network of One-Stop Career Centers, including those funded under the Workforce Investment Act Adult and Dislocated Worker programs and the Wagner-Peyser Act. The comprehensive readjustment services and benefits offered by the TAA program include job search and relocation assistance, occupational on-the-job and remedial training, income support, and the Health Coverage Tax Credit. The One-Stop system provides counseling, assessment, and placement services to TAA participants.

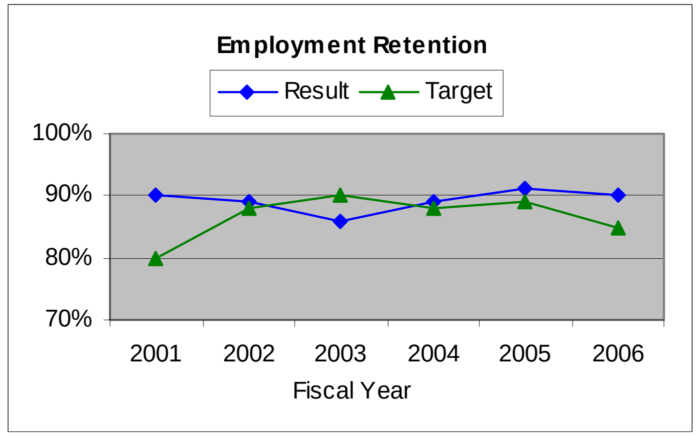
The TAA program's success in an expanding, global economy is measured by the extent to which it helps individuals to regain economic self-sufficiency by quickly securing and maintaining employment. As we move to a regional based workforce system, it appears economic factors such as available labor and the ability to adapt that human capital to new uses contribute importantly to reemployment. The three key indicators used to measure the TAA program's success are the Federal job training program common measures. The entered employment indicator tracks the program's progress in quickly returning participants to employment. The retention measure indicates whether participants who quickly obtain jobs are able to sustain employment, and average earnings serves as a measure of job quality. For FY 2006, however, the TAA program continued using earnings replacement to track the program's success at returning participants to employment at wages close to those earned prior to layoff.

Costs associated with this performance goal decreased by 17 percent between FY 2005 and FY 2006. The primary reason for the decreased cost is a reduction in demand for TAA program training services.

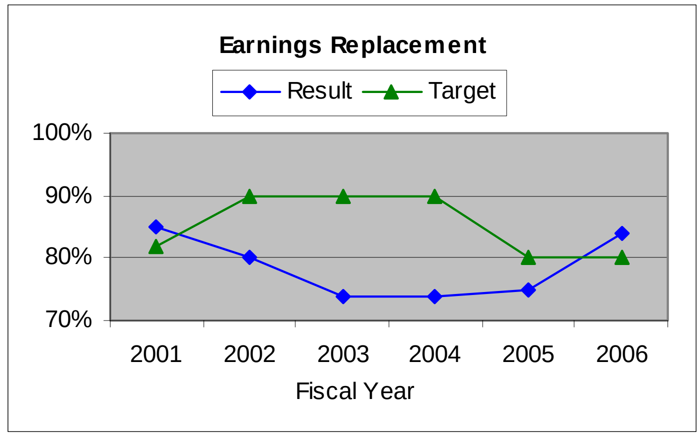
Analysis and Future Plans

Based upon data for the first three quarters of FY 2006, the TAA program is on track to achieve targeted levels for retention and earnings but appears to fall just shy of the target for entered employment. Retention results continue to exceed expectations, implying that trade affected workers who obtain suitable reemployment tend to stay employed. Improved earnings outcomes reflect the Department's efforts to integrate services to meet the needs of all trade-affected dislocated workers, ensuring that they have access to the full range of reemployment services offered through the One-Stop system, and managing funds to reach more customers. Improvements may also have been discovered via efforts to more accurately capture program outcomes (see the Data Quality discussion below).





During FY 2007, the Department will further integrate the workforce investment system by completing implementation of common performance measures (adding efficiency, or cost per participant) and hosting national Rapid Response Summits and Trade Coordinators' meetings. These meetings and a new series of follow-up Forums will provide an additional opportunity for the Department to emphasize the importance of reliable, accurate performance data in meeting the needs of dislocated workers. In addition, the Department has undertaken a multi-state study on co-enrollment to more accurately inform the system of the effects of co-enrollment on performance.



PART, Program Evaluations and Audits

During the 2003 Program Assessment Rating Tool (PART) process, the TAA program was reviewed and rated Ineffective. Findings included limited coordination of services with the WIA Dislocated Workers program and a need to improve accountability for results. In response, the Department drafted the revised TAA regulations to implement the 2002 Trade Act amendments; conducted six forums on integration of assistance to dislocated workers between the TAA program and the WIA Dislocated Worker program; and developed and implemented a new funding formula to improve financial management practices with respect to TAA training expenditures. A second round of forums is planned for early 2007.

The Government Accountability Office (GAO) report *Trade Adjustment Assistance: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits*, issued in January 2006, recommended that DOL provide guidance to State and local officials on how to ensure that potentially eligible workers are made aware of the new health insurance and wage insurance benefits (Study 41 in Appendix 2). To provide further guidance to State and local officials, DOL has developed a work plan of future activities to assure that workers know what services are available, workers have access to the services for which they are eligible, and eligibility determination is done consistently throughout the states.

The GAO report *Trade Adjustment Assistance: Labor Should Take Action to Ensure Performance Data Are Complete, Accurate, and Accessible*, issued April 2006, recommended actions to help improve the completeness and accuracy of performance data, to make the performance data more informative, and to increase opportunities for states to share lessons learned on issues relevant to TAA data quality (Study 42 in Appendix 2). In response, DOL has taken major steps toward improving the quality of its new data validation requirements and has recently improved the availability of TAA performance information by posting the information on its Web site.

In 2004, DOL contracted for a five-year net-impact study of the TAA program in order to obtain a more comprehensive understanding of the effects of the TAA program on trade-affected workers' employment outcomes. Interim occasional papers will be prepared on such topics as the role of rapid response in the TAA program and a report on TAA linkages within the workforce system.

Data Quality and Major Management Challenges

Data quality for this performance goal was rated Fair. Strengths of the data are its accuracy and relevance; however, a recent GAO report noted significant areas for improvement (Study 37 in Appendix 2 – summarized above). For example, only half the States are including all participants and some data refer to participants who left the program 30 months earlier. In response, TAA has taken a number of steps to improve data quality. A new performance and reporting system is being implemented for this program that emphasizes consistent definitions to provide more complete and reliable measurement of results. Program files are validated each year by the States using ETA funded validation software. In addition, national and regional staff perform random checks of the validated files to ensure accuracy and validity of the annual performance report. A monitoring guide is under development which will stress the importance of data quality. These improvements also apply to a Major Management Challenge (MMC) – item I in the MMC section of the Executive Summary.

Promote Flexible Workplace Programs

Performance Goal 06-4.2A (ASP) – FY 2006

Maximize regulatory flexibility and benefits and promote flexible workplace programs

Indicators, Targets and Results[34]	FY 2005 Result	FY 2006 Target	**FY 2006 Result**	**Target Reached***
Percent of identified significant regulations that are reviewed	–	90%	**92%**	**Y**
Percent of regulations identified for revision or withdrawal	–	85%	**93%**	**Y**
Best practices for, and models of, flexible workplace practices are identified and publicized.	–	21	**23**	**Y**
*Indicator target reached (Y), substantially reached (S) or not reached (N)				**Goal Achieved**

Program Perspective and Logic
The Office of the Assistant Secretary for Policy (OASP) coordinates and tracks DOL's achievement of this goal in part through its role in directing the compilation and publication of the Department's Annual Regulatory Plan and Semi-Annual Regulatory Agenda. With OASP's assistance, DOL regulatory agencies have established the plans and procedures they use to prioritize their regulatory initiatives to ensure they support this strategic goal. It is important to note, however, that most of the items on the Agenda are either not discretionary (i.e., they are required to implement new statutory requirements or court decisions) or implement policy and program priorities related to the Department's other strategic goals. During the reporting period, the Department had 38 items on its regulatory agenda that were relevant for goal 4.2 purposes and took action on 35 of them. Actions included publishing notices of proposed rulemaking, final rules, interim final rules, etc. In each case, DOL agencies pursued actions that maximized net benefits, promoted regulatory flexibility, and/or replaced obsolete regulatory provisions with ones that reflect current technology and market conditions and address current business practices.

Each indicator for this performance goal measures DOL's progress in promoting flexibility in ways that are crucial to a competitive workforce: regulatory flexibility and workplace flexibility. The regulatory flexibility indicators ensure that DOL's regulation review plan emphasizes flexibility, is based on meaningful criteria that, where feasible, reflect public input, and corrects current regulatory practices that are duplicative, obsolete or not cost-effective. The workplace flexibility indicators ensure that DOL highlights and publicizes best practices of flexible workplaces and model flexibility practices.

External factors impacting performance for this goal include court decisions and new legislation that mandate regulatory changes or that require drafting new regulations within certain time frames. These unexpected regulatory projects must be given priority and therefore can disrupt the progress on other regulatory projects already underway. In FY 2006, two examples of new statutory requirements to complete regulatory actions within tight timeframes are The Pension Reform Act of 2006 and the MINER Act.

Analysis and Future Plans
DOL agencies apply their regulatory review methodologies to make progress on their regulatory agendas. Their review processes allow opportunities for public input, where appropriate, on both the selection of regulations for review and the outcomes of reviews. In the course of promulgating revised regulations, agencies conduct cost benefit analyses to help assure that the regulations maximize net benefits. The following are examples of these regulatory initiatives.

The Mine Safety and Health Administration (MSHA) published a supplemental proposed rule that would establish new mandatory electrical safety standards for the installation, use, and maintenance of high-voltage continuous mining equipment used in underground coal mines. These standards would eliminate the need for mine operators to

[34] Costs of achieving DOL's results in maximizing regulatory flexibility are distributed throughout the department's regulatory agencies, as it is part of their costs of operations.

seek petitions for modifications to use high-voltage equipment. MSHA also published a notice of intent to review the Environmental Protection Agency's (EPA) Nonroad Diesel Engine Standards. The review would determine if MSHA's own product approval regulations for diesel engines used in gassy underground mines are consistent with EPA's standards.

The Occupational Safety and Health Administration (OSHA) conducted hearings on its intent to update a 30-year old construction standard. The update would address technological advances and amend the maintenance provisions of the general industry standard. OSHA is continuing its long-term effort to update standards that either reference or include language from outdated consensus standards. Both OSHA and EBSA are engaged in reviews of the relative benefits and burdens of existing regulations in accordance with Executive Order 12886 and section 610 of the Regulatory Flexibility Act. OSHA is currently conducting reviews on standards regulating occupational exposure to lead in the construction industry and excavations.

The Employee Benefits Security Administration (EBSA) is conducting a review of its Plan Assets-Participant Contribution Regulation. These reviews allow opportunities for public input, where appropriate, on both the selection of regulations for review and the outcomes of reviews. EBSA has proposed rulemaking that would update the regulatory requirements to allow employee benefit plan annual reports (i.e., Form 5500) to be filed electronically.

DOL's regulatory review and clean-up project implementation continued to update obsolete, non-substantive references in the Code of Federal Regulations (CFR). This initiative focuses on identifying routine, non-technical, or nomenclature changes to DOL regulatory text that can be accomplished without notice or comment. During the 2nd and 3rd quarters of FY 2006, four direct final rules affecting 51 parts of the CFR and 740 discrete regulatory changes have been published by DOL to correct or remove obsolete regulatory references. Another direct final rule that will affect 10 parts of the CFR and make 330 discrete regulatory changes will be published by the end of 2006 or early 2007.

The Flex-Options for Women project, sponsored by the Women's Bureau, encourages business owners to develop workplace flexibility policies and procedures, such as telecommuting, job sharing and compressed work-week schedules. Small businesses learn how to establish workplace flexibility practices for their employees through one-on-one mentoring relationships with corporate executives who have succeeded in establishing these practices in their own companies and from others who have years of experience in designing workplace flexibility practices. The audience includes all businesses, regardless of gender of ownership. Six of ten Women's Bureau's Regional Offices participate in the Flex-Options for Women project – covering 27 states along with Puerto Rico, the Virgin Islands, and Guam. In project year four, a seventh region will be added, upping the total state coverage to 31. The project is completing its third year of operation. FY 2006 has been its most successful year to date, with 92 companies implementing new and outstanding flexible workplace policies and programs.

PART, Program Evaluations and Audits
OASP is not subject to PART reviews.

Data Quality and Major Management Challenges
Data quality for this performance goal was rated as good. Data and results are not estimated, but are based on reporting from public actions taken as part of the rulemaking process. Strengths of the data include its accuracy and relevance. Data used to determine OASP agency indicators and results are taken directly from the Department of Labor's Semi-Annual Regulatory Agenda. Items are added to the Regulatory Agenda through a transparent process that begins with the agency identifying those items on which they propose to focus. After a rigorous Departmental review and clearance process, the approved items are added to the Department's Regulatory Agenda, which is published in the Federal Register each Spring and Fall. Data used to measure results for the third indicator represent reporting from the regions on what programs or policies have been created or enhanced by participant companies. Data are cross checked and verified. One area for data quality improvement is to identify data that better represent the desired outcomes for the performance goal.

Financial Section

Chief Financial Officer's Letter

Louis Shumway was an FBI snitch and an accountant whose valuable information led to a conviction of "Public Enemy No. 1" in 1931.

A notorious mobster, Al Capone was suspected and accused of numerous crimes throughout the early twentieth century. However, for one reason or another, Capone could not be convicted of anything and remained free to continue his nefarious enterprises.

When criminal charges failed to stick, the government turned a suspicious eye toward Capone's financial operations. Shumway, an accountant for Capone's liquor business, became the informant who helped Eliot Ness and the "Untouchables" finally obtain a conviction against one of America's most notorious criminals, not for racketeering but for tax evasion. Ever since then, being an "accountant with conviction" has been an attractive calling for many young men and women in America.

The fact that it took an accountant to bring down Al Capone highlights how financial management is at the foundation of any organization, program, or activity. When properly kept, an organization's books are a transparent window into its successes and failures. If something is incorrect, out of line, or otherwise improperly monitored, the entire organization will suffer from poor performance or even a total breakdown. This is clear when today's headlines so often blazon news of yet another indicted, convicted, or imprisoned chief executive who took liberties with the financial management of an organization for personal gain, leaving stakeholders in ruin.

In the government, our stakeholders are the American people, which makes it even more important that we ensure the soundest financial management possible to ensure that their taxpayer dollars are used for their intended purposes in the most efficient and effective manner. The public's trust is imperative to the success of our efforts and one of the principal reasons we have renewed our commitment to effective internal control, transparency, and accountability at every level of the organization. At the Department of Labor, this commitment starts at the top with Secretary Elaine L. Chao, and is evident in every element of Departmental operations. Our efforts have not gone unrecognized, as evidenced by our tenth consecutive clean audit opinion this year, our receipt of six consecutive Certificates of Excellence in Accountability Reporting from the Association of Government Accountants, and our top ranking in the Mercatus Center's annual evaluation of how well Federal agencies inform the public through their Performance and Accountability Reports. I am also pleased that once again the Secretary has reported that the Department complies with the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA), and DOL remains the only Federal agency to have green ratings across the board on the President's Management Agenda. Our diligent efforts to instill the importance of sound financial management and internal control throughout the organization have transformed DOL into a financial management leader, a fact of which I am extremely proud as I celebrate my fifth anniversary as CFO this January, the longest serving CFO ever at DOL.

Last year, I wrote in this space that "our continuing challenge is the transformation of internal control into an integral part of the Department's entire cycle of planning, budgeting, management, accounting, and auditing." We have made great strides in meeting this challenge over the past year and I am proud to share a few examples of our efforts:

- The Department instituted an Internal Control Board as part of its implementation of the revised OMB Circular A-123, ensuring the continued involvement of senior management in developing strategies to safeguard resources. This Board complements the quarterly attestations required of every agency head on the status of financial management within their purviews. Through these vehicles, Departmental executives remain informed and accountable for the financial management of their operations.
- The Department successfully launched E-Gov Travel, an end-to-end integrated travel system. DOL is the first Federal agency to deploy fully this type of system. From travel authorization to

reimbursement, the new system provides fast, accurate information and streamlines the entire travel process, resulting in significant savings to the taxpayers through better accountability and operating efficiency for the Department.

- Cost Analysis Manager (CAM) is increasingly used by managers throughout the Department, providing improved program performance information that enables more informed decision-making by allowing managers to understand the true cost of programs. Additionally, throughout this Performance and Accountability Report, CAM data demonstrates exactly how much money was spent on each Departmental goal and objective. CAM will soon incorporate more robust predictive planning capabilities, providing the forecasting needs that managers need for their programs to better prepare for the future. We have come a long way in the last five years; where once the Department's managerial cost accounting efforts consisted of isolated pilot programs, we now have a sustained enterprise-wide effort that is improving the results of the Department's many important programs.
- The Department is in the process of replacing its core accounting system with a new state-of-the-art financial management solution, called Labor Executive Accountability Program (LEAP), that will leverage innovative technologies and provide a secure and stable environment for managing the Department's finances.

Our ongoing success is due to the commitment of the Secretary Chao and the Department's senior leadership to accountability and the discipline and professionalism of our skilled career employees. As we look to the coming year, we will continue to transform DOL's financial management environment away from a singular focus on transaction processing. Instead, we seek a new paradigm where financial management practices will incorporate greater support and analysis to assist with key management decisions. As part of this effort, we are providing new training and professional development opportunities to help our financial professionals build upon their skill sets and capabilities while reemphasizing the importance of sound financial management at every level of the organization. We are also looking into validation of financial management training results through independent skill set certification. Our efforts are creating an environment in which integrated financial and performance information is sought and valued in both decision-making and evaluation processes, contributing to a legacy of which we can be extremely proud.

Samuel T. Mok
Chief Financial Officer
November 15, 2006

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Labor:

We have audited the accompanying consolidated balance sheet of the U.S. Department of Labor (DOL) as of September 30, 2006, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the combined statement of budgetary resources for the year then ended; and the statement of social insurance as of September 30, 2006 (hereinafter referred to as "consolidated financial statements"). The objective of our audit was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2006 audit, we also considered DOL's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures, and tested DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements. The accompanying consolidated financial statements of DOL as of September 30, 2005, were audited by other auditors whose report thereon, dated November 10, 2005, expressed an unqualified opinion on those consolidated financial statements, except for the statement of social insurance which they did not audit.

We have also examined DOL's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* (FFMIA) during the year ended September 30, 2006.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that DOL's consolidated financial statements as of and for the year ended September 30, 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion on the consolidated financial statements, in fiscal year 2006, DOL adopted new accounting and reporting requirements for earmarked funds and social insurance programs.

Our consideration of internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures resulted in the following conditions being identified as reportable conditions:

1. Lack of Strong Application Controls over Access to and Protection of Financial Information
2. Lack of Strong Logical Security Controls to Secure DOL's Networks and Information
3. Weaknesses Noted over Property, Plant, and Equipment
4. Weaknesses Noted over Grants
5. Weaknesses Noted in the Change Control Process for a Benefits System
6. Weaknesses Noted in Federal Employees Compensation Act Accounting and Financial Reporting
7. Lack of Segregation of Duties over Journal Entries
8. Weaknesses Noted over Payroll Accounting
9. Weaknesses Noted over Budgetary Accounting
10. Weaknesses Noted over Custodial Activities

However, none of the reportable conditions are believed to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

1. *Federal Information Security Management Act (Electronic Government Act of 2002)*
2. *Single Audit Act Amendments of 1996*
3. *Debt Collection Improvement Act of 1996*

As stated in our opinion on DOL's compliance with FFMIA, we concluded that DOL did not comply, in all material respects, with the Federal financial management systems requirements of FFMIA for the year ended September 30, 2006, but did comply, in all material respects, with the applicable Federal accounting standards and the United States Government Standard General Ledger requirements.

The following sections discuss our opinion on DOL's consolidated financial statements; our consideration of DOL's internal controls over financial reporting, Required Supplementary Stewardship Information, and performance measures; our tests of DOL's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; our opinion on the DOL's compliance with FFMIA; and management's and our responsibilities.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheet of the U.S. Department of Labor as of September 30, 2006, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity, and the combined statement of budgetary resources for the year then ended; and the statement of social insurance as of September 30, 2006. The accompanying statements of social insurance as of September 30, 2002 through 2005 were not audited by us and, accordingly, we do not express an opinion on them. The accompanying consolidated financial statements of the U.S. Department of Labor as of September 30, 2005, were audited by other auditors whose report thereon, dated November 10, 2005, expressed an unqualified opinion on those financial statements, except for the statement of social insurance, which they did not audit.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Labor as of September 30, 2006, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the year then ended, and the financial condition of its social insurance program as of September 30, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1.A to the consolidated financial statements, DOL changed its method of reporting earmarked funds to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, effective October 1, 2005. In addition, as discussed in Note 1.W to the consolidated financial statements, DOL changed its method of reporting its social insurance program to adopt the provisions of SFFAS No. 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, and No. 26, *Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25*, effective October 1, 2005.

As discussed in Note 1.W to the consolidated financial statements, the statements of social insurance present the actuarial present value of DOL's estimated future income to be received from or on behalf of the participants and estimated future expenditures to be paid to or on behalf of participants during a projection period sufficient to illustrate long-term sustainability of the social insurance program. In preparing the statements of social insurance, management considers and selects assumptions and data that it believes provide a reasonable basis for the assertions in the statements. However, because of the large number of factors that affect the statements of social insurance and the fact that future events and circumstances cannot be known with certainty, there will be differences between the estimates in the statements of social insurance and the actual results, and those differences may be material.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Stewardship Information for Employment and Training Administration and Job Corps omits certain output and outcome measures required by U.S. generally accepted accounting principles.

The information in the Secretary's Message, Performance Section, and Appendices are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect DOL's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

In our fiscal year 2006 audit, we noted certain matters, discussed in Exhibit I, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. However, none of the reportable conditions are believed to be material weaknesses.

We noted certain additional matters in internal control over financial reporting and its operation that we will report to management of DOL in a separate letter.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION AND PERFORMANCE MEASURES

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the Required Supplementary Stewardship Information or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the Required Supplementary Stewardship Information and the design and operation of internal control over the existence and completeness assertions related to key performance measures would not necessarily disclose all matters involving the internal control and its operation related to Required Supplementary Stewardship Information or the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to Required Supplementary Stewardship Information that we considered to be material weaknesses as defined above.

Further, in our fiscal year 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.

COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03, and are described in Exhibit II.

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

Other Matter. DOL is currently reviewing three incidents regarding potential violations of the *Anti-deficiency Act*. As of the date of this report, no final noncompliance determination has been made for any of the three incidents.

We noted certain additional matters that we will report to management of DOL in a separate letter.

OPINION ON COMPLIANCE WITH FFMIA

The Department represented that in accordance with the provisions and requirements of FFMIA, the Secretary of Labor determined that the Department of Labor's financial management systems are in substantial compliance with FFMIA.

We have examined the U.S. Department of Labor's compliance with section 803a of the *Federal Financial Management Improvement Act of 1996* during the fiscal year ended September 30, 2006. Under section 803a of FFMIA, DOL's financial management systems are required to substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. We used OMB's *Revised Implementation Guidance for the Federal Financial Management Improvement Act*, dated January 4, 2001, to determine compliance.

Our examination disclosed the following material noncompliance with FFMIA section 803a applicable to the U.S. Department of Labor during the fiscal year ended September 30, 2006.

DOL's financial management systems do not comply substantially with Federal financial management system requirements because of certain weaknesses in DOL's general computer access controls, application access controls, and related manual controls. These matters are further described in Exhibit II, Finding No. 4.

In our opinion, except for the material noncompliance described in the preceding paragraph, the U.S. Department of Labor complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2006.

* * * * *

RESPONSIBILITIES

Management's Responsibilities. The United States Code, Title 31, Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To meet these reporting requirements, DOL prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;

- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to DOL, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2006 consolidated financial statements of DOL based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DOL's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our fiscal year 2006 audit, we considered DOL's internal control over financial reporting by obtaining an understanding of DOL's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide an opinion on DOL's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered DOL's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of the DOL's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over Required Supplementary Stewardship Information in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance Section, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether DOL's fiscal year 2006 consolidated financial statements are free of material misstatement, we performed tests of DOL's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DOL. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Our responsibility also included expressing an opinion on DOL's fiscal year 2006 compliance with FFMIA section 803a requirements, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about DOL's compliance with the requirements of FFMIA section 803a and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on DOL's compliance with specified requirements.

RESTRICTED USE

This report is intended solely for the information and use of DOL's management, DOL's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 13, 2006

1. Lack of Strong Application Controls Over Access to and Protection of Financial Information

In fiscal years (FY) 2004 and 2005, the Office of Inspector General (OIG) reported consistent weaknesses across the Department of Labor's (DOL) applications tested in the following application control areas:

- Identification and documentation of supporting environments, such as process flow documentation and mapping;
- Application password settings, such as passwords that do not adhere to complexity requirements;
- User access, such as incomplete access request and termination forms;
- Lack of application segregation of duties policies or enforcement of segregation of duties policies;
- Periodic user account review and reauthorization, including lack of user authorization, or incomplete authorization documentation;
- Audit trails, such as lack of monitoring of sensitive application functions and incomplete audit logs; and
- Controls over output to other applications, including reconciliation of control totals and record counts.

The OIG recommended that management:

- Verify that specific security weaknesses identified during the audits and communicated to DOL agencies are included in each individual agency's Plan of Action and Milestones (POA&M), and that appropriate and timely corrective action is taken on the identified weaknesses; and
- Coordinate efforts among the DOL agencies to develop and/or enforce procedures and controls to address systemic application control weaknesses in current financial management systems.

From current year testing, we found the continued presence of numerous weaknesses in the information protection controls over applications. We identified 43 prior year recommendations, 35 from the Office of the Chief Financial Officer (OCFO), 6 from the Employment and Training Administration (ETA), and 2 from the Employment Standards Administration (ESA), related to application controls that have not been corrected. The specific nature of these weaknesses, their causes, and the systems impacted by them have been separately communicated to management.

These findings are a result of a breakdown in the implementation and monitoring of Departmental processes and procedures for application controls. These application control weaknesses could lead to users with inappropriate access to financial systems; inefficient processes; lack of completeness, accuracy, or integrity of financial data; and/or the lack of detection of unusual activity within financial systems. In addition, as a result of these weaknesses, DOL is not in full compliance with the *Federal Information Security Management Act* (FISMA) passed as part of the *Electronic Government Act of 2002*.

Management believes that it has made substantial progress during FY 2006 to strengthen application security controls in response to the OIG's prior year recommendations. Management also believes that its financial system, the Department of Labor Accounting and Related Systems (DOLAR$) has sufficient compensating controls to address the deficiencies identified by the OIG.

2. Lack of Strong Logical Security Controls to Secure DOL's Networks and Information

Since FY 2001, the OIG identified and reported continuing weaknesses with DOL's technical security standards and policies; access controls; and segregation of duties. The OIG recommended that management:

- Verify that specific security weaknesses identified during the audits are communicated to DOL agencies and included in each individual agency's POA&M, and that appropriate and timely corrective action is taken on the identified weaknesses; and
- Coordinate efforts among the DOL agencies to develop and/or enforce procedures and controls to address logical security control weaknesses on current financial management systems.

DOL continues to lack strong logical security controls to secure its networks and information. Current year testing showed that improvements are still needed in the following areas:

- Technical security standards and policies need to be updated and implemented to include stronger logical security controls. Specifically, patches need to be applied to systems in a timely manner, unnecessary services need to be disabled, and access to sensitive files and directories needs to be restricted.
- Segregation of duties policies need to be created and enforced for general support systems of financial applications.
- Access controls need to be improved concerning account management, passwords, and audit log reviews.

We identified 55 prior year recommendations (7 related to the OCFO, 12 related to ETA, 23 related to ESA, and 13 related to the Office of the Assistant Secretary for Administration and Management (OASAM)) addressing logical security controls that have not been corrected. Additionally, 24 new recommendations related to logical security controls were issued in FY 2006 (8 related to ETA, 6 related to ESA, and 10 related to OASAM). The specific nature of these weaknesses, their causes, and the systems impacted by them have been separately communicated to management.

These findings are a result of a breakdown in the implementation and monitoring of Departmental processes and procedures for logical security controls. These logical security control weaknesses could lead users to gain unauthorized access to the agency applications and data, and allow users to potentially modify or disclose agency data. Additionally, individuals who have the ability to perform incompatible job duties could perform fraudulent, malicious, or accidental actions that could result in unauthorized access, disclosure, and/or modification of DOL data. As a result of these weaknesses, DOL is not in full compliance with FISMA.

Management believes it has made substantial progress to improve its logical security controls and plans to implement additional corrective actions to address remaining recommendations in FY 2007. Management also believes compensating controls within DOLAR$ address the weaknesses identified related to logical security controls.

3. Weaknesses Noted Over Property, Plant and Equipment

DOL did not consistently implement or follow policies and procedures designed to ensure that property, plant and equipment (PP&E) balances, including construction-in-progress, are stated in accordance with Federal accounting standards.

Internal-Use Software

In FY 2005, the OIG identified that DOL has not capitalized all project costs, such as (1) direct salary and fringe benefit costs of Federal employees involved, and (2) related indirect costs such as overhead, rent, and travel, in accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, for all of its internal-use software. The OIG recommended the OCFO again notify DOL agencies of their requirements to account for costs related to internal-use software and monitor to ensure they properly account for these costs in accordance with Federal and departmental requirements.

During FY 2006, the OCFO re-issued relevant guidance to the agencies and conducted a meeting with the agencies. Although the OCFO has informally been communicating with the agencies to monitor the implementation of this guidance, no documentation exists to support this monitoring and the OCFO did not maintain a listing of internal use software projects in development. In addition, no one in the OCFO has been designated to be responsible for DOL's internal use software accounting and reporting.

We also noted that although the guidance issued discusses transaction codes used to record related indirect costs, the guidance does not provide detailed enough instructions on how indirect costs related to internal use software should be captured, calculated, and documented. Additionally, the OCFO has not developed an analysis to support its position that the amount of indirect costs associated with the development of internal-use software is not material to the financial statements.

In addition to the open prior year recommendation, we recommend that management designate an official to be responsible for internal-use software accounting and reporting and to perform certain procedures in this role.

Management believes it made substantial progress to capitalize internal use software in response to the OIG's previous recommendations. In FY 2006, management provided guidance and assistance, as well as monitored DOL agencies to ensure they properly capitalized internal use software. Management does not agree that DOL did not capitalize software development costs. For example, costs for the new accounting system have been capitalized, which include federal employee's salaries, travel, rent, and other costs. Management agreed to enhance procedures to compare the internal-use software assets recorded in the Capitalized Asset Tracking and Reporting System (CATARS) to the amounts reported by the agencies and will perform, document, and maintain an analysis of indirect cost associated with software in development to determine whether these costs are material.

Job Corps Property

In the FY 2004 and FY 2005 audits, the OIG reported that ETA did not sufficiently use DOL's subsidiary ledger, the CATARS, as a complete property management system in accordance with the CATARS user guide. The OIG also found that ETA did not establish sufficient controls to ensure that Job Corps' capitalized real property was accurately reported in CATARS and in the Department of Labor Accounting and Reporting System (DOLAR$), DOL's general ledger system. The OIG recommended that management record property transactions timely and make other improvements over accounting for real property.

In the FY 2006 audit, we noted the recurrence of many issues identified in prior audits, and we identified several new property-related issues including untimely transfer of acquisitions from the CATARS holding account, incorrect valuation of land transferred from other Federal agencies, and lack of documented analysis supporting the rationale for leased Job Corps facilities not being recorded as capital leases and property.

We believe that many of these issues stem from the fact that the ETA Capitalized Asset Management Officer (CAMO) position remained vacant for much of the fiscal year under audit. Additionally, during FY 2006, the Job Corps program was transferred from ETA to the Office of the Secretary.

In addition to the open prior year recommendations, we recommend that management take further actions to improve accounting for Job Corps property.

Management believes it made significant progress towards closing the FY 2004 audit finding by implementing procedural changes in the documentation of Job Corps facilities and the recording of substantially completed construction projects into CATARS. Management suspended the implementation of many of these changes after Hurricane Katrina destroyed the New Orleans and Gulfport Job Corps Centers. Management has initiated a full scale review of the Job Corps program policies and procedures, which will result in the implementation of corrective action that will bring the recording of Job Corps assets into compliance with Departmental and Federal government standards.

Other Property

Our FY 2006 audit testing disclosed the following DOL-wide property issues:

- Abnormal balances (e.g., items which appear to be below the applicable capitalization threshold and negative additions on the PP&E rollforward schedule) exist in CATARS that should be researched and resolved.
- Reconciliations between CATARS and the general ledger are not performed timely.
- Documentation to support certain PP&E-related transactions or balances was not readily available or did not exist.
- For additions other than construction-in-progress, we noted 5 instances where an obligating document was signed by an unauthorized person, and 1 instance where the Contracting Officer signed an obligating document in excess of the officer's warrant authority.
- We identified 12 capitalized PP&E additions for which the unit cost was below the capitalization threshold.

- We noted 6 capitalized items that represented costs incurred after the software was placed in service and were not software enhancements. These costs should have been expensed in accordance with U.S. generally accepted accounting principles.
- We identified 5 items related to software that were capitalized based on obligations rather than costs.
- Physical inventories are not being adequately performed and documented. Of the 1,763 physical inventory reports we requested, 1,485 were not provided to us. In addition, 30 of the reports we reviewed were not certified by the Accountable Property Officer (APO).

In addition, we tested a DOL-wide statistical sample of 200 assets to verify the assets existed and were in usable condition. For 40 of the 200 items, DOL could not provide timely and adequate evidence of the asset's existence and use. For 5 of the 200 items, the evidence provided indicated the asset had been transferred or disposed of, and for 9 of the 200 items, the evidence provided indicated the asset was no longer in usable condition. These 54 errors noted represented assets with a total cost of $21,315,130 and accumulated depreciation of $14,832,034. When projected to the entire population of assets, the projected misstatement is $81,527,396 of cost and $66,594,051 of accumulated depreciation. These errors were partially caused by DOL's inability to readily identify an asset based on the inventory number, serial number, or description in CATARS. We noted that the inventory numbers and serial numbers on the assets were not consistently recorded in CATARS. In addition, some errors resulted from the inventory certification process not adequately identifying assets that no longer exist or that are no longer in usable condition. DOL management considered the identified differences to be immaterial to the FY 2006 consolidated financial statements, and as such, these differences were included in the Summary of Unadjusted Audit Differences attached to management's FY 2006 representation letter.

We recommend that management develop and implement policies and procedures, or enhance and enforce existing policies and procedures, related to abnormal balances in CATARS, reconciliations between CATARS and the general ledger, proper recording of acquired and disposed assets in CATARS, document maintenance and retention, obligation approvals, proper capitalization, and physical inventories.

Management is ensuring that the required reconciliation procedures are now being performed and will strengthen procedures to ensure that assets are being recorded with the proper inventory number and proper serial number in CATARS, and that records of assets are being maintained such that each asset can be readily identified and located. Instructions will be provided so that during physical inventories, assets that are no longer in usable condition are identified and properly disposed of in CATARS.

4. Weaknesses Noted Over Grants

Grant Accrual Preparation and Validation

The ETA grant accrual process for the fiscal year-end and quarter-end accruals takes a snapshot of general ledger data for all ETA grants at the end of the period and calculates, at the individual grant level, the probable costs incurred based on the amount of drawdowns recorded at the end of the period. An accuracy analysis is performed on an annual basis to compare the actual costs reported by the grantees to the previous year-end's accrual. During our FY 2006 audit work, we identified segregation of duties weaknesses related to the ETA grant accrual and validation process, and we determined that procedures for the ETA grant accrual and validation process were not documented.

Per the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event." Additionally, "The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

Without a proper management review of the quarterly grant accrual and annual accuracy analysis, the risk increases that the grant accrual could be misstated in the consolidated financial statements. Additionally, without another employee trained to calculate the quarterly grant accrual using the current accrual methodology, a risk exists that the accrual would not be prepared timely and/or accurately in the event that the Financial Systems Specialist is absent.

We recommend that management designate and train additional individuals in the grant accrual and validation process to correct this weakness, and that management formally document the grant accrual and validation procedures.

Management agrees that backup procedures and personnel should be in place for calculating the quarterly grant accrual and for performing the annual accuracy analysis. The financial systems specialist now performs the management review of the accruals. Additional accounting office personnel will be trained to perform the accuracy analysis during FY 2007.

Controls over Compliance with the Single Audit Act Amendments of 1996

DOL has no monitoring procedures in place to ensure that audits of its grantees are completed and reports are received in a timely manner for each grantee that meets the audit threshold in Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, DOL cannot be certain that all required audits have been performed in a timely manner.

In addition, for FY 2006 compliance testing purposes, we selected a sample of DOL grantees that expended $500,000 or more of DOL funding through June 30, 2005. As of September 30, 2006, the latest available OMB Circular No. A-133 audit reports for 5 of the 32 grantees selected were not obtained by DOL for review to determine if any issues related to DOL grants had been reported. According to the Federal Single Audit Clearinghouse website, these 5 audit reports had been completed between the dates of May 7, 2002 and March 5, 2006 and were available on the website.

According to Section 7504 of the *Single Audit Act Amendments of 1996*, "Each Federal agency shall, in accordance with guidance issued by the Director under section 7505, with regard to Federal awards provided by the agency…monitor non-Federal entity use of Federal awards." According OMB Circular No. A-133, non-Federal entities that expend $500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year. In addition, OMB Circular No. A-133, Subpart D, section 400(c) requires the Federal awarding agency to "perform the following for the Federal awards it makes: "Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part…Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action."

DLMS 8 – Audits and Investigations, dated July 7, 2004, paragraph 503 states, "DOL Program Official(s) shall promptly evaluate OIG report findings and recommendations and determine appropriate action…The Office of Inspector General will directly receive all Single Audit Act reports required to be submitted to DOL."

If no procedures are in place to ensure all audit reports that are required to be completed are received by DOL, DOL cannot determine if an audit report is missing or overdue. Additionally, DOL is not in full compliance with OMB Circular No. A-133, and questioned costs may have been reported for DOL programs of which DOL is not aware.

We recommend that management develop and implement a tracking system to identify each grantee for which an OMB Circular No. A-133 audit is required and the date that the audit report is due. DOL should update DLMS to specifically identify which agencies are responsible for populating and maintaining this tracking system and for following-up with grantees when audit reports become overdue. In addition, we recommend that management implement a formal policy or process that defines which agency is responsible to monitor the Federal Single Audit Clearinghouse website for completed DOL grantee audit reports and retrieve them from the website for subsequent review.

Management believes that it is in compliance with OMB Circular No. A-133 as it relates to completion of required audits or follow-up on any questioned costs. The 5 reports noted by the auditor did not contain any findings related to DOL. However, management agrees that the procedures should be strengthened and will coordinate with appropriate agencies to develop and implement changes as recommended above, as appropriate.

5. Weaknesses Noted in the Change Control Process for a Benefits System

A documented and standard process for requesting, reviewing, developing, testing, and approving changes to an ESA benefits system was not in place prior to February 2006. While change control procedures were established and documented in February 2006, the procedures were inconsistently followed during the months of February and March 2006. We noted various weaknesses in our judgmental sample of 30 changes in the two month period. Additionally, procedures have not been established for priority and emergency changes or changes to the system test environment.

Management stated that the system was recently implemented, and management had not finalized change control procedures and was informally processing change control requests and approvals. Additionally, since procedures were implemented in February 2006, management has not had sufficient time or resources to ensure that the policy is being consistently followed. Furthermore, management believed that the procedures were sufficient to cover priority and emergency changes at the time the procedures were implemented.

The DOL Computer Security Handbook, volume 6, *System Security Planning for Major Applications*", section 4.6, page 37, states that controls must be used to "monitor the installation of, and updates to, hardware, operating system software, and other software to ensure that the hardware and software function as expected, and that a historical record is maintained of application changes." Additionally, the guidance states:

> These controls may also be used to ensure that only authorized software is installed on the system. Such controls may include a hardware and software configuration policy that grants managerial approval (re-authorize processing) to modifications and requires that changes be documented.

The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-64, *Security Considerations in the Information System Development Life Cycle*, section 2.3.4.1, page 23, states:

> Configuration management and configuration control procedures are critical to establishing an initial baseline of hardware, software, and firmware components for the information system and subsequently controlling and maintaining an accurate inventory of any changes to the system.

Without a proper change control process regarding the flow of changes from development to production, unauthorized and potentially inaccurate program changes may be implemented into the production environment. Without formal acceptance of application changes, program management cannot be assured that the changes made meet their needs and are appropriate for the environment. In addition, as a result of these weaknesses, DOL is not in full compliance with FISMA.

As a result of our findings, management researched the 30 changes and determined the changes were appropriately performed.

We recommend that management develop and/or enforce procedures and controls to address identified change control weaknesses.

Management agrees to include in its Plan of Action and Milestones **(**POA&M) security weaknesses identified in the report, together with corrective action to be taken and milestone dates. Management has also developed system-specific change control procedures and has updated documentation of approved, tested, and installed system changes. Additionally, management has begun enforcing and will continue to enforce requirements for documentation of approval, indication of release, and integration and IV & V testing.

6. Weaknesses Noted in Federal Employees Compensation Act (FECA) Accounting and Financial Reporting

DOL did not implement or consistently follow its existing management review procedures related to year-end activity reconciliations and continuing FECA eligibility.

FECA Reconciliations
The OCFO does not adequately reconcile (1) the general ledger to the FECA subsidiary ledgers (FECA history databases), and ESA does not adequately reconcile (2) the FECA history databases to the charge-back report that is derived from the history databases and used to bill FECA customer agencies. We noted a reconciling difference of roughly $76 million in (1) above and a difference of $17 million in (2) above. Although DOL management has management review controls in place, they do not sufficiently follow-up on and resolve differences through an adequate reconciliation process.

Per the GAO's *Standards for Internal Control in the Federal Government*, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation."

We recommend that management develop and implement quarterly procedures to reconcile the FECA benefit program expenses to the general ledger and quarterly ESA procedures to adequately reconcile the FECA history databases to the charge-back reports.

Management concurs and will develop and implement formal reconciliation procedures to ensure that the FECA benefit program expenses are reconciled to the general ledger and that the chargeback reports are reconciled to the payment histories.

Management Review of Year-end Accrual
DOL prepares a schedule, *Liability for Current Federal Employees Compensation Act Benefits,* as of September 30, which is available to other Federal agencies before fiscal year end via the internet. This information is necessary for other Federal agencies to record a liability for fourth quarter benefit payments, which is owed to DOL. The DOL OCFO uses an estimation process to prepare this schedule.

Management does not have procedures in place to review the estimate for the fourth quarter. The estimate for the FY 2006 fourth quarter DOL receivable based on the *Liability for Current Federal Employees Compensation Act Benefits* schedule differed from the actual DOL receivable by approximately $96 million. This variance primarily resulted from an extra payment cycle in the fourth quarter of FY 2006 for which the estimation model did not account. Had management performed a detailed review of the OCFO estimate, management may have identified that the extra payment cycle was not accounted for in the fourth quarter estimate and requested a correction prior to the posting of the estimate information on the internet.

Per the GAO's *Standards for Internal Control in the Federal Government,* "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

We recommend that management develop and implement procedures for management review of the OCFO estimates prior to posting of the estimates on the internet and refine the estimation methodology so that it will more accurately account for varying payment cycles.

Management will develop and implement procedures to formally review the amounts to be posted and will review and refine the methodology as needed.

Delinquent Forms CA-1032, *Request for Information on Earnings, Dual Benefits, Dependents and Third Party Settlement Form*

DOL policy requires FECA claimants to annually certify their earnings information and dependent status on a *Request for Information on Earnings, Dual Benefits, Dependents and Third Party Settlements Form* (CA-1032). This information is used to determine if any changes are necessary to a claimant's benefit amount.

Our tests of operating effectiveness noted that Claims Examiners (CE) were not consistently following-up with claimants to ensure that a CA-1032 was received annually for each claimant, as applicable; however, payments continued to be made to non-responsive claimants. ESA management identified the use of the Periodic Eligibility Review (PER) screen capabilities in iFECS as a key control to ensure claimant case files are current. The iFECS PER screen tracks CA-1032 status and documents CA-1032 receipt and review. However, iFECS does not have automated reminders to identify outstanding CA-1032 receipts. For 4 of the 188 disbursements tested, we noted a completed CA-1032 was not returned by the claimant and the CE did not follow the FECA Procedure Manual in following up on the unreturned CA-1032. Without these completed forms, an increased opportunity exists for incorrect payments to be made to claimants in situations where they are either no longer eligible for compensation or are eligible for increased or reduced compensation, based on their earnings, marital status, and/or dependent status, and have not had their information updated in iFECS.

We also noted that 2 of the 188 disbursements tested were made for inaccurate amounts because of inadequate CE reviews of received CA-1032s. The two claimants had provided sufficient information on the CA-1032, noting that they no longer had a spouse or dependents; however, the payments tested identified that they continued to be paid at the higher rate that would apply for a claimant with dependents and/or a spouse.

System controls and reminders should be in place to monitor the status of CA-1032 requests. Once CEs begin to use the PER screen consistently, a report could be written that would provide a list of those claimants for which CA-1032s have not been received, which would facilitate more timely follow-up by the CEs and supervisory staff.

We have noted that management has taken action on these issues. Specifically, management has made enhancements to the PER screen within iFECS and is updating its policies to make the appropriate use of the PER screen a mandatory requirement.

We recommend that management utilize the PER screen within iFECS to track CA-1032 status and document their receipt and review using a system configuration or manual control and require supervisory review of CE receipt and review of CA-1032 forms.

Management believes that with the successful implementation of the enhancements to the Periodic Eligibility Review (PER) screen within iFECS on March 31, 2006, in fulfillment of the response to a prior year finding, the issue was resolved. It is management's position that use of the PER resolves the findings related to processing CA-1032s. A bulletin will be created to outline management's policy on the use of the PER screen and the procedure manual will be updated as it still references claims examiners needing to complete a Form 674.

7. Lack of Segregation of Duties over Journal Entries

All DOL agencies are able to enter journal entries into DOLAR$ via transaction codes. Each transaction code consists of one or more journal entries. The respective agency staff member responsible for recording the particular item accesses DOLAR$ and enters the transaction code and the dollar amount of the item. DOLAR$ does not require these entries to be recorded and approved by separate individuals before they are posted to the general ledger. Hence, transaction codes and corresponding amounts entered into DOLAR$ are posted without any system-controlled review and approval. We noted this condition through procedures performed at the Occupational Safety and Health Administration (OSHA), OASAM, and the OCFO; these agencies do not have manual compensating review controls to address the related risk.

DOLAR$ was not designed to require journal entries to be electronically approved before amounts entered are posted to the general ledger, and management has not required Department-wide manual review controls to compensate for this condition. By allowing individuals the authority to prepare and approve their own transactions in DOLAR$, the risk increases that a material error would not be prevented or detected and corrected on a timely basis.

Per the GAO's *Standards for Internal Control in the Federal Government,* "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

We recommend that management ensures the current general ledger system's configuration is modified so that journal entries (via transaction codes) entered into the general ledger are required to be approved electronically by an individual other than the preparer before they are posted. This feature should also be incorporated into the design of the planned replacement general ledger system. The agencies that do not currently have manual compensating review controls should implement such controls to address this risk until the system controls have been implemented.

Management concurs that DOLAR$ does not have a system-controlled approval process and supports the concept of building in automated internal controls into the system that will replace DOLAR$ as long as these controls are reasonable. However, management does not believe that it is feasible or cost effective to retrofit the current system with these controls. Management does not agree with the finding that there are no compensating review controls for the current lack of automated journal voucher review. Overall, the Department believes it has in place adequate compensating controls and will ensure that these procedures are properly documented and improved in FY 2007.

8. Weakness Noted over Payroll Accounting

During FY 2006, the U.S. Department of Agriculture's (USDA) Office of Chief Financial Officer (OCFO)/National Finance Center (NFC) processed DOL's payroll. The *Fiscal Year 2006 – Office of the Chief Financial Officer/National Finance Center General Control Review* dated September 21, 2006 and issued by the USDA's Office of Inspector General (Report No. 11401-24-FM) reported a qualified opinion regarding the effectiveness of NFC's internal controls for the period October 1, 2005 through June 30, 2006. During FY 2006, DOL did not have policies and procedures in place to reconcile the payroll information it submitted to the NFC to that received and processed by the NFC.

For each FY 2006 pay period, DOL submitted to the NFC payroll information that included all DOL employees for the period, along with their hours worked, leave used, and other payroll related information for the period. The NFC processed the payroll for DOL each period and made available for download a Detail Pay and Deduct Register report for each DOL Human Resources office. We noted that DOL did not utilize these reports to perform reviews or reconciliations of data processed by the NFC, and no other controls were in place during the year to ensure that what was submitted to NFC via Time and Attendance records reconciled to what was shown as paid in the Detail Pay and Deduct Register. The lack of reconciliation controls around the NFC outputs, compounded by the control weaknesses identified at the NFC, increased the risk that payroll-related line items in the FY 2006 financial statements could be misstated because of errors in payroll processing by the NFC.

Additionally, we noted that the Department of Labor Manual Series (DLMS) 6, Financial Management, Chapter 1000, Payroll Accounting, has not been updated since October 1981. However, payroll policies and procedures have changed since 1981, most notably with the change to NFC as DOL's payroll services provider.

Federal agencies that use external service providers, such as the NFC, should have controls in place to ensure the accuracy of processing outputs. As stated by the USDA OIG in its FY 2006 Report No. 11401-24-FM, "The accuracy and reliability of data processed by OCFO/NFC and the resultant reports rests with the customer agency and any compensating controls implemented by the agencies."

OMB Circular No. 123, *Management's Responsibility for Internal Control*, states, "Application control should be designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete. Controls should be established at an application's interfaces to verify inputs and outputs, such as edit checks." Additionally, per the GAO's *Standards for Internal Control in the Federal Government*, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties." GAO's *Standards for Internal Control in the Federal Government* also state, "The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

We recommend that management develop and implement policies and procedures to reconcile payroll information provided to the NFC to the payroll information processed by the NFC each pay period. These reconciliations should be documented, reviewed and approved by an appropriate supervisor, and maintained. In addition, management should update DLMS to reflect current payroll-related policies and procedures, and develop and implement a monitoring plan to periodically evaluate and update procedures in the DLMS to ensure the information documented is still appropriate.

Management believes that it currently has available and uses numerous reports for DOL review and analysis of payroll information, has in place a time and attendance reconciliation that validates what is transmitted to NFC and what is processed, and reviews and reconciles data between DOL Human Resources (HR) and HR data in the National Finance Center's data base. Management believes that the PeoplePower and NFC edits ensure the accuracy of the data being processed. DLMS 6 – Chapter 1000 Payroll and Accounting, was updated and circulated to DOL agencies for review in July 2006 and will be issued shortly.

9. Weakness Noted over Budgetary Accounting

During FY 2006, the OCFO did not complete timely reconciliations related to the *Apportionment and Reapportionment Schedules* (SF-132) and the *Report on Budget Execution and Budgetary Resources* (SF-133). During our FY 2006 audit work, we requested reconciliations as of June 30, 2006 of (a) the SF-132 to the SF-133, and (b) the SF-133 to the third quarter Statement of Budgetary Resources. However, these reconciliations were not completed and provided to us until late September 2006. In addition, these reconciliations identified several necessary corrections to amounts posted in the general ledger, and various differences remained unresolved. During FY 2006, the OCFO did not have adequate resources and did not adequately enforce policies to ensure the reconciliations were completed and any identified reconciling items resolved in a timely manner. The lack of timely and complete reconciliations increased the risk that material differences in external reports and in the general ledger may not have been detected and corrected in a timely manner during the year.

Additionally, we noted that much of the information referenced in DLMS for the Budget Execution process has not been updated since March 2004. OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, has been revised since that time.

Per the GAO's *Standards for Internal Control in the Federal Government*, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation." Additionally, "The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

According to OMB's Circular No. A-136 (July 2006), section II.4.6.1[1], "… information on the SBR should be consistent with the budget execution information reported on the Report on Budget Execution and Budgetary Resources (SF 133) and with information reported in the Budget of the United States Government to ensure the integrity of the numbers presented…Consistency between budgetary information presented in the financial statements and the Budget of the United States Government is critical to ensure the integrity of the numbers presented. The FACTS II helps to ensure the consistency of data. The FACTS II data submitted by agencies are USSGL-based trial balances, which are used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget." In addition, section II.4.6[2] states "The resources reported on this statement shall agree with, and be reconciled to, the total budgetary resources reported for the aggregate of all budget accounts on the SF 133…The status of budgetary resources reported on this statement shall agree with, and be reconciled to, the total status reported for the aggregate of all budget accounts on the SF 133…The outlays shall also agree with, and be reconciled to, the aggregate of outlays reported on the SF 133 for the aggregate of all budget accounts."

We recommend that management ensure that current policies and procedures over SF-132 and SF-133 reconciliations are enhanced to require (a) quarterly reconciliations be prepared and documented, (b) the completion of documented supervisory reviews over the reconciliations, and (c) the completion of these procedures by a certain date (e.g., 15 days after each quarter-end). In addition, management should update DLMS to reflect current budget-related policies, procedures, and external requirements, and develop and implement a monitoring plan to periodically evaluate and update procedures in the DLMS to ensure the information documented is still appropriate.

Management believes that due to DOL's submission process of data to Treasury, any deficiencies would be identified before the trial balance data is submitted through the edit checks of Treasury. Additionally, the OCFO initiated reconciliation of the SF-132 and SF-133 reports on a quarterly basis in FY 2006. Management is working to enhance its current policies and procedures to require that the quarterly reconciliation be completed 15 days after each quarter and will require that the reconciliation be fully documented, and will require it to be formally reviewed and approved by management.

10. Weaknesses Noted over Custodial Activities

Four DOL agencies are responsible for the assessment and collection of fines and penalties – ESA, OSHA, the Employee Benefits Security Administration (EBSA), and the Mine Safety and Health Administration (MSHA). During our FY 2006 testing related to the assessment and collection of fines and penalties, we noted the following conditions:

- Controls were not consistently functioning effectively during FY 2006 to notify the employers of debt delinquency timely (18 exceptions in 74 cases tested) or to send notification of outstanding debt to the U.S. Department of Treasury (Treasury) after 180 days (25 exceptions in 52 cases tested that were greater than 180 days outstanding), in accordance with the *Debt Collection Improvement Act of 1996*. These exceptions were noted at MSHA and OSHA.
- MSHA and ESA do not write-off debt greater than 2 years old in accordance with OMB Circular No. A-129, *Managing Federal Credit Programs*.
- MSHA does not reconcile its subsidiary ledger to the general ledger on a periodic basis. We requested reconciliations of collections between the subsidiary ledger and the general ledger as of June 30, August 31, and September 30, 2006, and received none of them timely. The September 30 collections reconciliation, received on November 3, 2006, contained a $650,930 unexplained variance (2.7% of MSHA collections recorded in the general ledger as of September 30, 2006).
- Since November 2005, one day of interest was omitted from MSHA's interest calculation each month.

[1] Also cited in the August 2005 version of OMB Circular No. A-136, section 6.1.
[2] Also cited in the August 2005 version of OMB Circular No. A-136, sections 6.5 through 6.7.

- OSHA only records interest receivable when debt letters are sent to employers and when debt is sent to Treasury, and does not ensure that its quarter-end interest receivable balances are appropriately accrued between the time of the last debt letter and the time the debt is sent to Treasury.
- OSHA collections are not properly cut-off at year-end. $819,126 of FY 2005 collections were posted to DOLAR$ and the SCA in FY 2006, and $1,236,416 of FY 2006 collections were posted to DOLAR$ and the SCA in FY 2007.

DOL management considered the identified differences to be immaterial to the FY 2006 consolidated financial statements, and as such, these differences were included in the Summary of Unadjusted Audit Differences attached to management's FY 2006 representation letter.

We recommend that management develop and implement policies and procedures, or enhance and enforce existing policies and procedures and related systems related to the timely notification to employers of debt delinquency, the timely notification to Treasury of outstanding debt, write-off of debt greater than 2 years old in accordance with OMB Circular No. A-129, *Managing Federal Credit Programs* reconciliation of the MSHA subsidiary ledger to the general ledger on a quarterly basis, accrual of interest receivable on a quarterly basis, and recording of collections received near year-end in the general ledger in the proper fiscal year. In addition, management should design, test, and implement changes to MSHA's subsidiary ledger to correct errors in the calculation of interest and ensure that controls are in place to detect such system errors in the future.

In FY 2006, DOL updated its procedures for debt management (DLMS 6, Chapter 900); the Chapter is currently in the Departmental clearance process. The revised guidance covers transfers of delinquent or defaulted debts to the U.S. Department of the Treasury, Financial Management Service (FMS) for collection and procedures for the write-off of debt. Management routinely monitors accounts receivable and reviews the agencies' quarterly reports on receivables due from the public to ensure compliance with OMB Circular No. A-129. Management will develop and implement any additional policies and procedures for the management and collection of debts and write-offs to ensure compliance with FMS and the OMB Circular No. A-129 requirements, including interest accruals, reconciliations, and cut-offs.

1. Federal Information Security Management Act (Electronic Government Act of 2002)

The U.S. Department of Labor (DOL) is required to comply with the *Federal Information Security Management Act* (FISMA), which was enacted as part of the *Electronic Government Act of 2002.* FISMA requires the head of each agency to be responsible for (1) providing information security protections commensurate with the risk and magnitude of the harm resulting from unauthorized access, use, disclosure, disruption, modification, or destruction of (a) information collected or maintained by or on behalf of the agency; and (b) information systems used or operated by an agency or by a contractor of an agency or other organization on behalf of an agency; (2) complying with the requirements of this subchapter and related policies, procedures, standards, and guidelines, including information security standards promulgated under section 11331 of title 40. This particular section requires that Federal agencies provide minimum information security requirements as defined by the National Institute of Standards and Technology. We noted instances of non-compliance with FISMA that have been reported in Exhibit I as Reportable Condition Nos. 1, 2 and 5.

We recommend that DOL follow the recommendations provided in Reportable Condition Nos. 1, 2 and 5 in Exhibit I, and fully implement the requirements of FISMA in fiscal year (FY) 2007.

2. Single Audit Act Amendments of 1996

As a grant-making entity, DOL is required to comply with certain provisions of the *Single Audit Act Amendments of 1996* and the corresponding Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. According to Section 7504 of the *Single Audit Act Amendments of 1996*, "Each Federal agency shall, in accordance with guidance issued by the Director under section 7505, with regard to Federal awards provided by the agency…monitor non-Federal entity use of Federal awards." According to Section 400(c) of OMB Circular No. A-133, "The Federal awarding agency shall perform the following for the Federal awards it makes…Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part…Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action."

As discussed in Reportable Condition No. 4 in Exhibit I, DOL lacks monitoring procedures to ensure that audits of its grantees are completed and reports are received in a timely manner for each grantee that meets the audit threshold in OMB Circular No. A-133. Therefore, DOL cannot be certain that all required audits have been performed in a timely manner.

DOL has established policies and procedures requiring the Office of Inspector General (OIG) to receive OMB Circular No. A-133 audit reports once they are issued, review these reports for findings relevant to DOL grant programs, and distribute any such findings to the applicable DOL agency for response and resolution. However, we noted instances in which the latest available OMB Circular No. A-133 audit reports were not obtained for review as of September 30, 2006 although they were available on the Federal Single Audit Clearinghouse website.

We recommend that DOL follow the recommendations provided in Reportable Condition No. 4 in Exhibit I in FY 2007.

3. Debt Collection Improvement Act of 1996

The *Debt Collection Improvement Act of 1996* (DCIA) is intended to significantly enhance the Federal Government's ability to service and collect debts. Under the DCIA, the U.S. Department of Treasury (Treasury) assumes a significant role for improving government-wide receivables management. According to the DCIA, an agency responsible for collecting debts from the public must "ensure that the public is fully informed of the Federal Government's debt collection policies and that debtors are cognizant of their financial obligations to repay amounts owed to the Federal Government." Also, according to the DCIA, "any Federal agency that is owed by a person a past due, legally enforceable nontax debt that is over 180 days delinquent, including nontax debt administered by a third party acting as an agent for the Federal Government, shall notify the Secretary of the

Treasury of all such nontax debts for purposes of administrative offset." Our tests of compliance disclosed instances where DOL was not in compliance with these provisions of the DCIA. In addition, all DOL agencies do not write-off debt greater than two years old in accordance with OMB Circular No. A-129, *Managing Federal Credit Programs*. See Exhibit I, Reportable Condition No. 10 for further information.

We recommend that DOL follow the recommendations provided in Reportable Condition No. 10 in Exhibit I, and develop policies and procedures to ensure full compliance with the DCIA in FY 2007.

4. Federal Financial Management Improvement Act of 1996

Under section 803a of FFMIA, DOL's financial management systems are required to substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. The Department represented that in accordance with the provisions and requirements of FFMIA, the Secretary of Labor determined that the Department of Labor's financial management systems are in substantial compliance with FFMIA.

As a result of FY 2006 testing, we concluded that DOL's financial management systems did not substantially comply with Federal financial management systems requirements.

- In the FY 2006 FISMA report, the DOL OIG identified a significant deficiency related to a system considered a mixed system under OMB guidelines as it supports financial and non-financial systems within DOL, including the Department of Labor Accounting and Reporting System (DOLAR$), DOL's general ledger system. See OIG Report No. 23-06-015-07-001.
- Several "high" risk change control and segregation of duties weaknesses related to computer security were identified at the Employment and Training Administration (ETA) and the Employment Standards Administration (ESA) as part of FY 2006 audit work. These weaknesses were identified on systems associated with certain DOL benefits and grants programs. See Exhibit I Reportable Condition No. 1 and 5 for further information.
- Numerous "high" and "medium" risk information technology (IT) general and application control weaknesses related to computer security were identified as part of the IT audit work in FY 2006. These weaknesses impact the IT environments and systems in several large DOL agencies, including the Office of the Chief Financial Officer (OCFO), ETA, ESA, and the Office of the Assistant Secretary for Administration and Management (OASAM). Many of these weaknesses were initially identified in previous years' audits, and DOL has not taken sufficient corrective action to address them. In summary, DOL was not effective (less than 30%) in closing such prior year IT recommendations. As a result of the number of repeat IT weaknesses still present in the DOL financial control environment, added pressure exists on the mitigating manual controls to be operating effectively at all times. See Exhibit I Reportable Conditions Nos. 1 and 2 for further information.
- DOLAR$ does not require journal entries (via transaction codes) to be entered and approved by separate individuals before they are posted to the general ledger. Hence, transaction codes and corresponding amounts entered into DOLAR$ are posted without any system-controlled approval. See Exhibit I Reportable Condition No. 7 for further information.
- Certain procedures in the Department of Labor Manual Series (DLMS) are outdated or should be more comprehensive. See Exhibit I Reportable Condition Nos. 8 and 9 for examples of this condition.

We recommend that DOL follow the recommendations provided in Reportable Condition Nos. 1, 2, 5, 8 and 9 in Exhibit I, and improve its processes to ensure compliance with the Federal financial management systems requirements of FFMIA in FY 2007.

2006 Top Management Challenges Facing the Department of Labor

For FY 2006, the Office of Inspector General (OIG) considers the following areas to be the most serious management and performance challenges facing the Department of Labor. They involve compliance, accountability, and delivery of services and benefits.

- Improving Procurement Integrity
- Safeguarding Unemployment Insurance
- Improving the Federal Employees' Compensation Act (FECA) Program
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Financial and Performance Accountability
- Developing and Securing Information Technology Systems and Protecting Related Information Assets
  - Strengthening System Development and Management of High Risk Systems
  - Maintaining Information Technology Security
  - Protecting Information Assets and Securing Sensitive Information
- Ensuring the Security of Employee Benefit Plan Assets
- Ensuring the Safety and Health of Miners
- Ensuring the Effectiveness of the Job Corps Program
- Preparing for Emergencies

Improving Procurement Integrity

In FY 2005, DOL obtained goods and services valued at more than $1.6 billion from external entities through more than 8,000 acquisition actions. Ensuring controls are in place to properly award, manage, and document procurements is a challenge to the Department. Recent OIG audits have shown that problems arise because the procurement functions are not organizationally independent of program functions. This structure enables program officials, instead of contracting experts, to drive procurement policy and decisions. As a result, procurement decisions may not be in the best operating or financial interests of DOL.

An audit of a DOL agency found that a lack of segregation of the procurement function allowed program staff to exert undue influence over the procurement process. In addition, the agency's procurements exhibited a pattern of disregard for acquisition requirements and did not adhere to the principle of full and open competition. An audit of a sole source contract for encryption software awarded by another agency disclosed that overall responsibility for the information technology and procurement functions were delegated to one executive. Furthermore, a program official from that agency who was involved in the procurement action failed to disclose an apparent conflict of interest. The audit also found: the noncompetitive award was not adequately justified; the contract was significantly modified in scope and cost without proper review and approval; and the agency could not justify its decision not to use the $3.8 million of products purchased.

The Services Acquisition Reform Act of 2003 (SARA) requires DOL and other executive agencies to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management. However, DOL's current organization does not comply with that requirement. Instead, the Assistant Secretary for Administration and Management serves as the CAO in addition to carrying out the usual responsibilities for that position.

The OIG believes that, until procurement and programmatic responsibilities are properly separated and effective controls are put in place, DOL continues to be at risk for wasteful and abusive procurement practices. To address the vulnerabilities resulting from a lack of separation of procurement duties, we have recommended that a new CAO position should be created within the Office of the Deputy Secretary of Labor with acquisition being the CAO's primary responsibility as required by SARA. Notably, Congress directed the Department to report, by August 30, 2006, on the steps necessary to establish a unified chief procurement officer with responsibilities for all procurement activities in the Department.

Safeguarding Unemployment Insurance

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. Reducing improper payments in the Federal-State Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) programs remains an ongoing challenge for the Department. Improper payments include those made in the wrong amount, to an ineligible recipient, or improperly used by the recipient. According to the Department, UI overpayments by the states were estimated at $3 billion for calendar year 2005.

Ensuring Payment Integrity During Emergencies
The Department is challenged in having the necessary systems and controls in place and ensuring the same for the states and other key partners to be able to quickly respond, while preventing improper payments during national emergencies or disasters. This includes utilizing all tools available to ensure that benefits only go those who are eligible. The need for effective controls is evidenced by vulnerabilities exposed following hurricanes Katrina and Rita. These disasters put an unprecedented stress on the unemployment benefits systems of Louisiana and Mississippi, and other states stepped in to process unemployment benefit claims for those two states. Due to the need to get benefits to qualified recipients in a timely manner, controls were relaxed to the extent that no one who filed an unemployment claim was initially denied benefits. Consequently, the situation allowed many individuals to take advantage of weak or non-existent controls, which resulted in the exploitation of UI and DUA payouts as well as the proliferation of criminal activity including identity theft and fraud.

Ongoing audit and investigative work indicate that improper payments related to these disasters, particularly under the DUA program, may be extensive. To date, the OIG has identified approximately 1,000 cases of potential fraud. Because of the special risks related to the DUA program, we are continuing our efforts to examine eligibility for the entire DUA claimant population impacted by the hurricanes. In addition, a match against the National Directory of New Hires performed by the State of Louisiana of active unemployment claims identified approximately 22,000 claimants that may have continued to claim unemployment compensation after returning to work.

Overcharges to the Unemployment Trust Fund
Overcharges by the Internal Revenue Service (IRS) to the Unemployment Trust Fund (UTF) for costs incurred to administer the UTF poses a major challenge for the Department. OIG audits have demonstrated that the UTF has been improperly charged for hundreds of millions of dollars over several years. The OIG previously recommended that ETA work with the IRS to adopt a method to allocate costs and seek reimbursement for overcharges. The IRS subsequently reduced the amount of UTF FY 2002 administrative charges.

In FY 2003, the Treasury Inspector General for Tax Administration (TIGTA) reported that the IRS needed to establish an effective process for determining UTF administrative expenses. Based on TIGTA's recommendation, the IRS implemented a new cost methodology in October 2004. Even with this change, the administrative charges for UTF totaled $72 million for FY 2005, and currently, $70 million for the first 3 quarters of FY 2006. ETA has expressed concern about the complexity of the IRS's new methodology and the magnitude of the administrative charges. The OIG has requested that TIGTA audit the new methodology's adequacy for charging UTF administrative expenses.

Improving the Federal Employees' Compensation Act (FECA) Program

FECA provides income and medical cost compensation to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The DOL-administered FECA program impacts employees and budgets of all Federal agencies. FECA benefit expenditures totaled $2.4

billion in 2005. The OIG considers the effective design and operation of the program to be both a Departmental and government-wide challenge.

As effective management of the FECA program is the responsibility of all Federal agencies, the Labor and Commerce OIGs recently hosted a Symposium for the Inspector General (IG) community. With input from the IG community, the DOL OIG developed a more coordinated approach to ensure oversight of the FECA program to reduce fraud and overpayments. That approach was incorporated into a protocol document for audits, inspections, evaluations, and investigations conducted by the IGs across government. The protocol should assist OWCP in more efficiently responding to requests from the various agencies in performing oversight of their respective FECA operations.

The Department is challenged in continuing to provide leadership within the Federal community through the pursuit of legislative reforms to improve the efficiency of the FECA program and the reduction of improper payments through effective systems and oversight.

Needed FECA Legislative Reform
The OIG supports the Department's efforts to seek legislative reforms to the FECA program which would enhance incentives for employees who have recovered to return to work, address retirement equity issues, discourage unsubstantiated or otherwise unnecessary claims, and make other benefit and administrative improvements. Through the enactment of these proposals, the Department estimates savings to the government over ten years to be $592 million. The legislative reform would assist the Department to focus on improving case management and to ensure only eligible individuals receive benefits.

Ensuring Continued Eligibility for FECA Benefits
In previous years, the OIG reported that the Department needed to obtain and review medical evidence on a periodic basis in order to justify continued eligibility for FECA compensation payments. Because the Office of Workers' Compensation Programs (OWCP) had not established effective controls, there was a high risk of improper payments. In March 2006, DOL completed the roll-out of its new benefit payment system, Integrated Federal Employee Compensation System (iFECS), which tracks the due dates of medical evaluations. Additional components include Central Bill Processing and District Office Accountability Reviews. It provides the Department further capabilities to use data mining to prevent improper payments, boosts claims examiner effectiveness, and improve customer satisfaction. Because iFECS is in its infancy, it needs to be closely monitored and adjusted as necessary.

Maintaining the Integrity of Foreign Labor Certification Programs

Maintaining the integrity of DOL Foreign Labor Certification (FLC) programs, while effectively processing employer requests for foreign labor certifications, remains a challenge for the Department. These programs allow employers to meet their need for labor while preventing both the displacement of U.S. workers and the decrease of U.S. wages and worker protections of citizens and legal residents. Abuse of the FLC programs may cause unlawful admission of foreign nationals and incur economic hardship for American workers.

Foreign Labor Certification Application Backlogs
Last year, the OIG had expressed concerns regarding the high number of backlogged applications that were transferred to the Backlog Elimination Centers located in Philadelphia and Dallas. In August 2005, there were 312,438 applications pending from the predecessor manual system. As of August 2006, the total number backlogged applications have been reduced to approximately 200,000.

In 2006, ETA's processing of permanent labor certifications applications was automated. Since the implementation of the automated system, the Department has received 125,500 applications, which are being processed at the National Processing Centers located in Atlanta and Chicago. In addition to reducing the backlog of applications, DOL is challenged in preventing backlogs at the National Processing Centers while ensuring the integrity of the foreign labor certification process.

Labor Certification Fraud
The OIG addresses violations of the foreign labor certification process, which can be compromised by dishonest attorneys, labor brokers, and employers. In one case, an immigration attorney admitted to submitting over 1,400 fraudulent labor certification applications. He and his co-conspirators charged as much as $120,000 for a visa application services, amassing more than $4.5 million in revenues from their scheme. For his involvement, the attorney was sentenced to 44 months imprisonment and ordered to forfeit $3.2 million. The DOL is challenged in identifying fraudulent labor applications during the certification process and instituting measures to reduce fraud. The current certification process allows substitutions of alien beneficiaries on permanent labor certification applications. Consequently, a program vulnerability has developed where approved certifications, often obtained under fraudulent means, are sold and ultimately used by foreign nationals other than the beneficiaries indicated on the certification. To this end, the Department is challenged in ensuring that a regulation, which restricts the substitution of applicants that have already been approved for foreign labor certification, is both finalized and implemented.

Improving Financial and Performance Accountability

In order to manage DOL programs for results and to completely integrate budget and performance, the Department needs: timely financial data from a managerial cost accounting system that matches cost information with program outcomes; quality performance data; useful information from single audits; and effective controls over real property.

Developing a Managerial Cost Accounting System
To fully realize the benefits of cost accounting, the Department must ensure managers integrate the use of updated cost information into their day-to-day operations and decision making. The Department developed cost models for most of DOL's major agencies and programs in 2004. In FY 2005, the Department focused on expanding and using the cost-model capabilities. Agency program managers began to use cost-model information for high-level and recurring task, including budget formulation and justification, resource allocation, and the determination of "best practices" across similar programs and/or regions. While the Department has made significant progress in implementing managerial cost accounting capabilities, program managers still do not make continual use of the available information to manage their programs. The OIG is reviewing the Department's progress in fully utilizing its managerial cost account system capabilities as part of the audit of the FY 2006 Consolidated Financial Statements.

Ensuring Reliable Performance Data
Both the Government Performance and Results Act (GPRA) and the President's Management Agenda initiative on Budget and Performance Integration call for reliable performance data as a basis for good decision making. The Department faces unique challenges in assuring the reliability of its performance data, because much of the program results data required by DOL to measure attainment of its strategic goals are generated by states and other sources below the Federal level. This presents challenges for ensuring data quality and evaluating program effectiveness. Three recent OIG reviews identified the need for improvement in how DOL measures the completeness and reliability of program results reported under GPRA. Past OIG audit work disclosed high error rates in performance data reported by ETA grantees and raised concerns about the usefulness of that data for decision making. The OIG plans in FY 2007 to audit the new data validation system developed by ETA to improve the reliability of program performance information reported by its grantees.

Reliability of Audits Conducted under the Single Audit Act
The Department uses audits conducted under the Single Audit Act (SAA) conducted by independent public accountants or state auditors to provide oversight of the more than 90% of its expenditures spent by state and local governments and other non-DOL organizations. Previous OIG quality control reviews have revealed serious deficiencies in SAA audits, including inadequate sampling, which would make them unreliable. The OIG is concerned about the adequacy of information that DOL receives from these audits. DOL is challenged by the limited value of these audits in determining how well DOL programs are administered at the non-Federal level.

Developing and Securing Information Technology Systems and Protecting Related Information Assets

Developing effective systems to perform the day-to-day business of DOL has continued to challenge the Department. Judicious planning and project management are critical to the implementation of new systems. The OIG remains concerned about insufficient planning, tight timeframes, inadequate metrics, and a shortage of experienced project managers for DOL information technology (IT) initiatives. Other challenges facing the Department include: developing and effectively using emerging technologies; securing and protecting personally identifiable and other sensitive information from improper access or disclosures; developing and using a standard identification system for employees and contractors; and securing and authenticating electronic documents. For these reasons, we continue to recommend creating an independent Chief Information Officer (CIO) to provide exclusive oversight of IT issues.

Strengthening Systems Development and Management of High Risk Systems
OIG audits have identified that DOL IT system development life-cycle activities need strengthening in the areas of effective planning, project management, and decision-making. Using guidance from OMB (Memorandum M-05-23: Improving Information Technology Project Planning and Execution) the Department identified the following seven high-risk projects: New Core Financial Management System; GovBenefits; EFAST II; Technical Information Retrieval System; E-Grants; Enterprise HR Integration; and E-Travel. Current system development plans should be structured to include timely reviews of initiatives' progress in relation to planned project activities and key milestones. Plans should be strengthened to include budget and cost tracking, project timelines, and resource monitoring. Taking these steps would improve DOL's management of IT systems.

The Department and its agencies must ensure that all major IT projects are managed by qualified project managers in accordance with OMB guidance. In developing these resources, the Department will help to ensure the future success of DOL IT initiatives that can be leveraged throughout DOL, as warranted, given the importance, size and complexity of an initiative. DOL is challenged to maintain a high degree of project management throughout the Department and leverage the Department-wide certified project management resources to minimize the risks involved in systems development efforts.

Maintaining Information Technology Security
Due to new threats and increased automation, IT security is an ongoing challenge for the Department and agencies government-wide. Keeping up with these developments, providing assurances that DOL systems will function reliably, and safeguarding information assets require a sustained effort. The security of DOL IT systems and data is vital, since they produce key economic indicators and accomplish the payment of billions of dollars in benefits and services.

The CIO has called for priority attention to the outstanding reportable conditions identified by the OIG. This demonstrates that, even though the Department received an A+ computer security grade from Congress, the Department recognizes the importance of remaining vigilant and of addressing vulnerabilities in this area. In addition, OIG audits continue to identify high-and-medium risk control weaknesses across the programs' information systems, including unauthorized access to systems and incomplete certification and accreditation of systems. Computer security incidents also highlight the need to provide for more consistent and thorough testing of DOL program and system controls. The Department should also become more proactive in identifying and mitigating IT security weaknesses.

Protecting Information Assets and Securing Sensitive Information
To meet the challenges associated with emerging technologies and new policy requirements, the Department should have acquisition and implementation plans that are consistent with protecting DOL's informational assets and confidential and sensitive information. These new technologies will require changes to existing policies to maintain a high level of operational effectiveness. The Department also is reviewing new technologies to better manage and provide services to the public. DOL is likely to experience further security threats and events as the vulnerabilities of the new technologies are exploited.

On June 23, 2006, the Office of Management and Budget (OMB) issued requirements to protect personally identifiable information. The Department will be challenged to timely implement enterprise-wide standards for software solutions involving encryption, two-factor authentication, and logging of extracts of personally identifiable information. The Department will need to ensure their solutions have been captured in new policy and procedures which deal with implementation and oversight.

Implementing a Public Key Infrastructure (PKI)
The implementation of PKI enables the authentication of electronic documents. DOL has been challenged to implement a public key infrastructure (PKI) system and is currently exploring other avenues to find the best fit for the Department's needs and environment. The Department has procured and tested various methods of implementation and still has not implemented a solution.

Implementing New Smart Card Requirements
Under Homeland Security Presidential Directive Number 12 (HSPD-12), agencies will need to provide identification cards that will be used to validate and monitor federal employees and contractors. The General Services Administration is responsible for reviewing and approving third-party solutions available for agencies to procure. However, HSPD-12 allows agencies to develop or procure non-approved services. DOL will not only be challenged to procure such technology, but will also face challenges managing the implementation, distribution, and maintenance of the Smart Cards.

Ensuring Security of Employee Benefit Plan Assets

A major challenge confronting the Department is protecting the benefits of American workers, which includes pensions and health care. The Employee Benefits Security Administration (EBSA) oversees the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). Continuing failures in corporate financial management and reporting and economic distress in specific industries have added to the Department's challenges in providing effective oversight for the American worker. Healthcare laws enacted over the last 10 years have increased the regulatory and enforcement workload of the Department. In addition, continuing Congressional focus on health care may create new resource challenges for the Department in protecting employee benefits.

Safeguarding Pension Assets
DOL continues to face a serious challenge to improving the process through which employee benefit plans are audited. OIG audits have shown that DOL does not have sufficient authority to effectively ensure that employee benefit plan audits provide the level of protection called for in professional standards. While EBSA has made major changes in its audit monitoring process and significantly revised the way it approaches major auditing firms, EBSA still lacks the basic enforcement tools to improve plan audits. EBSA cannot take any direct action against audit firms that do not meet their professional responsibilities to American workers to ensure plan assets are adequately protected. EBSA instead must rely on professional organizations or state agencies to take action. Without additional authority to direct action against firms that do substandard audits, EBSA cannot fully meet its responsibilities to the American worker.

Investigating Benefit Plan Fraud
Ensuring the security of employee benefit plans remains a challenge for the Department. Recent OIG labor racketeering investigations and the increased activity of EBSA's criminal enforcement program consistently identify the vulnerability of plan assets. Those pension, health, and welfare benefit plans comprise billions of dollars in fund assets. OIG investigations have demonstrated that the funds remain vulnerable to corrupt individuals, including union officials and trustees, as well as organized crime influence. Benefit plan service providers continue to be strong focus of both the OIG's and EBSA's investigations. In one recent case investigated jointly by EBSA and OIG, the former president of a third-party administration firm that serviced health and welfare benefit plans, was sentenced to 15 years in prison and ordered to pay $837,000 in restitution to the plan participants whom he had embezzled.

Remedying Underpayments from Cash Balance Pension Plans
The OIG continues to be concerned about DOL's inaction on Cash Balance Plans. A previous OIG audit showed that thousands of American workers were being underpaid millions of dollars in distributions from these plans. The primary problem resulted from differing interpretations of IRS guidance in determining lump sum distributions from Cash Balance plans. While DOL asked IRS for additional guidance, over four years ago, IRS has not responded. As a result, DOL has not taken any action to further investigate the issue of lump sum payments identified in the OIG's audit. We believe that American workers in Cash Balance plans have been, and continue to be, significantly underpaid for the pensions they have earned.

The OIG believes that DOL should no longer allow the lack of response by the IRS to prevent DOL from doing as much as it can to protect the hard-earned pensions of Cash Balance plan participants. While DOL's authority may be limited without an IRS response, we believe DOL should explore every avenue in using its existing authority to address the issues OIG raised regarding Cash Balance Plans.

Congress has now addressed some of the cash balance issues in the recently enacted Pension Protection Act of 2006 which, among other things, modifies how lump sum distributions are calculated and, depending on implementing regulations from IRS, may eliminate or reduce the potential for underpayments to participants. However, the Act's provisions are prospective only from the date of enactment and do not affect distributions made in prior years. Therefore, EBSA still needs to take action.

Addressing Corrupt Multiple Employer Welfare Arrangements (MEWAs)
MEWAs are typically marketed to small businesses as a means of obtaining inexpensive health coverage for their employees. Fraudulent MEWAs, which default on their benefit obligations, are often misrepresented by plan promoters as being maintained under a bona-fide collective bargaining agreement. The OIG continues to recommend EBSA investigate unscrupulous health insurers who are burdening Americans with an increasing number of unpaid medical claims. Therefore, the OIG recommends that the Department continue its efforts to decrease the number of fraudulent MEWAs, in particular by seeking legislative changes to increase its authority to obtain reliable plan information and assess penalties.

Ensuring the Safety and Health of Miners

Effective oversight and policy by the government regarding safety and health issues in the mines is a matter of life and death. In June 2006, following a number of fatalities, Congress passed the most significant mining legislation in almost 30 years. The Mine Improvement and New Emergency Response Act established: new emergency response requirements; increased mine rescue standards; a mandate to develop improved communication technology; higher penalties for safety and health violations; and scholarship programs to train miners and additional MSHA enforcement personnel. In addition, individual coal mining states have enacted or are considering legislation to increase health and safety requirements in the mining industry. Responding to these new directives will place additional challenges on MSHA and its workforce.

Planning to Replace Retiring Mine Inspectors
In 2003, the GAO reported that 44% of MSHA's underground coal mine inspectors would be eligible to retire within the next five years. Further, MSHA has seen an increase in its employee turnover rate in recent years. With a considerable lead time to fully train new inspectors, MSHA faces a significant challenge in reacting quickly to its changing workload demands. The need to allocate resources to address new requirements will be exacerbated by an aging mine inspector workforce.

Ensuring the Effectiveness of the Job Corps Program

Job Corps includes operations at 126 center locations throughout the United States and Puerto Rico. The program utilizes contracts with private companies to operate 98 centers, and interagency agreements with the Department of Interior and Department of Agriculture to operate 28 centers. Job Corps provides occupational skills, academic training, social education, job placement services, and other support services, such as housing, transportation and family support resources to approximately 60,000 students each year.

Challenges facing the Department relative to the Job Corps program include student safety and health, student success, proper reporting, and ensuring proper procurement, updated agreements, and program effectiveness.

Ensuring Student Safety and Health

The safety and health of students in Job Corps' care is paramount to the students' short-term well-being and long-term success. There should be no allowance for any condition that presents a risk to student's physical, emotional, and mental health. Through past and current audits, the OIG has identified several issues that have a direct impact on student safety and health. For example, a recent OIG management letter identified inoperable fire alarms and unhealthful food handling and storage areas at a center operated by another Federal agency. The Department faces challenges to ensure effective regional office monitoring of zero tolerance for drugs and violence policies, student background checks, facilities maintenance, and student accountability which are key elements toward ensuring that students will have a reasonable opportunity for success while involved in center activities.

Ensuring Student Success

The OIG has identified challenges facing the Department on how students are being served by the program. The conditions identified through OIG audits relate to how contractors and other Federal agencies administering program requirements and to National office policy determinations. DOL should hold regional offices accountable for utilizing effective monitoring techniques in their oversight of services provided by Job Corps contractors. The regional offices should ensure educational and vocational services provided by center operators comply with policies, requirements, and contracts or interagency agreements. Additionally, the risk that outreach, admissions, and placement service providers are not complying with policies, requirements, and contract provisions should be considered a priority in regional office monitoring. Based on a recently completed audit, the OIG also believes the Department must identify and address cognitive disabilities of current and future students in order to improve their outcomes and long-term success.

Monitoring and Verifying Performance

Job Corps operates its centers through performance-based contracts, which tie incentive fees, bonuses, and option year awards directly to contractor performance. As a result, there is a risk that contractors will inflate their performance reports to receive unwarranted incentive payments. The OIG has recently reported that two centers manipulated their reported performance. The challenges to the Department are to ensure that regional office monitoring is effective in identifying manipulations of student absences and to be aggressive in pursuing remedies against contractors found to be engaging in the practice. The Department should be concerned with the financial reporting by contractors and the Federal agencies that operate centers under interagency agreements. Through our audits, the OIG has found instances of inadequate financial management systems, inadequate documentation for charges to center budgets, unauthorized costs charged to center budgets, and inadequate personal property management. These conditions represent challenges to the Department to ensure limited Job Corps resources are properly used to support services for youth.

Ensuring Proper Procurement, Updated Agreements, and Program Effectiveness

The OIG has classified Job Corps procurement, interagency agreements, and performance measures as additional challenges to the Department. Only through effective procurement practices can the Department ensure the appropriate companies are used to provide youth the opportunities for success that is envisioned for the program. Monitoring of the procurement process at the national level is essential to ensuring qualified companies are willing to participate and the best service and value to the government is achieved. An issue that should be a continuing concern is DOL's need to update interagency agreements with the Departments of Interior and Agriculture. The interagency agreements should be updated to clearly define each agency's responsibility for ensuring proper utilization of Job Corps funding and effective service to those young people served through Civilian Conservation Centers. Further, more direct monitoring of the actions and results of the agencies' Job Corps activities is also needed. A concern among contractors and the Federally-operated center personnel is the performance measures system that is used to rate center effectiveness. The development of specific rates to measure a successful operation and the emphasis on those rates is being seen as more important than the quality of performance.

Preparing for Emergencies

The tragedies of 9/11 and the 2005 hurricanes vividly demonstrated the need for the Department and other Federal, state, and local agencies to extensively plan and put in place procedures to address national and local emergencies. As previously discussed under *Safeguarding Unemployment Insurance*, the Department can leverage the lessons learned from Hurricane Katrina in working with the states to ensure systems and controls are in place. This would allow the continued and effective operation of DOL programs and the payment of benefits to eligible individuals despite disasters and disruptions.

Over the past five years, the Department has made employee safety and emergency preparedness a top priority. The OIG recognizes the efforts made by the Department, and considers emergency preparedness to be a top management challenge both to the Department and other government agencies. The Department has developed a host of measures and plans to deal with a variety of contingencies. These include shelter-in-place strategies, improved evacuation procedures, and full-scale continuity of operations plans (COOP). In addition, the Department recently added employee emergency contact and communications and a Pandemic Influenza Preparation and Response Plan to its COOP plans. The OIG considers the actions taken to be proactive and encourages the Department to continue to develop its preparedness for all types of contingencies.

Changes from Last Year

In identifying the most critical Top Management Challenges faced by the Department each year, the OIG recognizes that matters meriting the continued attention of DOL may be omitted from the list. Changes to the Top Management Challenges from FY 2005 include a revised management challenge previously entitled *Improving Systems Planning and Development* and renamed *Developing and Securing Information Technology Systems Security and Protecting Related Information Assets*. In addition, we added the following as new challenges: *Improving the Federal Employees' Compensation Act (FECA) Program; Ensuring the Safety and Health of Miners; Maintaining the Effective Use of Job Corps Resources; and Preparing for Emergencies*.

Management Controls
Management Controls were previously discussed under our FY 2005 management challenge entitled *Improving Financial and Performance Accountability*. In FY 2005, OMB Circular A-123 was amended to provide updated internal control standards applicable to all Federal agencies. The amendment also included new specific requirements for conducting agency management's assessment of the effectiveness of internal controls over financial reporting. OMB has approved the Department's plan to assess the effectiveness of its internal controls. The Department has also hired a nationally recognized consulting firm to assist in this effort. Starting in FY 2006, DOL is required to report the results of this assessment in the Performance and Accountability Report. DOL and its agencies must remain diligent in their efforts to complete these assessments in time to be included in the Report. Given the above actions, we removed "Management Controls" as a discussion item within our management challenges.

Improving Management of Real Property Assets
Improving Management of Real Property Assets was previously discussed as a 2005 Major Management Challenge. Because ETA has begun to review its existing processes and restructure them to strengthen the property management system, we removed "Improving Management of Real Property Assets" as a discussion item within our management challenges, and we will revisit the issue once we audit the impact of ETA's efforts on this matter.

Pursuing Reauthorization of the Workforce Investment Act
Pursuing Reauthorization of the Workforce Investment Act was previously discussed as a 2005 Major Management Challenge. Because the reauthorization of WIA has been pending since the law sunsetted in 2003, we removed "Pursuing Reauthorization of the Workforce Investment Act" as a discussion item within our management challenges, and we will revisit the issue when reauthorization legislation is passed.

Annual Financial Statements

Principal Financial Statements and Notes

PRINCIPAL FINANCIAL STATEMENTS

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2006 and 2005 consisted of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2006 and 2005 those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).

- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2006 and 2005. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 14 to the consolidated financial statements.

- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2006 and 2005.

- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL during FY 2006 and 2005, the status of these resources at September 30, 2006 and 2005, the change in obligated balance during FY 2006 and 2005, and outlays of budgetary resources for the years ended September 30, 2006 and 2005.

- The **Consolidated Statements of Financing**, which reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2006 and 2005.

- The **Consolidated Statements of Custodial Activity**, which present the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities for the years ended September 30, 2006 and 2005.

- The **Statements of Social Insurance,** which present the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund as of September 30, 2006, 2005, 2004, 2003, and 2002.

CONSOLIDATED BALANCE SHEETS
As of September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	$ 9,717,149	$ 9,219,660
Investments (Notes 1-D and 3)	66,455,052	54,952,644
Interest receivable from investments	745,556	637,443
Accounts receivable (Notes 1-E and 4)	4,046,188	3,991,270
Advances (Notes 1-F and 5)	4	10,812
Total intra-governmental	80,963,949	68,811,829
Accounts receivable, net of allowance (Notes 1-E and 4)	1,055,156	1,043,018
Advances (Notes 1-F and 5)	555,294	584,139
Property, plant and equipment, net of accumulated depreciation (Notes 1-G and 6)	1,076,810	1,023,422
Total assets	$ 83,651,209	$ 71,462,408
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	$ 22,459	$ 16,429
Advances from U.S. Treasury (Notes 1-J and 8)	9,631,557	9,186,557
Other liabilities (Note 11)	205,385	206,101
Total intra-governmental	9,859,401	9,409,087
Accounts payable	891,828	1,111,031
Accrued leave (Note 1-K)	97,522	94,852
Accrued benefits (Notes 1-L and 9)	1,199,648	1,147,658
Future workers' compensation benefits (Notes 1-M and 10)	548,314	564,305
Energy employees occupational illness compensation benefits (Note 1-N)	6,942,442	7,436,243
Other liabilities (Note 11)	217,313	263,233
Total liabilities	19,756,468	20,026,409
Net position (Note 1-R)		
Unexpended appropriations - other funds	8,193,767	8,115,461
Cumulative results of operations		43,320,538
Earmarked funds	57,146,431	
Other funds	(1,445,457)	
Total net position	63,894,741	51,435,999
Total liabilities and net position	$ 83,651,209	$ 71,462,408

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
NET COST OF OPERATIONS (Notes 1-S and 14)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 40,661,833	$ 45,380,694
Less earned revenue	(3,712,611)	(3,144,410)
Net program cost	36,949,222	42,236,284
Employment and training		
Gross cost	5,710,741	6,027,121
Less earned revenue	(22,568)	(17,737)
Net program cost	5,688,173	6,009,384
Labor, employment and pension standards		
Gross cost	729,053	724,322
Less earned revenue	(14,082)	(9,971)
Net program cost	714,971	714,351
Worker safety and health		
Gross cost	859,144	798,110
Less earned revenue	(14,465)	(3,690)
Net program cost	844,679	794,420
OTHER PROGRAMS		
Statistics		
Gross cost	604,142	531,675
Less earned revenue	(5,332)	(6,664)
Net program cost	598,810	525,011
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	85,782	95,244
Less earned revenue not attributed to programs	(7,608)	(10,800)
Net cost not assigned to programs	78,174	84,444
Net cost of operations	$ 44,874,029	$ 50,363,894

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006			2005
	Consolidated Earmarked Funds	**Consolidated All Other Funds**	**Consolidated Total**	**Consolidated Total**
Cumulative results of operations, beginning	$ 45,353,214	$ (2,032,676)	$ 43,320,538	$ 39,154,009
Budgetary financing sources (Note 1-T)				
Appropriations used	-	9,925,600	9,925,600	10,336,749
Nonexchange revenue (Note 15)				
Employer taxes	42,014,032	-	42,014,032	40,571,621
Interest	2,784,058	7,825	2,791,883	2,593,415
Assessments	-	149,829	149,829	145,315
Reimbursement of unemployment benefits	1,855,188	-	1,855,188	1,857,193
Total nonexchange revenue	46,653,278	157,654	46,810,932	45,167,544
Transfers without reimbursement (Note 16)	(3,290,737)	3,684,560	393,823	3,000
Other financing sources (Note 1-U)				
Imputed financing from costs absorbed by others	238	122,544	122,782	108,742
Transfers without reimbursement (Note 16)	-	1,328	1,328	(1,085,612)
Total financing sources	43,362,779	13,891,686	57,254,465	54,530,423
Net cost of operations	(31,569,562)	(13,304,467)	(44,874,029)	(50,363,894)
Net change	11,793,217	587,219	12,380,436	4,166,529
Cumulative results of operations, ending	$ 57,146,431	$ (1,445,457)	$ 55,700,974	$ 43,320,538
Unexpended appropriations, beginning	$ -	$ 8,115,461	$ 8,115,461	$ 8,299,897
Budgetary financing sources (Note 1-T)				
Appropriations received (Note 17-F)	-	10,703,673	10,703,673	11,100,600
Appropriations transferred	-	(600,895)	(600,895)	(622,286)
Appropriations not available	-	(98,872)	(98,872)	(326,001)
Appropriations used	-	(9,925,600)	(9,925,600)	(10,336,749)
Subtotal	-	78,306	78,306	(184,436)
Unexpended appropriations, ending	-	8,193,767	8,193,767	8,115,461
Net position	$ 57,146,431	$ 6,748,310	$ 63,894,741	$ 51,435,999

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$ 3,872,075	$ 3,577,791
Recoveries of prior year unpaid obligations	399,780	408,672
Budget authority		
Appropriations received (Note 17-F)	58,971,002	57,248,865
Borrowing authority	445,000	446,000
Spending authority from offsetting collections		
Earned		
Collected	3,106,611	2,545,382
Change in receivables from Federal sources	(47,510)	57,700
Change in unfilled customer orders		
Advance received	(1,816)	10,756
Without advance from Federal sources	(825)	-
Expenditure transfers from trust funds	3,683,587	3,873,716
Total budget authority	66,156,049	64,182,419
Nonexpenditure transfers, net	(522,731)	(387,330)
Temporarily not available pursuant to Public Law	(11,819,982)	(9,296,717)
Permanently not available	(449,404)	(496,197)
Total budgetary resources	$ 57,635,787	$ 57,988,638
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 17-A)		
Direct	$ 50,344,367	$ 51,333,636
Reimbursable	3,095,134	2,782,927
Total obligations incurred	53,439,501	54,116,563
Unobligated balances		
Apportioned	2,528,068	2,548,305
Exempt from apportionment	212,629	175,310
Total unobligated balances	2,740,697	2,723,615
Unobligated balances not available	1,455,589	1,148,460
Total status of budgetary resources	$ 57,635,787	$ 57,988,638
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 9,482,832	$ 9,856,452
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,473,680)	(1,344,626)
Total unpaid obligated balance, net	8,009,152	8,511,826
Obligations incurred, net	53,439,501	54,116,563
Less gross outlays	(53,502,109)	(54,081,511)
Less recoveries of prior year unpaid obligations, actual	(399,780)	(408,672)
Change in uncollected customer payments from Federal sources	236,828	(129,054)
Obligated balance, net, end of period		
Unpaid obligations	9,020,444	9,482,832
Less uncollected customer payments from Federal sources	(1,236,852)	(1,473,680)
Total unpaid obligated balance, net, end of period	$ 7,783,592	$ 8,009,152
NET OUTLAYS		
Gross outlays	$ 53,502,109	$ 54,081,511
Less offsetting collections	(6,985,536)	(6,358,706)
Less distributed offsetting receipts	(855,746)	(829,392)
Net outlays	$ 45,660,827	$ 46,893,413

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF FINANCING
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated		
Obligations incurred	$ 53,439,501	$ 54,116,563
Less recoveries of prior year obligations	(399,780)	(408,672)
Less spending authority from offsetting collections	(6,740,047)	(6,487,554)
Obligations, net of offsetting collections and recoveries	46,299,674	47,220,337
Less offsetting receipts	(855,746)	(829,392)
Net obligations	45,443,928	46,390,945
Other resources		
Imputed financing from costs absorbed by others	122,782	108,742
Transfers, net	1,328	(1,085,612)
Exchange revenue not in budget	(110,908)	(6,874)
Trust fund exchange revenue not in the budget	9,216	(10,319)
Total resources used to finance activities	45,466,346	45,396,882
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	139,777	536,240
Resources that fund expenses recognized in prior periods	(544,220)	(4,823)
Budgetary offsetting collections and offsetting receipts that do not affect the net cost of operations	28,236	56,054
Resources that finance the acquisition of assets	(116,035)	(209,012)
Allocation transfers to other agencies	(159,098)	(198,524)
Other resources that do not affect net cost of operations (Note 18-A)	209	1,131,086
Total resources used to finance items not part of the net cost of operations	(651,131)	1,311,021
Total resources used to finance the net cost of operations	44,815,215	46,707,903
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods (Note 18-B)		
Increase in annual leave liability	386	-
Increase in employee benefits liabilities	-	3,556,208
Other	2,284	26,183
Total	2,670	3,582,391
Components not requiring or generating resources		
Depreciation and amortization	55,449	54,645
Revaluation of assets and liabilities	612,558	403,376
Benefit overpayments	(611,863)	(384,421)
Total	56,144	73,600
Total components of the net cost of operations that will not require or generate resources in the current period	58,814	3,655,991
Net cost of operations	$ 44,874,029	$ 50,363,894

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2006 and 2005
(Dollars in Thousands)

	2006	2005
CUSTODIAL REVENUE (Notes 1-V and 19)		
Cash collection of fines, penalties, assessments and related interest	$ 152,880	$ 130,885
Less refunds	(76)	(214)
Net cash collections	152,804	130,671
Increase (decrease) in amounts to be collected	(12,767)	10,951
Total custodial revenue	140,037	141,622
DISPOSITION OF CUSTODIAL REVENUE (Note 1-V)		
Net transfers to U.S. Treasury general fund	152,804	130,671
Increase (decrease) in amounts to be transferred	(12,767)	10,951
Total disposition of custodial revenue	140,037	141,622
Net custodial activity	$ -	$ -

The accompanying notes are an integral part of these statements.

STATEMENT OF SOCIAL INSURANCE
As of September 30, 2006, 2005, 2004, 2003, and 2002
(Dollars in Thousands)

	Projection Periods Ending September 30, 2040				
		Unaudited			
	2006	**2005**	**2004**	**2003**	**2002**
BLACK LUNG DISABILITY BENEFIT PROGRAM (NOTE 1-W)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	$ 2,722,801	$ 2,622,302	$ 2,880,559	$ 2,954,920	$ 3,098,098
Actuarial present value of future administrative costs during the projection period	848,218	845,158	759,282	695,421	740,733
Actuarial present value of future benefit payments and administrative costs during the projection period	3,571,019	3,467,460	3,639,841	3,650,341	3,838,831
Less the actuarial present value of future excise tax income during the projection period	7,957,821	8,536,401	7,671,392	7,289,333	7,961,315
Excess of actuarial present values of future excise tax income over the benefit payments and administrative costs for the projection period	4,386,802	5,068,941	4,031,551	3,638,992	4,122,484
Actuarial present value of future interest on U. S. Treasury advances during the projection period (Note 8)	20,838,219	21,583,744	19,949,150	18,120,069	17,109,407
Excess of actuarial present values of total future payments over the future excise tax income for the projection period	(16,451,417)	(16,514,803)	(15,917,599)	(14,481,077)	(12,986,923)
Trust fund deficit at start of projection period (Note 20)	(9,604,743)	(9,160,009)	(8,711,444)	(8,227,010)	(7,681,649)
Actuarial present value of total future payments and trust fund deficit over future excise tax income for the projection period	$(26,056,160)	$(25,674,812)	$(24,629,043)	$(22,708,087)	$(20,668,572)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote 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 economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under four major budget functions: education, training, employment, and social services; health (occupational health and safety); income security; and national defense. DOL's major program agencies, major programs in which they operate, and the relationship of these programs to the Strategic Goals are shown below.

1. Major program agencies

- Employment and Training Administration (ETA)
- Employment Standards Administration (ESA)
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
  (Formerly Pension and Welfare Benefits Administration)
- Veterans' Employment and Training (VETS)
- Other Departmental Programs
  - Office of the Assistant Secretary for Administration and Management
  - Office of the Solicitor
  - Office of the Chief Financial Officer
  - Office of the Inspector General
  - Bureau of International Labor Affairs
  - Women's Bureau
  - Office of Disability Employment Policy

2. Major programs

- Income maintenance – Strategic Goal 2
- Employment and training – Strategic Goals 1 and 2
- Labor, employment, and pension standards – Strategic Goals 2 and 3
- Worker safety and health – Strategic Goal 3
- Statistics – Strategic Goal 1

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity for purposes of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types used in reporting to Treasury Financial Management Services and the Office of Management and Budget. For financial statement purposes, funds are classified as earmarked funds and all other funds. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, which became effective in FY 2006, required separate identification of earmarked funds on the Consolidated Statement of Changes in Net Position, Net Position on the Consolidated Balance Sheets, and disclosures of condensed information on assets, liabilities, and costs of earmarked funds. The standard precludes this presentation for FY 2005.

Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues. Earmarked funds and all other funds are identified as follows:

Earmarked funds

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Black Lung Disability Trust Fund, established under Part C of the Black Lung Benefit Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The funds are supported by fees paid by employers applying for foreign workers under the H-1B temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

All other funds

- General funds

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act. The Departments of Labor, Heath and Human Services, Education and Related Agencies Appropriations Act, 2006 established an Office of Job Corps within the Office of the Secretary of Labor. This Act transferred management and administration of Job Corps activities from the Employment and Training Administration to an autonomous office under the Secretary during FY 2006. The administrative transfer of funds was accomplished under the allotment process. Since there was no actual budgetary transfer of funds, Job Corps costs continue to be reported under the Employment and Training Administration where funds were originally budgeted and appropriated.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and the administrative costs.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

All other funds - continued

- General funds - continued

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to DOL effective October 1, 2003.

- Revolving funds

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- Miscellaneous receipt and clearing accounts

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law cannot be deposited into funds under DOL control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

- Trust funds

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmen's Compensation Act Trust Fund, established under the authority District of Columbia Workmen's Compensation Act, provides compensation and medical payments to District of Columbia employees for work-related injuries or death which occurred prior to July 26, 1982.

- Deposit funds

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

4. Inter-departmental relationships

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

B. Basis of Accounting and Presentation

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing, and custodial activities of the U.S. Department of Labor, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular No. A-136, "Financial Reporting Requirements." They have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All interfund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular No. A-136 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB Circular No. A-136 requires budget authority and other resources allocated to another agency to be reported by the transferor of the appropriation in its financial statements unless the allocation transfer is material to the recipient's financial statements. The activity relating to the allocation should be reported in all of the recipient's financial statements, except the Statement of Budgetary Resources, when the allocation transfer is material to the recipient's financial statements. The transferor should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Accounting and Presentation - Continued

DOL has allocated appropriations to the Department of Agriculture and the Department of Interior in fiscal years 2006 and 2005 to provide funds for youth training programs. These Departments consider this activity material to their respective financial statements; therefore, DOL reports this activity only in the Combined Statement of Budgetary Resources. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Service Administration, and the Agency for International Development, which DOL considers to be immaterial. These amounts are not included in the DOL financial statements.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are prepared by DOL pursuant to OMB directives and used to monitor DOL's use of budgetary resources.

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for DOL. (See Note 2)

D. Investments

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's earmarked funds. The cash receipts collected from the public for earmarked funds are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Interest earning Treasury securities are issued to DOL's earmarked funds as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity, therefore no provision is made in the financial statements for unrealized gains or losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Investments – Continued

Other funds also have investments in Treasury securities. Balances held in the Longshore and Harbor Workers' Compensation Act Trust Fund, the District of Columbia Workmen's Compensation Act Trust Fund, and the Energy Employees Occupational Illness Compensation Fund are invested in Treasury one day deposit certificates. Receipts from certain cases deposited in the Backwage Restitution Fund were invested in marketable Treasury securities in FY 2005. (See Note 3)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

1. **Intra-governmental accounts receivable**

   The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

   DOL's Federal Employees' Compensation Act (FECA) Special Benefit Fund provides workers' compensation benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

   DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

2. **Accounts receivable due from the public**

   DOL recognizes as accounts receivable State unemployment taxes due from covered employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

   DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. **Allowance for doubtful accounts**

   Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. Contra revenue represents a reduction in revenue when realization is not expected. Intra-governmental accounts receivable are considered fully collectible. (See Note 4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Advances

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 5)

G. Property, Plant and Equipment, Net of Accumulated Depreciation

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. DOL maintains the Capital Asset Tracking and Reporting System (CATARS) to account for Job Corp's PP&E, as well as other general purpose PP&E used by the Department. Internal use software is considered general purpose PP&E.

Effective October 1, 2002, real property purchases or improvements and leasehold improvements with a cost greater than $500,000 and a useful life of 2 or more years, internal use software with a cost greater than $300,000 and a useful life of 2 or more years, and equipment with a cost of $50,000 or more and a useful life of 2 or more years are capitalized. PP&E acquisitions not meeting these criteria are charged to expense at the time of purchase. For fiscal years 1996 through 2001, PP&E (excluding internal use software) with a cost greater than $25,000 ($5,000 for the Working Capital Fund) and a useful life of 2 or more years and internal use software with a cost greater than $300,000 and a useful life of 2 or more years were capitalized. Prior to 2001, internally developed software in the Working Capital Fund with a cost greater than $5,000 was capitalized, when the cost was intended to be recovered through charges to other DOL users. Prior to 1996, PP&E with a cost greater than $5,000 and a useful life of 2 or more years were capitalized. PP&E acquisitions not meeting these criteria were charged to expense at the time of purchase.

Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful lives. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line method of amortization. (DOL has no operating leases which extend for a period of more than one year.)

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful lives.

The table below shows the major classes of DOL's depreciable plant and equipment, and the depreciation periods used for each major classification. (See Note 6)

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Property, Plant and Equipment, Net of Accumulated Depreciation - Continued

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes. The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)

I. Liabilities

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund when fund resources are not adequate to meet fund obligations. Budget authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 4.500% to 13.875% at September 30, 2006 and 2005. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the General Fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

L. Accrued Benefits

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 9)

1. **Unemployment benefits payable**

   The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Emergency benefits were paid under the Temporary Extended Unemployment Compensation Act and the Emergency Unemployment Compensation Act. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. **Federal employees disability and 10(h) benefits payable**

   The Federal Employees' Compensation Act Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. A liability for FECA benefits payable by the Special Benefit Fund to the employees of DOL and other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. **Black lung disability benefits payable**

   The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Accrued Benefits – Continued

4. Energy employees occupational illness compensation benefits payable

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

5. Longshore and harbor workers' and District of Columbia disability benefits payable

The Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund provide compensation and medical benefits for work-related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

M. Future Workers' Compensation Benefits

The financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the ultimate payments.

The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index-medical or CPIMs) to the calculation of projected benefits. The COLAs and CPIMs used in the projections for FY 2006 and FY 2005 were as follows:

	COLA		CPIM	
FY	2006	2005	2006	2005
2006	N/A	3.33%	N/A	4.09%
2007	3.50%	2.93%	4.00%	4.01%
2008	3.13%	2.40%	4.01%	4.01%
2009	2.40%	2.40%	4.01%	4.01%
2010	2.40%	2.40%	4.03%	4.01%
2011+	2.43%	2.40%	4.09%	4.01%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Future Workers' Compensation Benefits – Continued

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2006, interest rate assumptions were 5.17% in year one and 5.31% in year two and thereafter. For 2005, interest rate assumptions were 4.5% in year one and 5.0% in year two and thereafter. (See Note 10)

N. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of $150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Prior to October 2004, compensation of $50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under RECA. As a result of the October 2004 changes, new RECA cases are paid the full $150,000 under EEOICPA.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly administered and paid by the Department of Justice (DOJ).

DOL has recognized a $6.9 billion and $7.4 billion liability for estimated future benefits payable by DOL at September 30, 2006 and 2005, respectively, to eligible individuals under the EEOICPA. For fiscal year 2006, the undiscounted liability is $9.8 billion discounted to a present value liability of $6.9 billion based on an interest rate of 5.313% projected over a 49 year period. For fiscal year 2005, the undiscounted liability is $10.7 billion discounted to a present value liability of $7.4 billion based on an interest rate 5.02% projected over a 49 year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2006, DOL's contributions to the FEHBP and FEGLIP were $76.2 and $2.0 million, respectively. During 2005, DOL's contributions to the FEHBP and FEGLIP were $73.9 and $1.9 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM. Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of $80.6 million in 2006 and $64.8 million in 2005.

Q. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings and makes an 11.2% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as operating expenses. DOL's matching contributions were $65.0 million in 2006 and $61.0 million in 2005.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to $15,000 of their gross pay to the TSP during calendar year 2006, but there is no departmental matching contribution. FERS participants may contribute up to $15,000 of their gross pay to the TSP during calendar year 2006. CSRS and FERS participants were limited to 10% and 15% contributions to TSP of their gross pay respectively with a $14,000 maximum during calendar year 2005. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Q. Employee Pension Benefits - Continued

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 13)

R. Net Position

DOL's net position consists of the following:

1. **Unexpended appropriations**

   Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until those appropriations are closed, five years after the appropriations expire. Multi-year appropriations remain available to DOL for obligation in future periods.

2. **Cumulative results of operations**

   Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

S. Net Cost of Operations

1. **Operating costs**

   Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Intra-governmental costs are exchange transactions made between DOL and other entities within the Federal government. Intra-governmental costs relate to the source of goods and services purchased by DOL, and not to the classification of related revenue. With the public costs are exchange transactions made between DOL and a non-Federal entity. Full costs are reduced by exchange (earned) revenues to arrive at net program cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by sub-organization in Note 14 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

S. Net Cost of Operations - Continued

2. Earned revenue

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

T. Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. Appropriations received, appropriations transferred and appropriations not available

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

2. Non-exchange revenue

Non-exchange revenues arise from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below. (See Note 15)

- Employer taxes

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to DOL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

- Employer taxes - continued

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- Interest

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund, District of Columbia Workmen's Compensation Act Trust Fund, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

- Assessments

The Longshore and Harbor Workers' Compensation Act Trust Fund and District of Columbia Workmen's Compensation Act Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when earned.

- Reimbursement of unemployment benefits

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. These reimbursements are recognized as other non-exchange revenue when earned.

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and ESA. Also included are transfers from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 16)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

U. Other Financing Sources

Other financing sources include nonexchange revenue and other items that do not represent budgetary resources.

1. **Imputed financing**

   A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

2. **Transfers without reimbursement**

   Transfers recognized as other financing sources by DOL include the transfers of property from the General Services Administration, and also in FY 2005 from the Department of Defense, to the Employment and Training Administration (ETA) for training programs. Also included in FY 2005 were transfers of liabilities from the Department of Energy and the Department of Justice to the Energy Employees Occupational Illness Compensation Fund. The liabilities were for programs established by the EEIOCPA and RECA. These programs were transferred to DOL by amendments to the EEIOCPA enacted in FY 2005, which expanded coverage for illness or death arising from exposure to toxic substances at the DOE facilities. (See Note 16)

V. Custodial Activity

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations; for ETA disallowed grant costs assessed against canceled appropriations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Consolidated Statements of Custodial Activity. (See Note 19)

W. Significant Assumptions Used in the Statement of Social Insurance

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the General Fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

W. Significant Assumptions Used in the Statement of Social Insurance - Continued

The significant assumptions used in the projections for the Statement of Social Insurance are the number of beneficiaries, life expectancy, coal excise tax revenue estimates, the tax rate structure, Federal civilian pay raises, medical cost inflation, and the interest rate on new repayable advances from Treasury.

The Office of Tax Analysis of the Department of the Treasury provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Agency of the Department of Energy. The Department of Treasury's Office of Tax Analysis provides the first eleven years of tax receipt estimates. The remaining years are estimated using a growth rate based on both historical tax receipts and the Department of Treasury's estimated tax receipts. The coal excise tax rate structure is $1.10 per ton of underground-mined coal and $0.55 per ton of surface-mined coal sold, with a cap of 4.4 percent of sales price, through December 31, 2013. Starting in 2014, the tax rates revert to $0.50 per ton of underground-mined coal and $0.25 per ton surface-mine coal sold, and a limit of two percent of sales price.

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Social Security Administration life tables are used to project the life expectancies of the beneficiary population. The Office of Management and Budget supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the consumer price index-medical, which are used to calculate future benefit costs. During the current projection period, future benefit rate increases range from 4.0% to 4.3%, and medical cost increases range from 4.0% to 4.1%. Estimates for administrative costs for the first 11 years of the projection are supplied by DOL's Budget Office, while later years are based on the number of projected beneficiaries. Estimates for future interest on advances are based on the interest rates on outstanding advances ranging from 4.500% to 13.875% and new borrowings ranging from 4.90% to 5.81%.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased. All of the current year projections are discounted using an interest rate of 5.0%, which is the last actual rate on advances taken at the end of FY 2006.

X. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Y. Reclassifications

Certain reclassifications have been made to 2005 financial statements to conform to the 2006 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2006 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 3,946	$ -	$ 35,694	$ 39,640	$ -	$ 39,640
Trust funds	141,122	-	(41,062)	100,060	(159)	99,901
Appropriated funds	2,446,785	1,371,403	5,696,774	9,514,962	-	9,514,962
Other	-	-	-	-	62,646	62,646
	$ 2,591,853	$ 1,371,403	$ 5,691,406	$ 9,654,662	$ 62,487	$ 9,717,149

Funds with U.S. Treasury at September 30, 2005 consisted of the following:

	Entity Assets					
(Dollars in thousands)	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed	Total Entity Assets	Non-entity Assets	Total
Revolving funds	$ 3,900	$ -	$ 27,682	$ 31,582	$ -	$ 31,582
Trust funds	107,154	16,921	(338,941)	(214,866)	(707)	(215,573)
Appropriated funds	2,290,830	1,187,214	5,865,841	9,343,885	-	9,343,885
Other	-	-	-	-	59,766	59,766
	$ 2,401,884	$ 1,204,135	$ 5,554,582	$ 9,160,601	$ 59,059	$ 9,219,660

The negative fund balances reported as of September 30, 2006 and 2005 relate to the Unemployment Trust Fund (UTF) and are the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This could result in a negative cash position for the preceding business day if the disbursements are greater than the receipts to the fund.

Unobligated Balance Available includes $339 million of funds apportioned for use in the subsequent year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 3 - INVESTMENTS

Investments at September 30, 2006 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Non-marketable				
U.S. Treasury Certificates of Indebtedness				
4.875% maturing June 30, 2007	$ 8,662,384	$ -	$ 8,662,384	$ 8,662,384
5.000% maturing June 30, 2007	343,768	-	343,768	343,768
Special issue U.S. Treasury Bonds				
4.625% maturing June 30, 2007	17,927,258	-	17,927,258	17,927,258
4.625% maturing June 30, 2008	19,299,158	-	19,299,158	19,299,158
4.875% maturing June 30, 2008	10,000,000	-	10,000,000	10,000,000
4.875% maturing June 30, 2009	9,980,072	-	9,980,072	9,980,072
	66,212,640	-	66,212,640	66,212,640
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Bill				
Maturing November 16, 2006	13,608	(85)	13,523	13,016
U.S. Treasury Notes				
3.625% to 6.625% various maturities	24,460	30	24,490	24,315
U.S. Treasury Bonds				
10.375% to 11.750% various maturities	39,738	2,597	42,335	42,233
	77,806	2,542	80,348	79,564
Longshore and Harbor Workers' Compensation Act Trust Fund				
Non-marketable				
One Day Deposit				
5.030% maturing October 2, 2006	73,146	-	73,146	73,146
District of Columbia Workmen's Compensation Act Trust Fund				
Non-marketable				
One Day Deposit				
5.030% maturing October 2, 2006	5,611	-	5,611	5,611
Energy Employees Occupational Illness Compensation Fund				
Non-marketable				
One Day Deposit				
5.030% maturing October 2, 2006	83,307	-	83,307	83,307
	$ 66,452,510	$ 2,542	$ 66,455,052	$ 66,454,268
Entity investments	$ 66,351,966	$ 2,542	$ 66,354,508	$ 66,353,724
Non-entity investments	100,544	-	100,544	100,544
	$ 66,452,510	$ 2,542	$ 66,455,052	$ 66,454,268

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2005 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Non-marketable				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2006	$ 2,285,274	$ -	$ 2,285,274	$ 2,285,274
Special issue U.S. Treasury Bonds				
4.625% maturing June 30, 2007	26,000,000	-	26,000,000	26,000,000
4.625% maturing June 30, 2008	19,299,158	-	19,299,158	19,299,158
5.500% maturing June 30, 2006	7,221,451	-	7,221,451	7,221,451
	54,805,883	-	54,805,883	54,805,883
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
3.625% to 6.875% various maturities	32,307	711	33,018	32,784
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	44,232	4,941	49,173	49,798
	76,539	5,652	82,191	82,582
Longshore and Harbor Workers' Compensation Act Trust Fund				
Non-marketable				
One Day Deposit				
3.460% maturing October 3, 2005	60,000	-	60,000	60,000
District of Columbia Workmen's Compensation Act Trust Fund				
Non-marketable				
One Day Deposit				
3.460% maturing October 3, 2005	3,000	-	3,000	3,000
Backwage Restitution Fund				
Marketable				
U.S. Treasury Bill				
2.920% to 3.160% maturing October 20, 2005	1,625	(55)	1,570	1,570
	$ 54,947,047	$ 5,597	$ 54,952,644	$ 54,953,035
Entity investments	$ 54,850,990	$ 5,652	$ 54,856,642	$ 54,857,033
Non-entity investments	96,057	(55)	96,002	96,002
	$ 54,947,047	$ 5,597	$ 54,952,644	$ 54,953,035

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2006 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 334,738	$ -	$ 334,738
Due for workers' compensation benefits	3,696,581	-	3,696,581
Other	14,869	-	14,869
	4,046,188	-	4,046,188
Entity assets			
State unemployment taxes	932,626	(666,082)	266,544
Due from reimbursable employers	544,016	(32,357)	511,659
Benefit overpayments	1,949,362	(1,730,343)	219,019
Other	8,079	(2,443)	5,636
	3,434,083	(2,431,225)	1,002,858
Non-entity assets			
Fines and penalties	81,309	(36,808)	44,501
Backwages	23,966	(16,169)	7,797
	105,275	(52,977)	52,298
	3,539,358	(2,484,202)	1,055,156
	$ 7,585,546	$ (2,484,202)	$ 5,101,344

Changes in the allowance for doubtful accounts during 2006 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2005	Write-offs	Contra Revenue	Bad Debt	Balance at September 30, 2006
Entity assets					
State unemployment taxes	$ (636,367)	$ 349,681	$ (379,396)	$ -	$ (666,082)
Due from reimbursable employers	(31,513)	19,936	(20,780)	-	(32,357)
Benefit overpayments	(1,737,979)	613,131	-	(605,495)	(1,730,343)
Other	(2,314)	36	-	(165)	(2,443)
	(2,408,173)	982,784	(400,176)	(605,660)	(2,431,225)
Non-entity assets					
Fines and penalties	(55,807)	26,410	(7,411)	-	(36,808)
Backwages	(12,661)	-	-	(3,508)	(16,169)
	(68,468)	26,410	(7,411)	(3,508)	(52,977)
	$ (2,476,641)	$ 1,009,194	$ (407,587)	$ (609,168)	$ (2,484,202)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued

Accounts receivable at September 30, 2005 consisted of the following:

(Dollars in thousands)	Gross Receivables	Allowance	Net Receivables
Entity intra-governmental assets			
Due for UCFE and UCX benefits	$ 344,073	$ -	$ 344,073
Due for workers' compensation benefits	3,640,388	-	3,640,388
Other	6,809	-	6,809
	3,991,270	-	3,991,270
Entity assets			
State unemployment taxes	871,549	(636,367)	235,182
Due from reimbursable employers	547,623	(31,513)	516,110
Benefit overpayments	1,949,359	(1,737,979)	211,380
Other	10,264	(2,314)	7,950
	3,378,795	(2,408,173)	970,622
Non-entity assets			
Fines and penalties	113,075	(55,807)	57,268
Backwages	27,789	(12,661)	15,128
	140,864	(68,468)	72,396
	3,519,659	(2,476,641)	1,043,018
	$ 7,510,929	$ (2,476,641)	$ 5,034,288

Changes in the allowance for doubtful accounts during 2005 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2004	Write-offs	Contra Revenue	Bad Debt	Balance at September 30, 2005
Entity assets					
State unemployment taxes	$ (556,917)	$ 334,716	$ (414,166)	$ -	$ (636,367)
Due from reimbursable employers	(39,404)	27,088	(19,197)	-	(31,513)
Benefit overpayments	(1,862,710)	524,158	-	(399,427)	(1,737,979)
Other	(2,121)	234	-	(427)	(2,314)
	(2,461,152)	886,196	(433,363)	(399,854)	(2,408,173)
Non-entity assets					
Fines and penalties	(56,326)	20,135	(19,616)	-	(55,807)
Backwages	(10,389)	-	-	(2,272)	(12,661)
	(66,715)	20,135	(19,616)	(2,272)	(68,468)
	$ (2,527,867)	$ 906,331	$ (452,979)	$ (402,126)	$ (2,476,641)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 5 - ADVANCES

Advances at September 30, 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Intra-governmental		
Advances to the Department of Justice	$ 4	$ -
Advances to the Department of Commerce - Bureau of the Census	-	10,812
	4	10,812
Advances to states for UI benefit payments	474,153	489,177
Advances to grantees and contractors to finance future DOL program expenditures	78,537	89,520
Other	2,604	5,442
	555,294	584,139
	$ 555,298	$ 594,951

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant and equipment at September 30, 2006 consisted of the following:

	2006		
(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 862,100	$ (378,086)	$ 484,014
Improvements to leased facilities	409,521	(222,152)	187,369
	1,271,621	(600,238)	671,383
Furniture and equipment			
Equipment held by contractors	159,771	(154,226)	5,545
Furniture and equipment	62,740	(39,973)	22,767
	222,511	(194,199)	28,312
ADP software	192,270	(68,640)	123,630
Construction-in-progress	162,486	-	162,486
Land	90,999	-	90,999
	$ 1,939,887	$ (863,077)	$ 1,076,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION - Continued

Property, plant and equipment at September 30, 2005 consisted of the following:

(Dollars in thousands)	2005 Cost	2005 Accumulated Depreciation/ Amortization	2005 Net Book Value
Structures, facilities and improvements			
Structures and facilities	$ 884,117	$ (356,235)	$ 527,882
Improvements to leased facilities	385,067	(213,858)	171,209
	1,269,184	(570,093)	699,091
Furniture and equipment			
Equipment held by contractors	162,064	(156,852)	5,212
Furniture and equipment	63,135	(37,286)	25,849
	225,199	(194,138)	31,061
ADP software	177,463	(69,656)	107,807
Construction-in-progress	94,464	-	94,464
Land	90,999	-	90,999
	$ 1,857,309	$ (833,887)	$ 1,023,422

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2006 and 2005:

(Dollars in thousands)	2006	2005
Intra-governmental		
Funds with U.S. Treasury	$ 62,487	$ 59,059
Investments	100,544	96,002
Interest receivable from investments	1,129	1,095
	164,160	156,156
Accounts receivable, net of allowance	52,298	72,396
	$ 216,458	$ 228,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2006 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2005	Net Borrowing	Balance at September 30, 2006
Intra-governmental			
Borrowing from the Treasury	$ 9,186,557	$ 445,000	$ 9,631,557
	$ 9,186,557	$ 445,000	$ 9,631,557

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2005 consisted of the following:

(Dollars in thousands)	Balance at September 30, 2004	Net Borrowing	Balance at September 30, 2005
Intra-governmental			
Borrowing from the Treasury	$ 8,740,557	$ 446,000	$ 9,186,557
	$ 8,740,557	$ 446,000	$ 9,186,557

Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund. (See Note 20)

NOTE 9 – ACCRUED BENEFITS

Accrued benefits at September 30, 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
State regular and extended unemployment benefits payable	$ 790,745	$ 646,473
Federal extended unemployment benefits payable	36,615	36,338
Federal temporary extended unemployment benefits	24,532	23,620
Federal emergency unemployment benefits payable	42,649	37,714
Federal employees' unemployment benefits payable	36,725	41,885
Federal employees' unemployment benefits for existing claims due in the subsequent year	137,161	145,642
Total unemployment benefits payable	1,068,427	931,672
Black lung disability benefits payable	46,329	51,995
Federal employees' disability and 10(h) benefits payable	59,735	156,570
Energy employees occupational illness compensation benefits payable	21,492	3,812
Longshore and harbor workers disability benefits payable	3,382	3,234
District of Columbia disability benefits payable	283	375
	$ 1,199,648	$ 1,147,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Projected gross liability of the Federal government for future FECA benefits	$ 25,851,505	$ 26,007,693
Less liabilities attributed to other agencies:		
U.S. Postal Service	(8,662,714)	(8,663,963)
Department of Navy	(2,698,683)	(2,725,371)
Department of Army	(1,973,869)	(1,950,173)
Department of Veterans Affairs	(1,811,947)	(1,776,459)
Department of Air Force	(1,369,905)	(1,399,314)
Department of Transportation	(952,969)	(1,007,910)
Department of Homeland Security	(1,519,329)	(1,473,295)
Tennessee Valley Authority	(553,322)	(580,506)
Department of Treasury	(600,737)	(644,620)
Department of Agriculture	(807,652)	(834,415)
Department of Justice	(991,560)	(926,336)
Department of Interior	(678,923)	(689,306)
Department of Defense, Other	(813,532)	(844,007)
Department of Health and Human Services	(273,374)	(270,354)
Social Security Administration	(274,763)	(284,589)
General Services Administration	(165,051)	(170,113)
Department of Commerce	(170,164)	(173,415)
Department of Energy	(96,386)	(98,479)
Department of State	(62,669)	(60,288)
Department of Housing & Urban Development	(79,873)	(81,613)
Department of Education	(16,952)	(18,082)
National Aeronautics and Space Administration	(60,217)	(62,430)
Environmental Protection Agency	(39,408)	(39,380)
Small Business Administration	(27,045)	(28,967)
Office of Personnel Management	(20,448)	(25,653)
National Science Foundation	(1,287)	(1,381)
Nuclear Regulatory Commission	(7,434)	(8,417)
Agency for International Development	(23,438)	(23,726)
Other	(549,540)	(580,826)
	(25,303,191)	(25,443,388)
	$ 548,314	$ 564,305
Projected liability of the Department of Labor for future FECA benefits		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	$ 250,179	$ 270,255
FECA benefits due to eligible workers of DOL and Job Corps enrollees	242,525	233,652
FECA benefits due to eligible workers of the Panama Canal Commission	55,610	60,398
	$ 548,314	$ 564,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2006 and 2005 consisted of the following current liabilities:

(Dollars in thousands)	2006	2005
Intra-governmental		
Accrued benefits	$ 10,070	$ 9,666
Unearned FECA assessments	48,285	44,347
Deposit and clearing accounts	2	-
Non-entity receipts due to U.S. Treasury	44,501	57,268
Amounts held for the Railroad Retirement Board	101,514	94,820
Advances from other Federal agencies	1,013	-
Total intra-governmental	205,385	206,101
Accrued payroll and benefits	44,968	45,261
Due to Backwage recipients	71,235	71,632
Unearned assessment revenue	42,751	48,910
Deposit and clearing accounts	-	5,503
Readjustment allowances and other Job Corps liabilities	58,359	84,427
Other advances	-	7,500
	217,313	263,233
	$ 422,698	$ 469,334

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Intra-governmental		
Advances from U.S. Treasury	$ 9,631,557	$ 9,186,557
Accrued benefits	-	13,519
Future workers' compensation benefits	242,525	230,721
Accrued annual leave	92,506	90,222
Readjustment allowances and other Job Corps liabilities	58,359	84,427
	393,390	418,889
	$ 10,024,947	$ 9,605,446

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 13 - PENSION EXPENSE

Pension expense in 2006 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 26,506	$ 42,476	$ 68,982
Federal Employees' Retirement System	86,876	-	86,876
Thrift Savings Plan	33,003	-	33,003
	$ 146,385	$ 42,476	$ 188,861

Pension expense in 2005 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	$ 27,034	$ 43,919	$ 70,953
Federal Employees' Retirement System	81,359	-	81,359
Thrift Savings Plan	30,824	-	30,824
	$ 139,217	$ 43,919	$ 183,136

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2006 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 216,300	$ 871,178	$ -	$ -
With the public	35,819,765	3,744,938	-	-
Gross cost	36,036,065	4,616,116	-	-
Intra-governmental earned revenue	(1,201,975)	(2,528,201)	-	-
Public earned revenue	(7,955)	-	-	-
Less earned revenue	(1,209,930)	(2,528,201)	-	-
Net program cost	34,826,135	2,087,915	-	-
Employment and training				
Intra-governmental	51,551	-	-	-
With the public	5,451,793	-	-	-
Gross cost	5,503,344	-	-	-
Intra-governmental earned revenue	(16,872)	-	-	-
Public earned revenue	(5,696)	-	-	-
Less earned revenue	(22,568)	-	-	-
Net program cost	5,480,776	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	115,542	-	-
With the public	-	246,205	-	-
Gross cost	-	361,747	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	(2,800)	-	-
Less earned revenue	-	(2,800)	-	-
Net program cost	-	358,947	-	-
Worker safety and health				
Intra-governmental	-	-	115,929	-
With the public	-	-	399,908	-
Gross cost	-	-	515,837	-
Intra-governmental earned revenue	-	-	(12,466)	-
Public earned revenue	-	-	(946)	-
Less earned revenue	-	-	(13,412)	-
Net program cost	-	-	502,425	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	204,572
With the public	-	-	-	369,207
Gross cost	-	-	-	573,779
Intra-governmental earned revenue	-	-	-	(4,082)
Public earned revenue	-	-	-	(1,250)
Less earned revenue	-	-	-	(5,332)
Net program cost	-	-	-	568,447
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 40,306,911	$ 2,446,862	$ 502,425	$ 568,447

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ 10,451	$ -	$ 2,331	$ (40,282)	$ 1,059,978
-	20,711	-	1,679	14,762	39,601,855
-	31,162	-	4,010	(25,520)	40,661,833
-	-	-	-	25,520	(3,704,656)
-	-	-	-	-	(7,955)
-	-	-	-	25,520	(3,712,611)
-	31,162	-	4,010	-	36,949,222
-	-	10,693	412	(19,675)	42,981
-	-	195,538	754	19,675	5,667,760
-	-	206,231	1,166	-	5,710,741
-	-	-	-	-	(16,872)
-	-	-	-	-	(5,696)
-	-	-	-	-	(22,568)
-	-	206,231	1,166	-	5,688,173
-	42,270	1,063	18,139	(52,259)	124,755
-	113,093	18,570	174,171	52,259	604,298
-	155,363	19,633	192,310	-	729,053
-	(10,830)	-	-	-	(10,830)
-	(452)	-	-	-	(3,252)
-	(11,282)	-	-	-	(14,082)
-	144,081	19,633	192,310	-	714,971
102,437	-	-	4,086	(51,086)	171,366
230,309	-	-	6,475	51,086	687,778
332,746	-	-	10,561	-	859,144
(4)	-	-	-	-	(12,470)
(1,049)	-	-	-	-	(1,995)
(1,053)	-	-	-	-	(14,465)
331,693	-	-	10,561	-	844,679
-	-	-	11,747	(23,044)	193,275
-	-	-	18,616	23,044	410,867
-	-	-	30,363	-	604,142
-	-	-	-	-	(4,082)
-	-	-	-	-	(1,250)
-	-	-	-	-	(5,332)
-	-	-	30,363	-	598,810
-	-	-	94,814	(9,032)	85,782
-	-	-	(16,640)	9,032	(7,608)
-	-	-	78,174	-	78,174
$ 331,693	$ 175,243	$ 225,864	$ 316,584	$ -	$ 44,874,029

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

B. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2006 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Job Corps	Eliminations	Total
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	$ 31,032,712	$ 56	$ -	$ -	$ 31,032,768
Grants	4,614,537	-	-	-	4,614,537
Interest	3,010	-	-	-	3,010
Other	387,879	371	-	(2,500)	385,750
Gross cost	36,038,138	427	-	(2,500)	36,036,065
Less earned revenue	(1,212,430)	-	-	2,500	(1,209,930)
Net program cost	34,825,708	427	-	-	34,826,135
Employment and training					
Benefits	-	14,631	2,593	-	17,224
Grants	-	4,029,717	415,031	-	4,444,748
Other	-	137,864	903,508	-	1,041,372
Gross cost	-	4,182,212	1,321,132	-	5,503,344
Less earned revenue	-	(17,188)	(5,380)	-	(22,568)
Net program cost	-	4,165,024	1,315,752	-	5,480,776
Net cost of operations	$ 34,825,708	$ 4,165,451	$ 1,315,752	$ -	$ 40,306,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

C. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2006 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 3,571,671	$ -	$ -	$ -	$ (1,707)	$ 3,569,964
Interest	694,964	-	-	-	-	694,964
Other	351,188	-	-	-	-	351,188
Gross cost	4,617,823	-	-	-	(1,707)	4,616,116
Less earned revenue	(2,529,908)	-	-	-	1,707	(2,528,201)
Net program cost	2,087,915	-	-	-	-	2,087,915
Labor, employment and pension standards						
Benefits	-	10,465	23,733	6,266	-	40,464
Grants	-	-	-	-	-	-
Other	-	84,988	190,051	46,244	-	321,283
Gross cost	-	95,453	213,784	52,510	-	361,747
Less earned revenue	-	-	(2,800)	-	-	(2,800)
Net program cost	-	95,453	210,984	52,510	-	358,947
Net cost of operations	$ 2,087,915	$ 95,453	$ 210,984	$ 52,510	$ -	$ 2,446,862

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2005 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	$ 213,372	$ 832,659	$ -	$ -
With the public	36,697,266	7,627,930	-	-
Gross cost	36,910,638	8,460,589	-	-
Intra-governmental earned revenue	(808,541)	(2,354,837)	-	-
Public earned revenue	(2,369)	-	-	-
Less earned revenue	(810,910)	(2,354,837)	-	-
Net program cost	36,099,728	6,105,752	-	-
Employment and training				
Intra-governmental	61,766	-	-	-
With the public	5,753,511	-	-	-
Gross cost	5,815,277	-	-	-
Intra-governmental earned revenue	(17,315)	-	-	-
Public earned revenue	(422)	-	-	-
Less earned revenue	(17,737)	-	-	-
Net program cost	5,797,540	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	114,645	-	-
With the public	-	236,239	-	-
Gross cost	-	350,884	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	350,884	-	-
Worker safety and health				
Intra-governmental	-	-	110,857	-
With the public	-	-	388,985	-
Gross cost	-	-	499,842	-
Intra-governmental earned revenue	-	-	(1,645)	-
Public earned revenue	-	-	(1,250)	-
Less earned revenue	-	-	(2,895)	-
Net program cost	-	-	496,947	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	177,019
With the public	-	-	-	354,656
Gross cost	-	-	-	531,675
Intra-governmental earned revenue	-	-	-	(4,057)
Public earned revenue	-	-	-	(2,607)
Less earned revenue	-	-	-	(6,664)
Net program cost	-	-	-	525,011
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	$ 41,897,268	$ 6,456,636	$ 496,947	$ 525,011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
$ -	$ 8,284	$ -	$ 2,050	$ (31,667)	$ 1,024,698
-	17,179	-	3,291	10,330	44,355,996
-	25,463	-	5,341	(21,337)	45,380,694
-	-	-	-	21,337	(3,142,041)
-	-	-	-	-	(2,369)
-	-	-	-	21,337	(3,144,410)
-	25,463	-	5,341	-	42,236,284
-	-	10,004	238	(26,411)	45,597
-	-	201,001	601	26,411	5,981,524
-	-	211,005	839	-	6,027,121
-	-	-	-	-	(17,315)
-	-	-	-	-	(422)
-	-	-	-	-	(17,737)
-	-	211,005	839	-	6,009,384
-	39,970	629	32,126	(48,276)	139,094
-	94,890	12,019	193,804	48,276	585,228
-	134,860	12,648	225,930	-	724,322
-	(9,425)	-	-	-	(9,425)
-	(546)	-	-	-	(546)
-	(9,971)	-	-	-	(9,971)
-	124,889	12,648	225,930	-	714,351
94,390	-	-	-	(44,792)	160,455
203,934	-	-	-	44,736	637,655
298,324	-	-	-	(56)	798,110
(60)	-	-	-	56	(1,649)
(791)	-	-	-	-	(2,041)
(851)	-	-	-	56	(3,690)
297,473	-	-	-	-	794,420
-	-	-	-	(16,423)	160,596
-	-	-	-	16,423	371,079
-	-	-	-	-	531,675
-	-	-	-	-	(4,057)
-	-	-	-	-	(2,607)
-	-	-	-	-	(6,664)
-	-	-	-	-	525,011
-	-	-	98,304	(3,060)	95,244
-	-	-	(13,860)	3,060	(10,800)
-	-	-	84,444	-	84,444
$ 297,473	$ 150,352	$ 223,653	$ 316,554	$ -	$ 50,363,894

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2005 consisted of the following:

(Dollars in thousands)	Employment Security	Training and Employment Programs	Eliminations	Total
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	$ 31,988,265	$ 54	$ -	$ 31,988,319
Grants	4,549,457	-	-	4,549,457
Interest	2,699	-	-	2,699
Other	369,876	287	-	370,163
Gross cost	36,910,297	341	-	36,910,638
Less earned revenue	(810,910)	-	-	(810,910)
Net program cost	36,099,387	341	-	36,099,728
Employment and training				
Benefits	-	25,360	-	25,360
Grants	-	5,480,361	-	5,480,361
Other	-	313,966	(4,410)	309,556
Gross cost	-	5,819,687	(4,410)	5,815,277
Less earned revenue	-	(22,147)	4,410	(17,737)
Net program cost	-	5,797,540	-	5,797,540
Net cost of operations	$ 36,099,387	$ 5,797,881	$ -	$ 41,897,268

Job Corps net cost was reported under Training and Employment Programs for the year ended September 30, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 14 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2005 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	$ 7,493,735	$ -	$ -	$ -	$ (1,702)	$ 7,492,033
Interest	674,894	-	-	-	-	674,894
Other	293,662	-	-	-	-	293,662
Gross cost	8,462,291	-	-	-	(1,702)	8,460,589
Less earned revenue	(2,356,539)	-	-	-	1,702	(2,354,837)
Net program cost	6,105,752	-	-	-	-	6,105,752
Labor, employment and pension standards						
Benefits	-	12,100	26,328	6,456	-	44,884
Grants	-	-	13	-	-	13
Other	-	82,406	179,750	43,831	-	305,987
Gross cost	-	94,506	206,091	50,287	-	350,884
Less earned revenue	-	-	-	-	-	-
Net program cost	-	94,506	206,091	50,287	-	350,884
Net cost of operations	$ 6,105,752	$ 94,506	$ 206,091	$ 50,287	$ -	$ 6,456,636

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 15 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	$ 7,383,523	$ 6,810,122
State unemployment taxes	34,023,122	33,151,082
	41,406,645	39,961,204
Black Lung Disability Trust Fund excise taxes	607,387	610,417
	42,014,032	40,571,621
Interest		
Unemployment Trust Fund	2,780,114	2,586,064
Longshore and Harbor Workers' Compensation Act Trust Fund	2,016	1,007
District of Columbia Workmen's Compensation Act Trust Fund	155	63
Panama Canal Commission Compensation Fund	3,647	3,915
Energy Employees Occupational Illness Compensation Fund	5,654	1,722
Black Lung Disability Trust Fund	297	644
	2,791,883	2,593,415
Assessments		
Longshore and Harbor Workers' Compensation Act Trust Fund	138,857	133,566
District of Columbia Workmen's Compensation Act Trust Fund	10,789	11,216
Other	183	533
	149,829	145,315
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	1,855,188	1,857,193
	$ 46,810,932	$ 45,167,544

NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security	$ 390,823	$ -
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	3,000	3,000
	393,823	3,000
Other financing sources		
Liability for EEOICPA, Part D, from the Department of Energy	-	(810,000)
Liability for RECA, Section 5, from the Department of Justice	-	(316,993)
From General Services Administration	1,537	3,564
To General Services Administration	(209)	(3,943)
From Department of Defense	-	41,760
	1,328	(1,085,612)
	$ 395,151	$ (1,082,612)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2006 and 2005 consisted of the following:

(Dollars in thousands)	2006	2005
Direct Obligations		
Category A	$ 4,063,611	$ 4,021,560
Category B	9,247,270	9,551,655
Exempt from apportionment	37,033,486	37,760,421
Total direct obligations	50,344,367	51,333,636
Reimbursable Obligations		
Category A	188,504	172,936
Category B	2,906,630	2,609,991
Total reimbursable obligations	3,095,134	2,782,927
	$ 53,439,501	$ 54,116,563

B. Permanent Indefinite Appropriations

The Department of Labor's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1B funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Combined Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Combined Statement of Budgetary Resources. Current year excess receipts are reported as temporarily not available pursuant to Public Law. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2006 and 2005 reclassified from unobligated balances to UTF unavailable collections is presented on the following page.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued

C. Legal Arrangements Affecting Use of Unobligated Balances - Continued

(Dollars in millions)	2006	2005
Unemployment Trust Fund unavailable collections, beginning	$ 52,213	$ 42,964
Budget authority from current year appropriations	46,725	45,184
Less obligations	(34,943)	(35,935)
Excess of obligations over budget authority	11,782	9,249
Unemployment Trust Fund unavailable collections, ending	$ 63,995	$ 52,213

D. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2006 has not been published as of the issue date of these financial statements. This document will be available in February 2007. In addition, the reconciliation of the SF133 and the Statement of Budgetary Resources will be performed in Fiscal Year 2007 after the Department receives the final SF133 reports from Trust Funds and allocated accounts.

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2005 is shown below.

(Dollars in millions)	Budgetary Resources	Obligations Incurred	Gross Outlays
Combined Statement of Budgetary Resources	$ 57,989	$ 54,117	$ 54,082
Pension Benefit Guaranty Corporation reported separately	15,936	3,592	3,571
Accruals not reported in the budget	201	201	-
Amounts in the budget not included in the Consolidated Statement of Budgetary Resources	5	5	14
Amounts in the Consolidated Statement of Budgetary Resources not included in the budget	(62)	(37)	(42)
Expired accounts	(1,177)	(111)	-
Other	1	3	(6)
Budget of the United States Government	$ 72,893	$ 57,770	$ 57,619

E. Undelivered Orders

Undelivered orders at September 30, 2006 and 2005 were as follows.

(Dollars in thousands)	2006	2005
Undelivered orders	$ 5,773,816	$ 5,879,080

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued

F. Appropriations Received

The Combined Statements of Budgetary Resources discloses appropriations received of $58,971 and $57,249 million for FY 2006 and 2005, respectively. Appropriations received on the Consolidated Statements of Changes in Net Position are $10,704 and $11,101 million for FY 2006 and 2005, respectively. The differences of $48,267 and $46,148 million represent certain dedicated and earmarked receipts recognized as exchange revenue or non-exchange revenue reported on the Consolidated Statements of Net Cost or the Consolidated Statements of Changes in Net Position and amounts of new budget authority permanently reduced by enacted legislation.

NOTE 18 – DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

A. Other Resources That Do Not Affect the Net Cost of Operations

Other resources that do not affect net cost of operations for the years ended September 30, 2006 and 2005 consisted of the following.

(Dollars in thousands)	2006	2005
Transfer of liability for EEOICPA, Part D, from the Department of Energy	$ -	$ 810,000
Transfer of liability for RECA, Section 5, from the Department of Justice	-	316,993
Transfer of property to GSA	209	3,943
Transfer of expired funds from Veterans' Employment and Training to the Unemployment Trust Fund	-	150
	$ 209	$ 1,131,086

B. Relationship between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

(Dollars in thousands)	2006	2005
Liabilities not covered by budgetary resources, current year (Note 12)	$ 10,024,947	$ 9,605,446
Less liabilities not covered by budgetary resources, prior year (Note 12)	(9,605,446)	(9,130,206)
Current year change in liabilities not covered by budgetary resources	419,501	475,240
Proceeds from Advances from U.S. Treasury	(445,000)	(446,000)
Increase in energy employees occupational illness compensation benefits liability funded with permanent and indefinite appropriation	-	3,515,426
Increase in future workers' compensation benefits not covered by budgetary resources	(11,804)	-
Increase in future workers' compensation benefits covered by budgetary resources	-	42,075
Decrease in accrued benefits not covered by budgetary resources	13,519	-
Decrease in accrued benefits covered by budgetary resources	-	(8,899)
Decrease in annual leave not covered by budgetary resources	-	4,624
Increase in annual leave covered by budgetary resources	386	-
Decrease in other liabilities not covered by budgetary resources	26,068	-
Decrease in other liabilities covered by budgetary resources	-	(75)
Components requiring or generating resources in future periods	$ 2,670	$ 3,582,391

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 19 – SOURCES OF CUSTODIAL REVENUE

Custodial revenues in 2006 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections	Increase (Decrease) in Amounts to be Collected	Total Revenues
Civil monetary penalties					
OSHA	$ 80,119	$ (8)	$ 80,111	$ (12,396)	$ 67,715
MSHA	24,411	-	24,411	(565)	23,846
EBSA	15,751	-	15,751	(551)	15,200
ESA	11,968	(59)	11,909	529	12,438
	132,249	(67)	132,182	(12,983)	119,199
ETA disallowed grant costs	19,815	(2)	19,813	216	20,029
Other	816	(7)	809	-	809
	$ 152,880	$ (76)	$ 152,804	$ (12,767)	$ 140,037

Custodial revenues in 2005 consisted of the following:

(Dollars in thousands)	Cash Collections	Less Refunds	Net Cash Collections	Increase (Decrease) in Amounts to be Collected	Total Revenues
Civil monetary penalties					
OSHA	$ 62,548	$ -	$ 62,548	$ 10,005	$ 72,553
MSHA	18,553	-	18,553	(1,202)	17,351
EBSA	13,654	-	13,654	2,079	15,733
ESA	12,577	(3)	12,574	509	13,083
	107,332	(3)	107,329	11,391	118,720
ETA disallowed grant costs	4,893	-	4,893	(738)	4,155
Other	18,660	(211)	18,449	298	18,747
	$ 130,885	$ (214)	$ 130,671	$ 10,951	$ 141,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 20 – EARMARKED FUNDS

DOL is responsible for the operation of certain earmarked funds. Other earmarked funds include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the earmarked funds as of September 30, 2006 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ 60,257	$ 39,251	$ 330,775	$ 430,283
Investments	66,212,640	-	80,348	66,292,988
Interest receivable from investments	743,299	-	2,234	745,533
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	335,023	-	-	335,023
Total intra-governmental	67,351,219	39,251	413,357	67,803,827
Accounts receivable, net				
State unemployment tax	266,544	-	-	266,544
Due from reimbursable employers	511,659	-	-	511,659
Benefit overpayments	183,437	8,800	-	192,237
Other	-	-	2	2
Advances	474,153	-	3,525	477,678
Other	-	-	23	23
Total assets	$ 68,787,012	$ 48,051	$ 416,907	$ 69,251,970
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,208,229	$ -	$ -	$ 1,208,229
Advances from U.S. Treasury	-	9,631,557	-	9,631,557
Amounts held for the Railroad Retirement Board	101,514	-	-	101,514
Other	-	-	7,689	7,689
Total intra-governmental	1,309,743	9,631,557	7,689	10,948,989
Accounts payable	-	-	10,654	10,654
Accrued benefits	1,068,427	21,237	-	1,089,664
Future workers' compensation benefits	-	-	55,610	55,610
Other	-	-	622	622
Total liabilities	2,378,170	9,652,794	74,575	12,105,539
Net position				
Cumulative results of operations	66,408,842	(9,604,743)	342,332	57,146,431
Total liabilities and net position	$ 68,787,012	$ 48,051	$ 416,907	$ 69,251,970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 20 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2006 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Cost, net of earned revenues				
Benefits	$ (31,025,168)	$ (299,479)	$ (2,051)	$ (31,326,698)
Grants	-	-	(51,388)	(51,388)
Interest	(3,010)	(694,964)	-	(697,974)
Administrative	(295,807)	(342)	(15,647)	(311,796)
	(31,323,985)	(994,785)	(69,086)	(32,387,856)
Earned revenue	818,294	-	-	818,294
	(30,505,691)	(994,785)	(69,086)	(31,569,562)
Net financing sources				
Taxes	41,406,645	607,387	-	42,014,032
Interest	2,780,114	297	3,647	2,784,058
Reimbursement of unemployment benefits	1,855,188	-	-	1,855,188
Imputed financing	-	-	238	238
Transfers-in				
Department of Homeland Security	-	-	390,823	390,823
Transfers-out				
DOL entities	(3,623,927)	(57,633)	-	(3,681,560)
	42,418,020	550,051	394,708	43,362,779
Net results of operations	11,912,329	(444,734)	325,622	11,793,217
Net position, beginning of period	54,496,513	(9,160,009)	16,710	45,353,214
Net position, end of period	$ 66,408,842	$ (9,604,743)	$ 342,332	$ 57,146,431

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS

The Department administers four trust funds that receive dedicated collections. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, became effective in FY 2006. This standard affected existing standards dealing with dedicated collections, and as a result, the Unemployment Trust Fund and the Black Lung Disability Trust Fund are now classified as earmarked funds. The financial position of the two remaining trust funds as of September 30, 2006 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Assets		
Intra-governmental		
Funds with U.S. Treasury	$ 154	$ 76
Investments	73,146	5,611
Interest receivable from investments	10	1
Total intra-governmental	73,310	5,688
Other accounts receivable, net	2,431	412
Total assets	$ 75,741	$ 6,100
Liabilities		
Intra-governmental		
Accounts payable to DOL agencies	$ 2,028	$ -
Accrued benefits	3,382	283
Other	39,371	3,379
Total liabilities	44,781	3,662
Net position		
Cumulative results of operations	30,960	2,438
Total liabilities and net position	$ 75,741	$ 6,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS - Continued

The net results of operations of each trust fund for the year ended September 30, 2006 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Cost, net of earned revenues		
Benefits	$ (133,694)	$ (10,112)
Net financing sources		
Interest	2,016	155
Assessments	138,857	10,789
Transfers-out		
DOL entities	(2,028)	-
	138,845	10,944
Net results of operations	5,151	832
Net position, beginning of period	25,809	1,606
Net position, end of period	$ 30,960	$ 2,438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS - Continued

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 2005 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Assets				
Intra-governmental				
Funds with U.S. Treasury	$ (273,027)	$ 41,906	$ 13,310	$ 2,066
Investments	54,805,883	-	60,000	3,000
Interest receivable from investments	634,736	-	-	-
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	344,238	-	-	-
Total intra-governmental	55,511,830	41,906	73,310	5,066
Accounts receivable, net				
State unemployment tax	235,182	-	-	-
Due from reimbursable employers	516,110	-	-	-
Benefit overpayments	177,640	9,055	-	-
Other	-	-	1,222	813
Advances to states	489,177	-	-	-
Total assets	$ 56,929,939	$ 50,961	$ 74,532	$ 5,879
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	$ 1,406,934	$ -	$ 477	$ -
Advances from U.S. Treasury	-	9,186,557	-	-
Amounts held for the Railroad Retirement Board	94,820	-	-	-
Total intra-governmental	1,501,754	9,186,557	477	-
Accrued benefits	931,672	24,413	3,234	375
Other	-	-	45,012	3,898
Total liabilities	2,433,426	9,210,970	48,723	4,273
Net position				
Cumulative results of operations	54,496,513	(9,160,009)	25,809	1,606
Total liabilities and net position	$ 56,929,939	$ 50,961	$ 74,532	$ 5,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 21 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2005 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Cost, net of earned revenues				
Benefits	$ (31,980,909)	$ (327,860)	$ (130,883)	$ (10,700)
Interest	(2,699)	(674,894)	-	-
Administrative	(288,968)	(212)	-	-
	(32,272,576)	(1,002,966)	(130,883)	(10,700)
Earned revenue	783,657	-	-	-
	(31,488,919)	(1,002,966)	(130,883)	(10,700)
Net financing sources				
Taxes	39,961,204	610,417	-	-
Interest	2,586,064	646	1,007	62
Reimbursement of unemployment benefits	1,857,193	-	133,566	11,217
Transfers-in				
DOL Entities	150	-	-	-
Transfers-out				
DOL entities	(3,815,031)	(56,662)	(2,023)	-
	40,589,580	554,401	132,550	11,279
Net results of operations	9,100,661	(448,565)	1,667	579
Net position, beginning of period	45,395,852	(8,711,444)	24,142	1,027
Net position, end of period	$ 54,496,513	$ (9,160,009)	$ 25,809	$ 1,606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2006 and 2005

NOTE 22 – BALANCE SHEET CLASSIFICATIONS AGGREGATED TO CONFORM WITH OMB CIRCULAR NO. A-136 CLASSIFICATIONS

The Department's consolidated balance sheet has different classifications of certain assets and liabilities from those suggested in OMB Circular No. A-136. The following aggregate Department of Labor classifications into OMB Circular No. A-136 classifications.

(Dollars in thousands)	2006	2005
ASSETS		
Intra-governmental		
Other		
Interest receivable from investments	$ 745,556	$ 637,443
Advances	4	10,812
Total other	$ 745,560	$ 648,255
Other		
Advances	$ 555,294	$ 584,139
Total other	$ 555,294	$ 584,139
LIABILITIES		
Federal employee and veteran benefits		
Future workers' compensation benefits	$ 548,314	$ 564,305
Total Federal employee and veteran benefits	$ 548,314	$ 564,305
Other		
Energy employees occupational illness compensation benefits	$ 6,942,442	$ 7,436,243
Accrued leave	97,522	94,852
Other liabilities	217,313	263,233
Total other	$ 7,257,277	$ 7,794,328

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

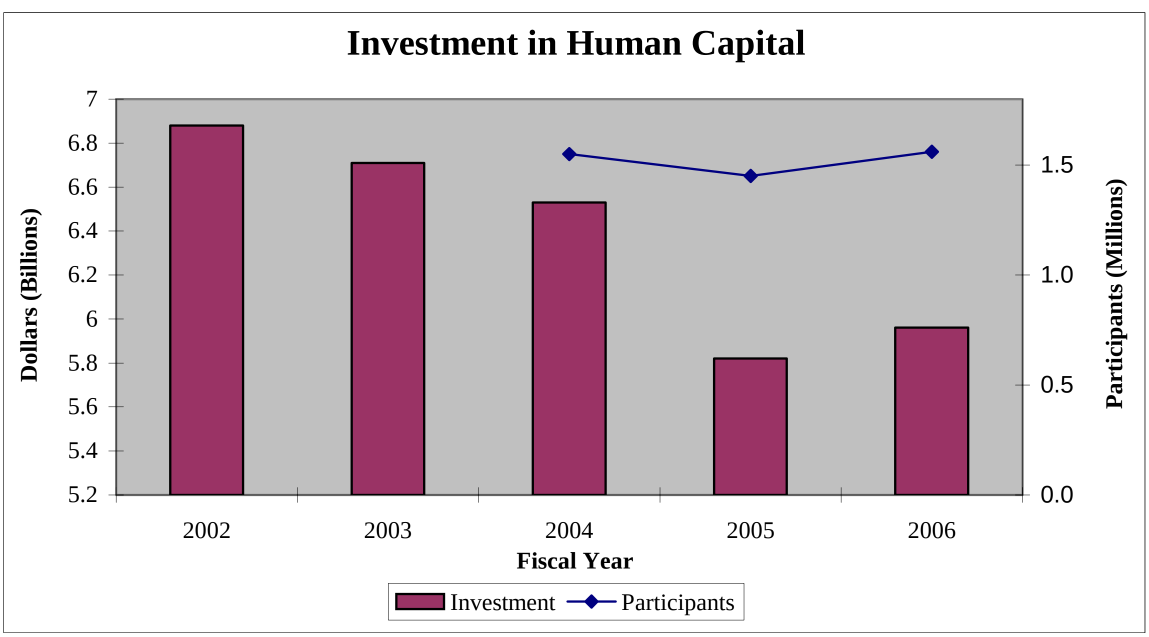
Stewardship investments are made by DOL for the nation's benefit. For accounting purposes, these investments are expensed as incurred and reflected in the net cost of DOL's operations. Stewardship investments provide long term benefits that can not be measured in traditional financial reports.

DOL's stewardship investments are in human capital, reported as expenses in the net cost of DOL's employment and training programs. These investments are intended to maintain or increase national economic productive capacity as demonstrated by program outputs and outcomes. Within DOL, the Employment and Training Administration, the Office of Job Corps, and the Veterans' Employment and Training Service administer programs that invest in human capital. The Office of Job Corps was transferred from the Employment and Training Administration to the Office of the Secretary during FY 2006. However, Job Corps' costs continue to be reported under the Employment and Training Administration and are considered to be a part of the Employment and Training Administration for this presentation. The programs are discussed below.

Employment and Training Administration

The U.S. Department of Labor, Employment and Training Administration's (ETA) Federal investment in human capital comprises expenses incurred for training programs enacted under the Workforce Investment Act of 1998 (WIA); Job Training Partnership Act, as amended (JTPA); the Trade Act of 1974, as amended (Trade Act); School-To-Work Opportunities Act of 1994, as amended (STW), and Balanced Budget Act of 1997, as amended. This investment is made for the general public and the expenses incurred are intended to increase or maintain national economic productive capacity. Investment in human capital specifically excludes expenditures for employment services, apprenticeship program administration and unemployment and other benefit payments which make up the bulk of ETA's services to the public at $34.4 billion and 21.5 million people served during FY 2006.

The ETA's investment in human capital for fiscal years 2002 to 2006, excluding the cost of internal Federal education and training, is presented below, along with the number of participants exiting the programs, an output measure for these programs for fiscal years 2004 and 2006 (participant data is not available for the earlier years).



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

This output measure is the latest data available for the currently operating programs, was collected for periods ending in March or June of the fiscal year, and includes some estimates, depending on the program involved. Participants could have exited from, and therefore been counted in, more than one program during the measurement periods. This participant information specifically excludes participants for employment services, apprenticeship and unemployment and other benefit recipients who receive ETA services to the public.

A brief description of the programs under each Act is as follows:

Workforce Investment Act (Successor legislation to the JTPA)

- **Youth Activities -** Grants to provide financial assistance to States and U.S. territories to design and operate workforce investment activities for eligible youth.

- **Youth Opportunity Grants -** Grants to increase the long-term employment of youth who live in empowerment zones, enterprise communities, and high-poverty areas.

- **Adult and Dislocated Worker Employment and Training Activities -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low income adults and reemployment services and retraining assistance to individuals dislocated from their employment.

- **Job Corps -** Nationwide program carried out in partnership with States and communities to assist eligible youth to become more responsible, employable, and productive citizens.

- **National Programs -** Grants to provide financial assistance in support of employment and training activities and opportunities for Native American, Migrant and Seasonal Farmworkers, Veterans and Disadvantaged Youth.

- **National Emergency Grants -** National Emergency Grants are discretionary awards by the Secretary of Labor that are intended to temporarily expand service capacity at the state and local levels by providing time-limited funding assistance in response to significant dislocation events.

Job Training Partnership Act (Antecedent legislation to the WIA)

- **Adult Employment and Training -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low-income adults.

- **Dislocated Worker Employment and Training -** Grants to provide re-employment services and retraining assistance to individuals dislocated from their employment.

- **H-1B Technical Skills Training Grants -** Financed by fees paid by employers who bring skilled foreign workers into the U.S. under H-1B nonimmigrant visas, these grants help address the high skill technology shortages of American businesses by developing and operating high skill training programs for unemployed and employed American workers.

- **Youth Training -** Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.

- **Summer Youth Employment and Training -** Grants to operate programs of employment and opportunities, as well as academic enrichment for economically disadvantaged youth during the summer months.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

- **Indian and Native Americans -** Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.

- **National Farmworker Jobs Program (NFJP) -** Grants to public agencies and nonprofit groups to provide training and other employability development services to economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farm work.

- **Veterans Employment** - Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.

- **National Activities -** Provides program support for JTPA activities and nationally administered programs for segments of the population that have special disadvantages in the labor market.

Trade Act of 1974 As Amended

- **Trade Adjustment Assistance -** Adjustment assistance, including cash weekly benefits, training, job search, and relocation allowances provided to workers as authorized by the Trade Act of 1974, as amended.

- **North American Free Trade Agreement (NAFTA) -** Transition adjustment assistance, including weekly cash benefits, training, job search, and relocation allowances provided to workers determined to be adversely affected as a result of the NAFTA as authorized by the Trade Act of 1974, as amended.

School-To-Work Opportunities Act

- School-To-Work Opportunities - Grants to States and localities, jointly administered by the DOL and U.S. Department of Education to build systems that provide youth with the knowledge and skills necessary to make an effective transition from school to careers through work-based learning, school-based education, and connecting activities.

Balanced Budget Act of 1997

- Welfare-To-Work Opportunities - Grants to States and localities, jointly administered by the DOL and U.S. Department of Health and Human Services to build programs to provide recipients receiving assistance under State funded programs with the knowledge and skills necessary to make an effective transition to unsubsidized employment opportunities.

The National Apprenticeship Act

- **Apprenticeship –** A combination of learning on the job and related technical instruction in which workers learn practical and theoretical aspects of a skilled occupation. Apprenticeship costs and participants are not included in the costs and participant numbers in the chart above because Apprenticeship funding does not generally pay for the actual training, but supports administrating the National Apprenticeship Act, including registration, certification, and monitoring of apprenticeship programs. In 2006 there were approximately 427,000 participants in these non-federal apprenticeship training programs.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is 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. The Agency's vision is embodied in this statement: Veterans Succeeding in the 21st Century Workforce.

VETS can be classified into two main areas, Career Counseling and Employment Services, and Transition and Reemployment Services. Brief descriptions follow:

Career Counseling and Employment Services

Disabled Veterans Outreach Program Specialist (DVOP) - This program is codified at 38 U.S.C. 4103A. DVOP grants are made to State Workforce Agencies (SWAs) according to a distribution formula prescribed by law. DVOP staff provide counseling, assessment, lifelong learning skills and/or referral to training for veterans, particularly those with disabilities or recently separated from the military.

Local Veterans' Employment Representative (LVER) - This program is codified at 38 U.S.C. 4104. The program provides grants to SWAs for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers to enhance the services provided to veterans through oversight, technical support, and direct provision of services. LVER staffs help veterans into productive employment through lifelong learning services.

Homeless Veterans' Reintegration Project (HVRP) - The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through grants to both urban and other areas.

Veterans' Workforce Investment Program (VWIP) - The VWIP, codified at 29 U.S.C. 2913, provides targeted veterans training and/or employment opportunities. The program targets service connected disabled veterans, recently separated, campaign badge veterans and veterans with significant employment barriers.

Transition and Reemployment Services

Transition Assistance Program (TAP) - Authority for TAP is provided in 38 U.S.C. 4215 and 10 U.S.C. 1144. TAP operates as a partnership between the Departments of Labor, Defense, and Veterans Affairs. This partnership also exists at the local level, where memoranda of understanding spell out the responsibilities of SWAs, military installations, VETS staff and VA facilities. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training on becoming productive members of society through employment. TAP workshops are provided throughout the Nation and overseas.

Uniformed Services Employment and Reemployment Rights and Veteran's Preference Rights (USERRA) - is codified at 38 U.S.C. Chapter 43. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) succeeded Veterans' Reemployment Rights statutes. USERRA continues to protect civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veteran's Preference for Federal employment is codified in 5 U.S.C. 2108. VETS educates both employee and employer so they better understand the rights of the individuals and promotes a more productive relationship between employer and employee.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(Unaudited)

The full cost of VETS major programs is presented below. Full costs include all direct program costs and those indirect costs which can reasonably be assigned or allocated to the program.

(Dollars in thousands)	2006	2005	2004	2003	2002
Program Expenses					
Career Counseling and Employment Services					
Disabled Veterans Outreach Program	$ 83,422	$ 82,913	$ 84,063	$ 87,013	$ 82,582
Local Veterans' Employment Representative	77,369	77,703	78,320	82,148	77,977
Transition and Reemployment Services	30,131	30,419	28,500	25,957	25,635
	$ 190,922	$ 191,035	$ 190,883	$ 195,118	$ 186,194

A summary of program outputs is presented below.

Program Outputs	2006	2005	2004	2003	2002
Disabled Veterans Outreach Program					
Participants employed	216,617	294,252	281,591	na	120,400
Disabled veterans	25,486	34,008	32,993	na	15,057
Special disabled veterans	9,635	14,568	13,929	na	7,107
Participants assisted	398,154	342,828	507,190	na	584,719
Local Veterans' Employment Representative					
Participants employed	224,490	289,624	286,720	na	128,450
Disabled veterans	21,709	28,855	29,391	na	13,533
Special disabled veterans	7,290	11,563	12,015	na	6,233
Participants assisted	429,328	330,041	529,911	na	639,694
Transition and Reemployment Services					
Participants served	139,501	134,288	130,000	110,055	104,000
Workshops	4,070	4,185	3,200	3,142	3,151
Uniformed Services Employment and Reemployment					
Briefings, presentations, and technical assistance	9,613	10,538	9,300	10,081	5,436
Individuals briefed or assisted	96,159	99,208	59,300	66,545	54,050

na - Data not available.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

DEFERRED MAINTENANCE

The U.S. Department of Labor maintains one hundred twenty-three (123) Job Corps centers located throughout the United States. While Job Corps does fund safety, health, and environmental projects in the year those deficiencies are identified, funding constraints limit the extent of maintenance that the Job Corps can undertake each fiscal year. Consequently, maintenance projects are not always performed as scheduled and, therefore, must be deferred to a future period.

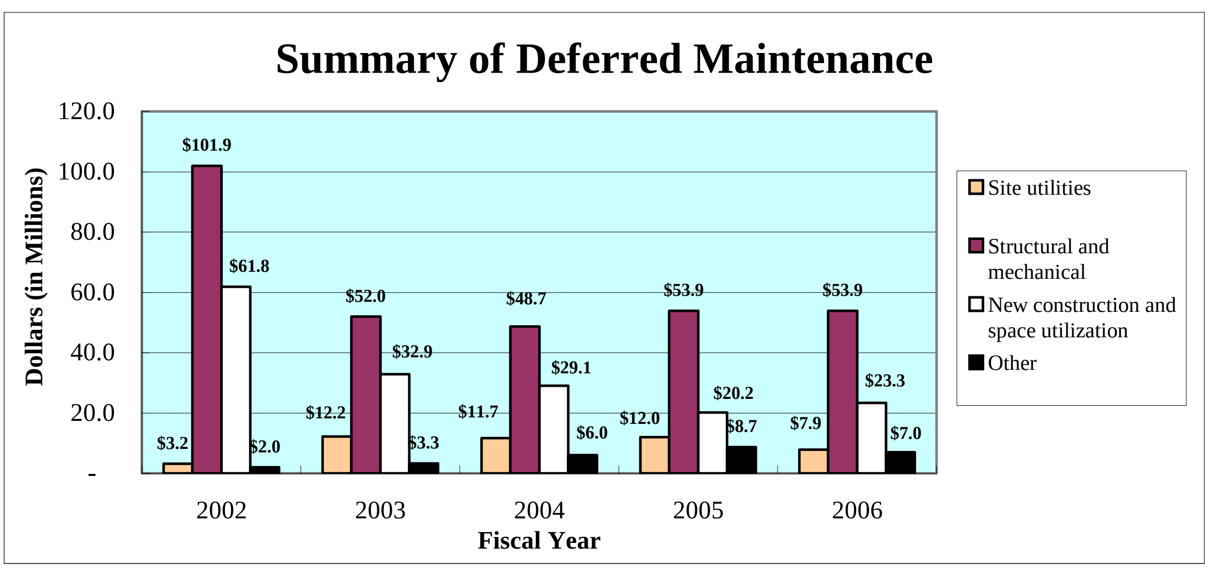
Information on deferred maintenance is based on condition assessment surveys that are conducted every year for one-third of the inventory. Each center survey determines the current condition of facilities and the estimated cost to correct deficiencies. Surveys are based on methods and standards that are applied on a consistent basis, including:

- condition descriptions of facilities,
- recommended maintenance schedules,
- estimated costs for maintenance actions, and
- standardized condition codes.

These surveys evaluate the facilities at each Job Corps center to identify:

- rehabilitation projects that are required to provide for health and safety, or upgrade to an acceptable state of repair,
- present utilization,
- mission dependency,
- health and safety programs,
- barrier-free access,
- maintenance, operations, and security programs,
- energy usage,
- natural hazards,
- long-range planning, and
- conformance to U.S. Environmental Protection Agency and applicable air and water quality standards.

The estimated cost of deferred maintenance for fiscal years 2002 to 2006 is presented below:



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first $7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers pay an effective Federal tax of 0.8%. Federal unemployment taxes are collected by the Internal Revenue Service.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

State Unemployment Taxes

In addition to the Federal tax, individual States finance their UI programs through State tax contributions from subject employers based on the wages of covered employees. (Three States also collect contributions from employees). Within Federal confines, State tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the States and among individual employers within a State. At a minimum, these rates must be applied to the Federal tax base of $7,000; however, States may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of State unemployment taxes.

Unemployment Trust Fund

Federal and State UI taxes are deposited into designated accounts within the Unemployment Trust Fund. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan and disburse Federal and State UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. All tax receipts collected under the Federal Unemployment Tax Act (FUTA) are appropriated to the ESAA and used to pay the costs of Federal and State administration of the unemployment insurance program and veterans' employment services, as well as 97 percent of the costs of the State employment services. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account (FUA) was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to State accounts that are unable to make benefit payments because the State UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the States.

The Extended Unemployment Compensation Account (EUCA) was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the extended benefits program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These extended benefits are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the general fund of the Treasury when the EUCA has a balance insufficient to pay the Federal share of extended benefits. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the general fund of the Treasury to finance emergency unemployment compensation benefits. Emergency unemployment benefits require Congressional authorization.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

The Federal Employees Compensation Account (FECA) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

UI Program Benefits

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a State, or in some cases total unemployment, reaches certain specified levels, the State must extend benefit duration by fifty percent, up to a combined maximum of 39 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the UTF, and fifty percent by the State, from the State's UTF account.

Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits were last authorized in 2002 under the Temporary Extended Unemployment Compensation Act. Payments in excess of $23 billion were paid under the program which ended in January, 2005. Prior to that, emergency benefits were authorized in 1991 under the Emergency Unemployment Compensation Act. Emergency benefit payments in excess of $28 billion were paid over the three year period ended in 1994.

Federal UI Benefits

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal unemployment compensation benefits are not included in this discussion of social insurance programs.

Program Finances and Sustainability

At September 30, 2006, total assets within the UTF exceeded liabilities by $66.4 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities at September 30, 2006 was $66.2 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2006 was $2.8 billion. Federal and State UI tax and reimbursable revenues of $43.3 billion and regular, extended and emergency benefit payment expense of $31.0 billion were recognized for the year ended September 30, 2006.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and temporary extended unemployment benefits to the extent of unpaid benefits applicable to the current period. Accrued unemployment benefits payable at September 30, 2006 were $1.1 billion.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF

The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions. The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases and interest rates on UTF investments.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, excluding the Federal Employees Compensation Account.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Expected Economic Conditions

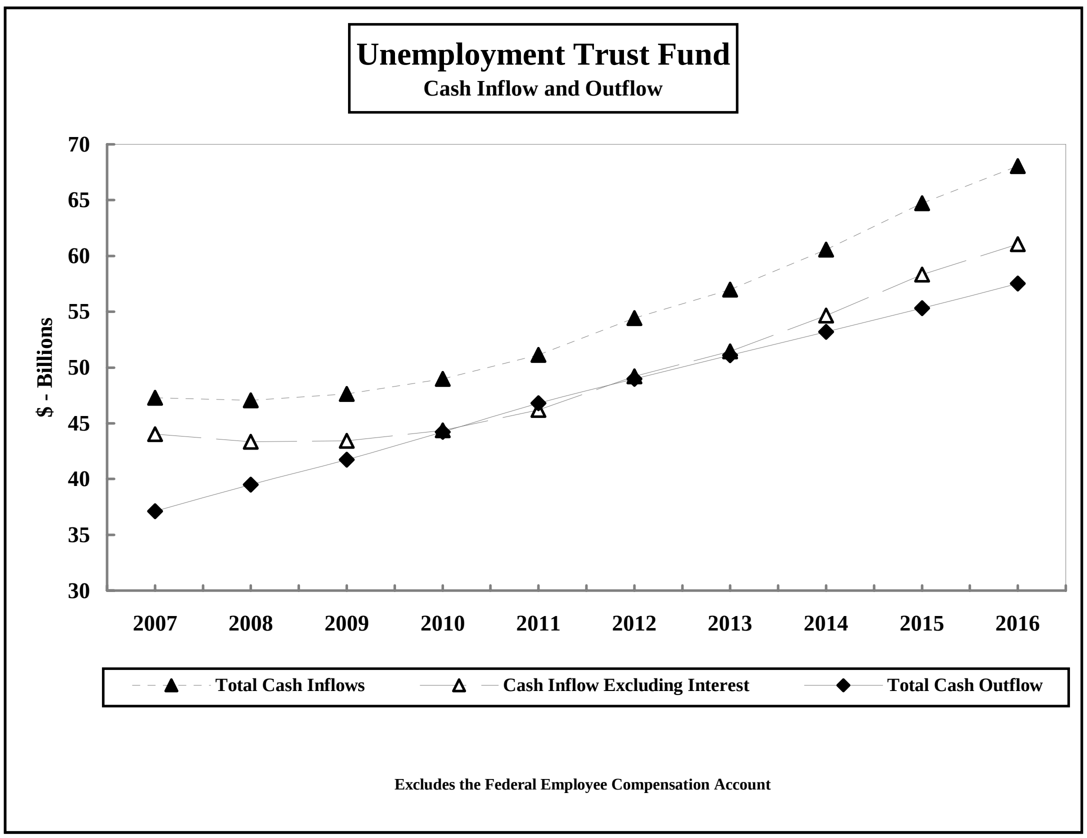
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 4.80% during FY 2007, increasing to 4.90% in FY 2009 and thereafter. Total cash inflows exceed total cash outflows for all years projected. The net inflow decreases from $10.2 billion in FY 2007 to $4.3 billion in FY 2011, indicating that many States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate decreasing net cash inflows from FY 2007 to FY 2010, crossing over to net cash outflow for FY 2011, then back to increasing net cash inflows through 2016.

Chart I



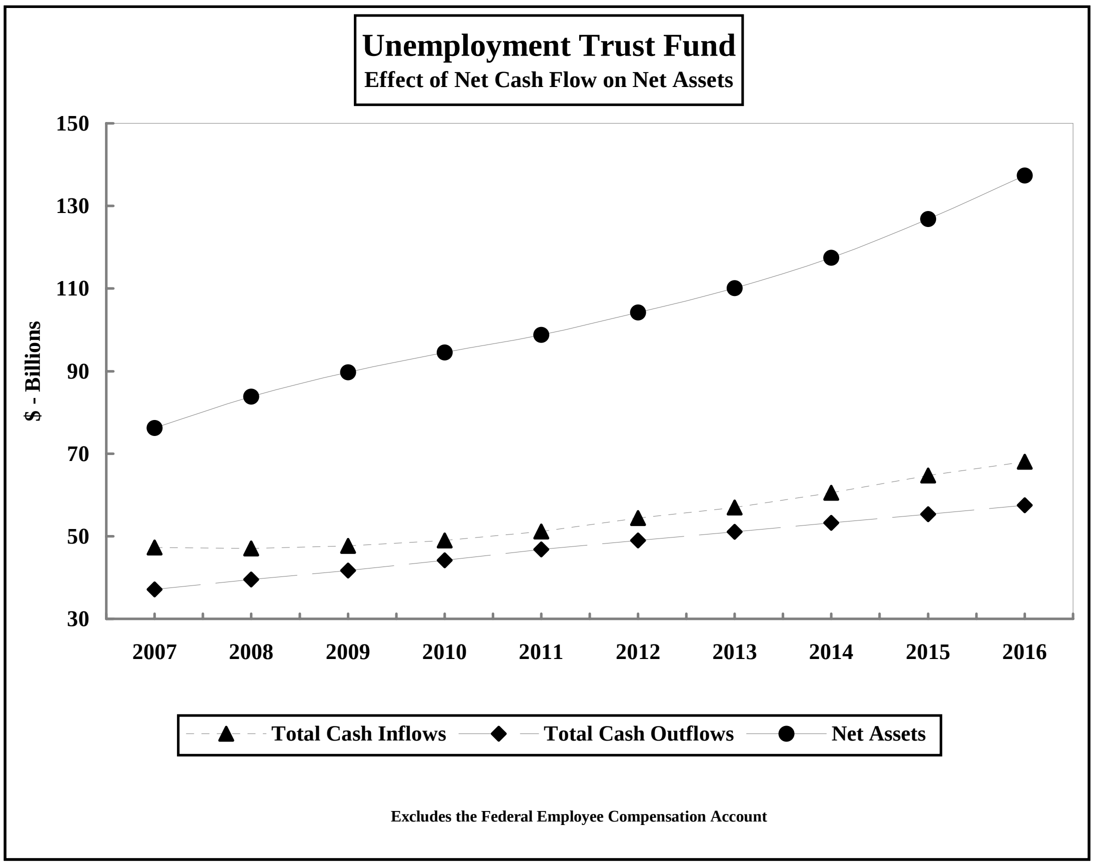
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect of Expected Cash Flows on UTF Assets

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF over the ten year period ended September 30, 2016. Yearly projected total cash inflows, including interest earnings, and cash outflows are depicted, as well as the net effect of this cash flow on UTF assets.

Total cash inflows exceed cash outflows for all years projected, with this excess peaking in FY 2016. Starting at $76.3 billion in FY 2007, net UTF assets increase by 80% over the next nine years to $137.4 billion by the end of FY 2016.

Chart II



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

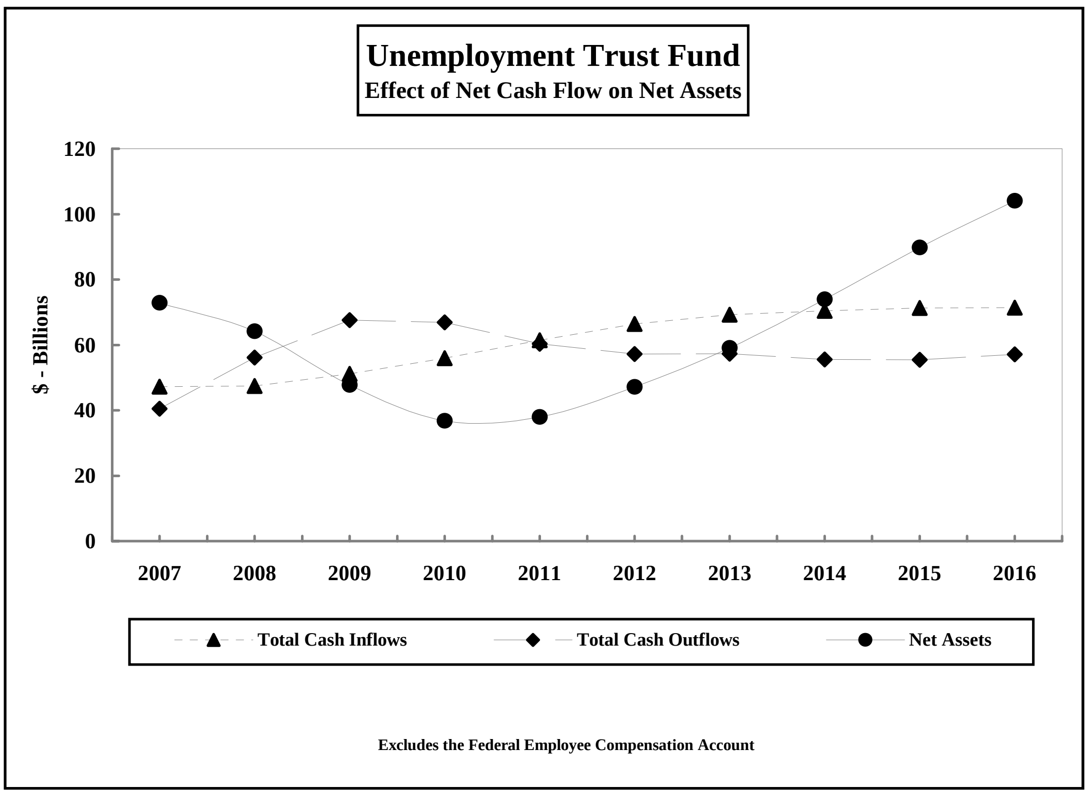
Recessionary Scenarios

Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2016, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

Effect on UTF Assets of Mild Recession

The Department projects the effect of moderate recession on the cash inflows and outflows of the UTF. Under this scenario, which utilizes an unemployment rate peaking at 7.43% in FY 2009, net cash outflows are projected in FY 2008 through FY 2010. Net cash inflows are reestablished in FY 2011 and peak in FY 2015 with a drop in the unemployment rate to 4.90%. Net assets never fall below $36.8 billion and are within $33.3 billion of the balance under expected economic conditions by 2016. The crossover pattern remains the same when interest earnings are excluded.

Chart III



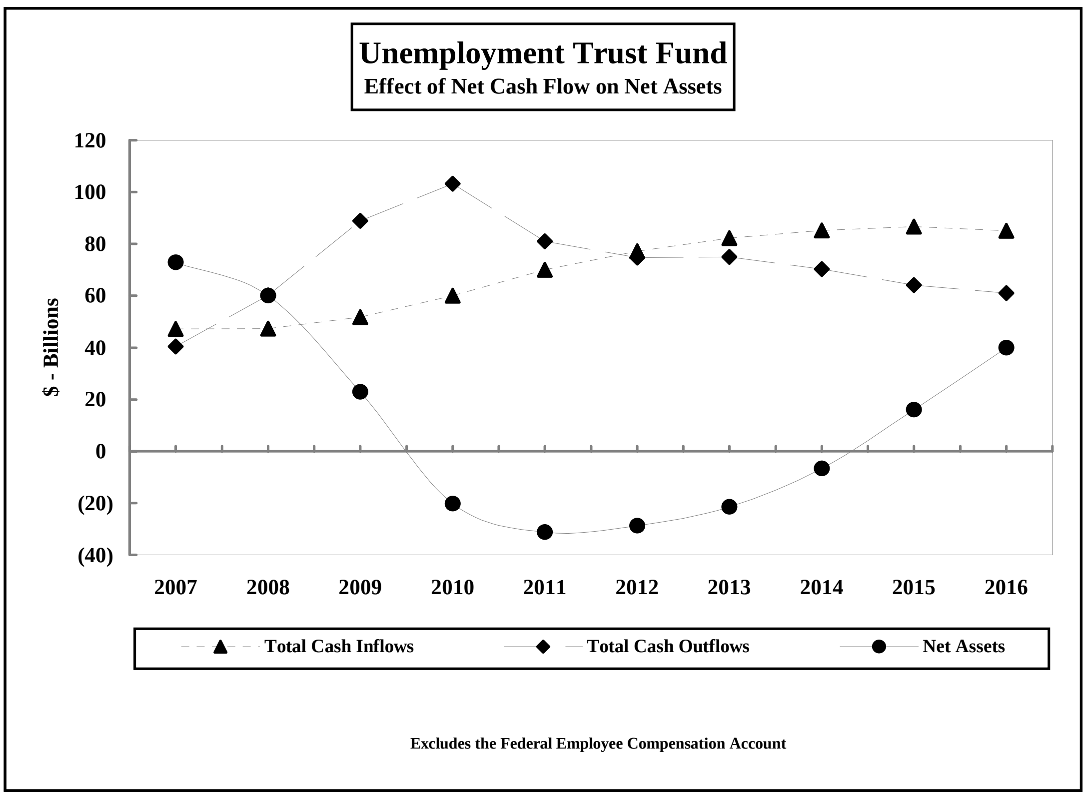
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Effect on UTF Assets of Deep Recession

The Department also estimates the effect of severe recession on the cash inflows and outflows of the UTF. This scenario assumes a rising unemployment rate peaking at 10.14% in FY 2010. Under this scenario, net cash outflows are projected in FY 2008 through FY 2011, with the fund in a deficit situation from 2010 to 2014. The net assets of the UTF decrease from $73.0 billion in FY 2007 to negative $31.3 billion in 2011, a decline of $104.3 billion. State accounts without sufficient reserve balances to absorb negative cash flows would be forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands could also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA would then require advances from the general fund of the U.S. Treasury to provide for State borrowings. (See discussion of State solvency measures following)

Net cash inflows are reestablished in FY 2012, with a drop in the unemployment rate to 7.26%. By the end of FY 2016, this positive cash flow has replenished UTF account balances to $40.0 billion. This example demonstrates the counter cyclical nature of the UI program, which experiences net cash outflows during periods of recession to be replenished through net cash inflows during periods of recovery. However, at the end of the projection period, net assets are still $97.4 billion less than under expected economic conditions.

Chart IV



U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2016

(1) EXPECTED ECONOMIC CONDITIONS

(Dollars in thousands)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Balance, start of year	$ 66,107,956	$ 76,270,596	$ 83,831,397	$ 89,740,058	$ 94,507,346	$ 98,818,464	$104,247,168	$110,124,752	$117,471,273	$126,862,149
Cash inflow										
State unemployment taxes	36,695,000	37,108,000	37,571,000	38,378,000	39,981,000	42,396,000	44,043,000	46,287,000	48,900,000	50,561,000
Federal unemployment taxes	7,250,000	6,110,000	5,714,000	5,854,000	6,002,000	6,527,000	7,073,000	7,989,000	9,077,000	10,214,000
Interest on loans	-	-	2,000	23,000	92,000	157,000	207,000	244,000	232,000	159,000
Deposits by the Railroad Retirement Board	89,900	104,300	118,700	122,000	122,100	124,300	125,900	129,900	133,000	132,500
Total cash inflow excluding interest	44,034,900	43,322,300	43,405,700	44,377,000	46,197,100	49,204,300	51,448,900	54,649,900	58,342,000	61,066,500
Interest on Federal securities	3,242,501	3,738,632	4,220,867	4,603,546	4,926,501	5,217,250	5,537,229	5,903,781	6,369,751	6,982,726
Total cash inflow	47,277,401	47,060,932	47,626,567	48,980,546	51,123,601	54,421,550	56,986,129	60,553,681	64,711,751	68,049,226
Cash outflow										
State unemployment benefits	33,202,000	35,677,000	37,934,000	40,463,000	43,038,000	45,136,000	47,157,000	49,161,000	51,178,000	53,297,000
State administrative costs	3,597,114	3,504,657	3,457,815	3,416,669	3,433,764	3,507,240	3,593,404	3,679,908	3,767,743	3,856,991
Federal administrative costs	210,142	207,885	209,723	210,530	214,672	220,653	226,634	232,744	237,749	242,823
Interest on tax refunds	2,511	2,161	2,106	2,218	2,328	2,555	2,785	3,163	3,614	4,067
Railroad Retirement Board withdrawals	102,994	108,428	114,262	120,841	123,719	126,398	128,722	130,345	133,769	136,437
Total cash outflow	37,114,761	39,500,131	41,717,906	44,213,258	46,812,483	48,992,846	51,108,545	53,207,160	55,320,875	57,537,318
Excess of total cash inflow excluding interest over total cash outflow	6,920,139	3,822,169	1,687,794	163,742	(615,383)	211,454	340,355	1,442,740	3,021,125	3,529,182
Excess of total cash inflow over total cash outflow	10,162,640	7,560,801	5,908,661	4,767,288	4,311,118	5,428,704	5,877,584	7,346,521	9,390,876	10,511,908
Balance, end of year	$ 76,270,596	$ 83,831,397	$ 89,740,058	$ 94,507,346	$ 98,818,464	$104,247,168	$110,124,752	$117,471,273	$126,862,149	$137,374,057
Total unemployment rate	4.80%	4.83%	4.90%	4.90%	4.90%	4.90%	4.90%	4.90%	4.90%	4.90%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2016

(2) MILD RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Balance, start of year	$ 66,107,956	$ 72,902,648	$ 64,164,613	$ 47,769,276	$ 36,774,380	$ 37,899,526	$ 47,099,368	$ 59,064,490	$ 73,902,742	$ 89,827,598
Cash inflow										
State unemployment taxes	36,727,000	38,003,000	42,455,000	47,005,000	51,099,000	54,284,000	55,445,000	55,293,000	54,301,000	54,561,000
Federal unemployment taxes	7,213,000	6,009,000	5,557,000	5,698,000	6,712,000	8,204,000	9,610,000	10,539,000	11,863,000	10,936,000
General revenue appropriation	-	44,000	81,000	55,000	-	-	-	-	-	-
Interest on loans	-	20,000	329,000	910,000	1,299,000	1,335,000	1,208,000	1,037,000	805,000	614,000
Deposits by the Railroad Retirement Board	89,900	104,300	118,700	122,000	122,100	124,300	125,900	129,900	133,000	132,500
Total cash inflow excluding interest	44,029,900	44,180,300	48,540,700	53,790,000	59,232,100	63,947,300	66,388,900	66,998,900	67,102,000	66,243,500
Interest on Federal securities	3,204,939	3,215,958	2,633,097	2,116,118	2,191,083	2,462,001	2,859,393	3,373,332	4,240,166	5,139,219
Total cash inflow	47,234,839	47,396,258	51,173,797	55,906,118	61,423,183	66,409,301	69,248,293	70,372,232	71,342,166	71,382,719
Cash outflow										
State unemployment benefits	36,471,000	52,072,000	63,413,000	62,793,000	56,258,000	53,181,000	53,204,000	51,420,000	51,247,000	52,871,000
State administrative costs	3,653,513	3,743,854	3,830,101	3,774,484	3,699,043	3,678,196	3,720,031	3,746,718	3,794,069	3,870,819
Federal administrative costs	210,142	207,885	209,723	210,530	214,672	220,653	226,634	232,744	237,749	242,823
Interest on tax refunds	2,498	2,126	2,048	2,159	2,603	3,212	3,784	4,173	4,723	4,354
Railroad Retirement Board withdrawals	102,994	108,428	114,262	120,841	123,719	126,398	128,722	130,345	133,769	136,437
Total cash outflow	40,440,147	56,134,293	67,569,134	66,901,014	60,298,037	57,209,459	57,283,171	55,533,980	55,417,310	57,125,433
Excess of total cash inflow excluding interest over total cash outflow	3,589,753	(11,953,993)	(19,028,434)	(13,111,014)	(1,065,937)	6,737,841	9,105,729	11,464,920	11,684,690	9,118,067
Excess of total cash inflow over total cash outflow	6,794,692	(8,738,035)	(16,395,337)	(10,994,896)	1,125,146	9,199,842	11,965,122	14,838,252	15,924,856	14,257,286
Balance, end of year	$ 72,902,648	$ 64,164,613	$ 47,769,276	$ 36,774,380	$ 37,899,526	$ 47,099,368	$ 59,064,490	$ 73,902,742	$ 89,827,598	$104,084,884
Total unemployment rate	5.10%	6.61%	7.43%	7.09%	6.35%	5.61%	5.47%	5.12%	4.90%	4.90%

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2016

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Balance, start of year	$ 66,107,956	$ 72,902,648	$ 60,090,657	$ 22,889,946	$ (20,289,347)	$ (31,262,372)	$ (28,809,038)	$ (21,547,455)	$ (6,655,959)	$ 15,976,516
Cash inflow										
State unemployment taxes	36,727,000	38,062,000	43,373,000	50,592,000	58,245,000	62,858,000	65,216,000	66,234,000	65,652,000	63,783,000
Federal unemployment taxes	7,213,000	5,982,000	5,447,000	5,530,000	6,816,000	8,970,000	11,368,000	13,124,000	15,258,000	15,541,000
General revenue appropriation	-	49,000	141,000	181,000	61,000	2,000	-	-	-	-
Interest on loans	-	28,000	661,000	2,270,000	3,616,000	4,002,000	4,053,000	3,905,000	3,454,000	2,795,000
Deposits by the Railroad Retirement Board	89,900	104,300	118,700	122,000	122,100	124,300	125,900	129,900	133,000	132,500
Total cash inflow excluding interest	44,029,900	44,225,300	49,740,700	58,695,000	68,860,100	75,956,300	80,762,900	83,392,900	84,497,000	82,251,500
Interest on Federal securities	3,204,939	3,120,877	1,999,490	1,391,549	1,145,929	1,234,038	1,462,838	1,758,255	2,208,327	2,807,654
Total cash inflow	47,234,839	47,346,177	51,740,190	60,086,549	70,006,029	77,190,338	82,225,738	85,151,155	86,705,327	85,059,154
Cash outflow										
State unemployment benefits	36,471,000	56,039,000	84,520,000	98,023,000	74,847,000	68,435,000	68,706,000	64,403,000	58,940,000	56,508,000
State administrative costs	3,653,513	3,800,739	4,094,909	4,209,376	3,991,020	3,951,441	3,998,323	3,988,374	3,955,259	3,963,054
Federal administrative costs	210,142	207,885	209,723	210,530	214,672	220,653	226,634	232,744	237,749	242,823
Interest on tax refunds	2,498	2,116	2,007	2,095	2,643	3,512	4,476	5,196	6,075	6,188
Interest on General Fund advances	-	-	-	700,000	1,800,000	2,000,000	1,900,000	1,500,000	800,000	200,000
Railroad Retirement Board withdrawals	102,994	108,428	114,262	120,841	123,719	126,398	128,722	130,345	133,769	136,437
Total cash outflow	40,440,147	60,158,168	88,940,901	103,265,842	80,979,054	74,737,004	74,964,155	70,259,659	64,072,852	61,056,502
Excess of total cash inflow excluding interest over total cash outflow	3,589,753	(15,932,868)	(39,200,201)	(44,570,842)	(12,118,954)	1,219,296	5,798,745	13,133,241	20,424,148	21,194,998
Excess of total cash inflow over total cash outflow	6,794,692	(12,811,991)	(37,200,711)	(43,179,293)	(10,973,025)	2,453,334	7,261,583	14,891,496	22,632,475	24,002,652
Balance, end of year	$ 72,902,648	$ 60,090,657	$ 22,889,946	$ (20,289,347)	$ (31,262,372)	$ (28,809,038)	$ (21,547,455)	$ (6,655,959)	$ 15,976,516	$ 39,979,168
Total unemployment rate	5.10%	6.93%	9.10%	10.14%	7.82%	7.26%	7.05%	6.43%	5.62%	5.25%

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater prior to a recession indicates a state is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from the Federal Unemployment Account (FUA) to make benefit payments. The Missouri state account had loans payable to FUA, and Texas had outstanding debts to other sources at the end of FY 2006. During periods of high-sustained unemployment, balances in the FUA may be depleted. In these circumstances, FUA is authorized to borrow from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2006 in descending order by ratio. As the table below illustrates, 27 state funds were below minimal solvency ratio at September 30, 2006.

Chart V

Minimally Solvent			Not Minimally Solvent	
State	Ratio		State	Ratio
Mississippi	2.80		Alaska	0.97
New Mexico	2.75		Tennessee	0.97
Montana	2.02		Alabama	0.95
Utah	1.91		West Virginia	0.94
Hawaii	1.85		Virginia	0.89
Maine	1.77		Indiana	0.82
Oklahoma	1.76		Wisconsin	0.76
New Hampshire	1.65		Colorado	0.69
Vermont	1.64		Idaho	0.64
Washington	1.64		Connecticut	0.60
Oregon	1.62		South Carolina	0.60
Wyoming	1.60		Kentucky	0.56
Arizona	1.57		Arkansas	0.54
Iowa	1.56		Rhode Island	0.51
District of Columbia	1.49		Illinois	0.50
Kansas	1.48		Pennsylvania	0.50
Nebraska	1.47		South Dakota	0.46
Louisiana	1.40		Massachusetts	0.42
Georgia	1.36		Minnesota	0.38
Nevada	1.36		Texas	0.37
Puerto Rico	1.25		California	0.36
Virgin Islands	1.25		Ohio	0.36
Delaware	1.20		New Jersey	0.29
Florida	1.19		North Carolina	0.18
Maryland	1.09		Michigan	0.16
North Dakota	1.03		New York	0.10
			Missouri	0.00

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Black Lung Disability Benefit Program

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The U.S. Department of Labor operates the Black Lung Disability Benefit Program. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Program Administration and Funding

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

Program Finances and Sustainability

At September 30, 2006, total liabilities of the Black Lung Disability Trust Fund exceeded assets by $9.6 billion. This deficit fund balance represented the accumulated shortfall of excise taxes necessary to meet benefit payment and interest expenses. This shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Outstanding advances at September 30, 2006 were $9.6 billion, bearing interest rates ranging from 4.500 to 13.875 percent. Excise tax revenues of $607.4 million, benefit payment expense of $299.5 million and interest expense of $695.0 million were recognized for the year ended September 30, 2006.

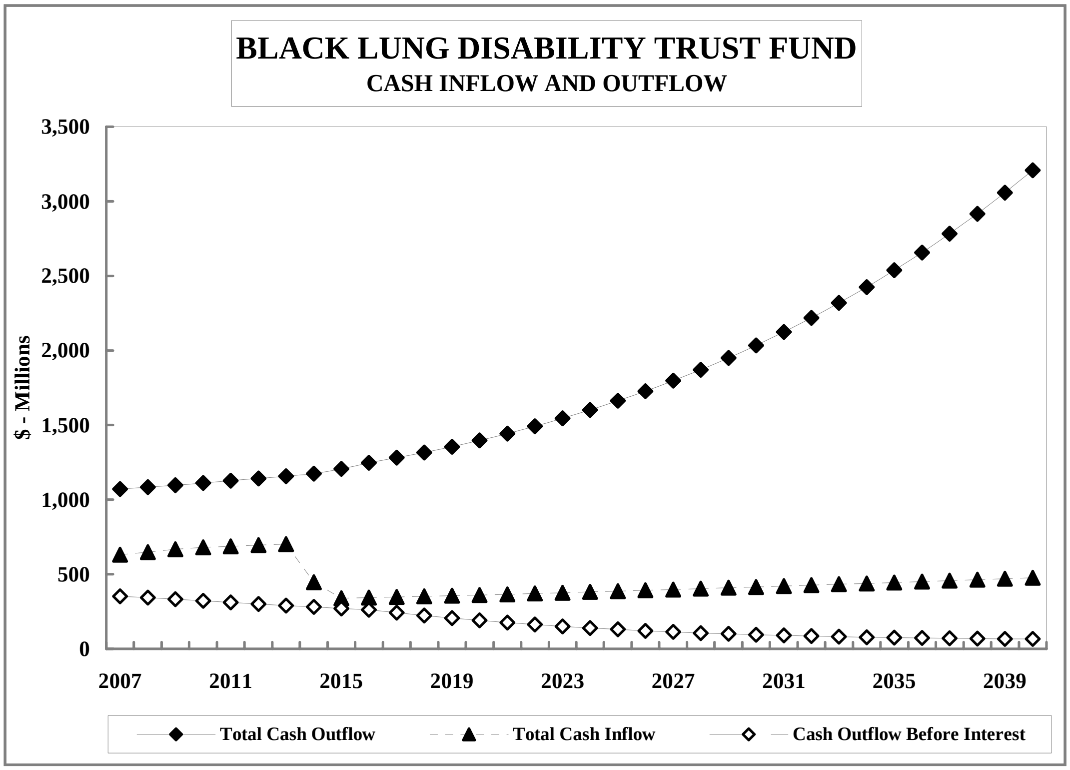
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2006 were $21.2 million. Although no liability was recognized for future payments to be made to present and future program participants beyond the due and payable amounts accrued at year end, future estimated cash inflows and outflows of the BLDTF are tracked by the Department for budgetary purposes. The significant assumptions used in the projections are coal excise tax revenue estimates, number of beneficiaries, life expectancy, medical cost inflation, Federal civilian pay raises, and the interest rate on new repayable advances from Treasury. These projections are sensitive to changes in the tax rate and changes in interest rates on repayable advances from Treasury.

These projections, made over the thirty-four year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for each period projected. Cumulative net cash inflows are projected to reach $15.6 billion by the year 2040. However, when interest payments required to finance the BLDTF's repayable advances are applied against this surplus cash inflow, the BLDTF's cash flow turns negative during each of the thirty-four periods included in the projections. Net cash outflows after interest payments are projected to reach $60.1 billion by the end of the year 2040, increasing the BLDTF's deficit to $54.1 billion at September 30, 2040. (See Chart I on following page)

The net present value of future projected benefit payments and other cash inflow and outflow activities together with the fund's deficit positions as of September 30, 2006, 2005, 2004, 2003, and 2002 are presented in the Statement of Social Insurance.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Chart I



The projected decrease in cash inflows in the year 2014 and thereafter is the result of a scheduled reduction in the tax rate on the sale of coal. This rate reduction is projected to result in a fifty-two percent decrease in the amount of excise taxes collected between the years 2013 and 2015. The cumulative effect of this change is estimated to be in excess of $12.2 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

U.S. DEPARTMENT OF LABOR
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
FOR THE THIRTY-FOUR YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2007	2008	2009	2010	2011	2012 - 2040	Total
Cash inflow							
Excise taxes	$ 630,000	$ 649,000	$ 668,000	$ 680,000	$ 686,000	$ 12,316,860	$ 15,629,860
Total cash inflow	630,000	649,000	668,000	680,000	686,000	12,316,860	15,629,860
Cash outflow							
Disabled coal miners benefits	292,613	279,975	267,092	254,080	241,026	3,218,069	4,552,855
Administrative costs	60,103	62,418	64,809	67,302	69,903	1,097,108	1,421,643
Cash outflows before interest payments	352,716	342,393	331,901	321,382	310,929	4,315,177	5,974,498
Cash inflow over cash outflow before interest payments	277,284	306,607	336,099	358,618	375,071	8,001,683	9,655,362
Interest on advances	717,072	740,733	765,001	789,791	814,799	50,336,856	54,164,252
Total cash outflow	1,069,788	1,083,126	1,096,902	1,111,173	1,125,728	54,652,033	60,138,750
Total cash outflow over total cash inflow	(439,788)	(434,126)	(428,902)	(431,173)	(439,728)	(42,335,173)	(44,508,890)
Balance, start of year	(9,604,742)	(10,044,530)	(10,478,656)	(10,907,558)	(11,338,731)	(11,778,459)	(9,604,742)
Balance, end of year	$ (10,044,530)	$ (10,478,656)	$ (10,907,558)	$ (11,338,731)	$ (11,778,459)	$ (54,113,632)	$ (54,113,632)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

STATEMENT OF BUDGETARY RESOURCES

The principal Statement of Budgetary Resources combines the availability, status and outlay of DOL's budgetary resources during FY 2006 and 2005. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget accounts.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2006

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 2,337,790	$ 1,457,962	$ 26,227
Recoveries of prior year unpaid obligations	360,070	3,252	5,910
Budget authority			
Appropriations received	54,309,862	2,848,124	477,199
Borrowing authority	-	445,000	-
Spending authority from offsetting collections			
Earned			
Collected	420,424	2,482,312	6,285
Change in receivables from Federal sources	(336)	(54,713)	8,261
Change in unfilled customer orders			
Advance received	(7,500)	3,937	-
Without advance from Federal sources	-	-	-
Expenditure transfers from trust funds	3,348,647	35,078	-
Total budget authority	58,071,097	5,759,738	491,745
Nonexpenditure transfers, net	(550,309)	(399)	(684)
Temporarily not available pursuant to Public Law	(11,818,837)	(1,145)	-
Permanently not available	(404,686)	(6,399)	(11,029)
Total budgetary resources	$ 47,995,125	$ 7,213,009	$ 512,169
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 45,195,012	$ 3,029,425	$ 476,928
Reimbursable	412,922	2,468,082	13,406
Total obligations incurred	45,607,934	5,497,507	490,334
Unobligated balances			
Apportioned	1,200,743	1,301,054	27
Exempt from apportionment	-	212,482	-
Total unobligated balances	1,200,743	1,513,536	27
Unobligated balances not available	1,186,448	201,966	21,808
Total status of budgetary resources	$ 47,995,125	$ 7,213,009	$ 512,169
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,350,330	$ 358,151	$ 73,694
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,407,365)	(58,780)	(865)
Total unpaid obligated balance, net	6,942,965	299,371	72,829
Obligations incurred, net	45,607,933	5,497,508	490,334
Less gross outlays	(45,594,065)	(5,556,973)	(473,003)
Less recoveries of prior year unpaid obligations, actual	(360,070)	(3,252)	(5,910)
Change in uncollected customer payments from Federal sources	199,041	53,162	(8,261)
Obligated balance, net, end of period			
Unpaid obligations	8,004,128	295,434	85,115
Less uncollected customer payments from Federal sources	(1,208,324)	(5,618)	(9,126)
Total unpaid obligated balance, net, end of period	$ 6,795,804	$ 289,816	$ 75,989
NET OUTLAYS			
Gross outlays	$ 45,594,065	$ 5,556,973	$ 473,003
Less offsetting collections	(3,960,279)	(2,519,775)	(6,285)
Less distributed offsetting receipts	(847,937)	(7,809)	-
Net outlays	$ 40,785,849	$ 3,029,389	$ 466,718

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 11,171	$ 3,762	$ 2,167	$ 3,938	$ 29,058	$ 3,872,075
4,868	2,754	3,789	1,499	17,638	399,780
464,678	306,090	134,900	29,499	400,650	58,971,002
-	-	-	-	-	445,000
6,103	1,292	11,544	40	178,611	3,106,611
-	(20)	-	-	(702)	(47,510)
-	-	-	-	1,747	(1,816)
-	-	-	-	(825)	(825)
76,533	-	-	192,886	30,443	3,683,587
547,314	307,362	146,444	222,425	609,924	66,156,049
(598)	(355)	(121)	-	29,735	(522,731)
-	-	-	-	-	(11,819,982)
(8,629)	(4,369)	(2,353)	(1,228)	(10,711)	(449,404)
$ 554,126	$ 309,154	$ 149,926	$ 226,634	$ 675,644	$ 57,635,787
$ 539,715	$ 285,352	$ 136,567	$ 223,786	$ 457,582	$ 50,344,367
5,354	1,062	11,282	-	183,026	3,095,134
545,069	286,414	147,849	223,786	640,608	53,439,501
414	3,851	31	196	21,752	2,528,068
-	-	-	-	147	212,629
414	3,851	31	196	21,899	2,740,697
8,643	18,889	2,046	2,652	13,137	1,455,589
$ 554,126	$ 309,154	$ 149,926	$ 226,634	$ 675,644	$ 57,635,787
$ 67,729	$ 30,160	$ 48,663	$ 59,980	$ 494,125	$ 9,482,832
-	(35)	-	-	(6,635)	(1,473,680)
67,729	30,125	48,663	59,980	487,490	8,009,152
545,069	286,413	147,849	223,786	640,609	53,439,501
(533,830)	(289,752)	(148,904)	(222,156)	(683,426)	(53,502,109)
(4,868)	(2,754)	(3,789)	(1,499)	(17,638)	(399,780)
-	20	-	-	(7,134)	236,828
74,100	24,067	43,819	60,111	433,670	9,020,444
-	(15)	-	-	(13,769)	(1,236,852)
$ 74,100	$ 24,052	$ 43,819	$ 60,111	$ 419,901	$ 7,783,592
$ 533,830	$ 289,752	$ 148,904	$ 222,156	$ 683,426	$ 53,502,109
(82,637)	(1,292)	(11,544)	(192,925)	(210,799)	(6,985,536)
-	-	-	-	-	(855,746)
$ 451,193	$ 288,460	$ 137,360	$ 29,231	$ 472,627	$ 45,660,827

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2005

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 2,079,330	$ 1,428,161	$ 22,094
Recoveries of prior year unpaid obligations	335,591	10,853	11,738
Budget authority			
Appropriations received	52,951,638	2,485,951	468,109
Borrowing authority	-	446,000	-
Spending authority from offsetting collections			
Earned			
Collected	51,972	2,299,208	3,731
Change in receivables from Federal sources	330	57,196	390
Change in unfilled customer orders			
Advance received	-	5,086	-
Anticipated for rest of year, without advances	-	-	-
Expenditure transfers from trust funds	3,538,339	34,637	-
Total budget authority	56,542,279	5,328,078	472,230
Nonexpenditure transfers, net	(390,219)	(418)	(952)
Temporarily not available pursuant to Public Law	(9,279,797)	(16,920)	-
Permanently not available	(462,774)	(6,247)	(7,906)
Total budgetary resources	$ 48,824,410	$ 6,743,507	$ 497,204
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	$ 46,419,130	$ 2,767,059	$ 468,716
Reimbursable	67,490	2,518,486	2,261
Total obligations incurred	46,486,620	5,285,545	470,977
Unobligated balances			
Apportioned	1,333,107	1,201,949	25
Exempt from apportionment	-	175,158	-
Total unobligated balances	1,333,107	1,377,107	25
Unobligated balances not available	1,004,683	80,855	26,202
Total status of budgetary resources	$ 48,824,410	$ 6,743,507	$ 497,204
CHANGE IN OBLIGATED BALANCE			
Obligated balance, net			
Unpaid obligations, brought forward, October 1	$ 8,734,124	$ 330,390	$ 70,688
Less uncollected customer payments from Federal sources, brought forward, October 1	(1,336,364)	(1,107)	(475)
Total unpaid obligated balance, net	7,397,760	329,283	70,213
Obligations incurred, net	46,486,620	5,285,545	470,977
Less gross outlays	(46,534,824)	(5,246,930)	(456,233)
Less recoveries of prior year unpaid obligations, actual	(335,591)	(10,853)	(11,738)
Change in uncollected customer payments from Federal sources	(71,208)	(57,673)	(390)
Obligated balance, net, end of period			
Unpaid obligations	8,350,330	358,151	73,694
Less uncollected customer payments from Federal sources	(1,407,571)	(58,780)	(865)
Total unpaid obligated balance, net, end of period	$ 6,942,759	$ 299,371	$ 72,829
NET OUTLAYS			
Gross outlays	$ 46,534,824	$ 5,246,930	$ 456,233
Less offsetting collections	(3,519,640)	(2,338,455)	(3,731)
Less distributed offsetting receipts	(823,232)	(6,160)	-
Net outlays	$ 42,191,952	$ 2,902,315	$ 452,502

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Total
$ 12,981	$ 9,132	$ 1,810	$ 6,231	$ 18,052	$ 3,577,791
4,819	3,203	1,888	2,421	38,159	408,672
455,045	281,535	132,345	29,550	444,692	57,248,865
-	-	-	-	-	446,000
7,693	1,073	10,142	468	171,095	2,545,382
-	-	-	-	(216)	57,700
-	-	-	-	5,670	10,756
-	-	-	-	-	-
77,346	-	-	193,519	29,875	3,873,716
540,084	282,608	142,487	223,537	651,116	64,182,419
(724)	(125)	(88)	(150)	5,346	(387,330)
-	-	-	-	-	(9,296,717)
(7,521)	(2,973)	(1,791)	(236)	(6,749)	(496,197)
$ 549,639	$ 291,845	$ 144,306	$ 231,803	$ 705,924	$ 57,988,638
$ 531,801	$ 287,288	$ 132,169	$ 227,865	$ 499,608	$ 51,333,636
6,667	795	9,970	-	177,258	2,782,927
538,468	288,083	142,139	227,865	676,866	54,116,563
438	773	16	1,138	10,859	2,548,305
-	-	-	-	152	175,310
438	773	16	1,138	11,011	2,723,615
10,733	2,989	2,151	2,800	18,047	1,148,460
$ 549,639	$ 291,845	$ 144,306	$ 231,803	$ 705,924	$ 57,988,638
$ 65,190	$ 27,118	$ 39,803	$ 58,249	$ 530,890	$ 9,856,452
-	(35)	-	-	(6,645)	(1,344,626)
65,190	27,083	39,803	58,249	524,245	8,511,826
538,468	288,083	142,139	227,865	676,866	54,116,563
(531,111)	(281,837)	(131,392)	(223,714)	(675,470)	(54,081,511)
(4,819)	(3,203)	(1,888)	(2,421)	(38,159)	(408,672)
-	-	-	-	217	(129,054)
67,728	30,160	48,663	59,981	494,125	9,482,832
-	(35)	-	-	(6,429)	(1,473,680)
$ 67,728	$ 30,125	$ 48,663	$ 59,981	$ 487,696	$ 8,009,152
$ 531,111	$ 281,837	$ 131,392	$ 223,714	$ 675,470	$ 54,081,511
(85,039)	(1,073)	(10,142)	(193,987)	(206,639)	(6,358,706)
-	-	-	-	-	(829,392)
$ 446,072	$ 280,764	$ 121,250	$ 29,727	$ 468,831	$ 46,893,413

Appendices

1. Performance Goal Details[1]

Performance Goal 05-1.1A (ETA) Increase placements and educational attainments for youth served through the WIA youth program															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2001 Goal Achieved			PY 2002 Goal Achieved			PY 2003 Goal Achieved			PY 2004 Goal Not Achieved			PY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of youth who are in employment or the military or enrolled in post secondary education and/or advanced training/occupational skills training in the first quarter after exit	—	—	—	—	—	—	—	—	—	—	—	—	base	58%	Y
Percent of students who attain a GED, high school diploma, or certificate by the end of the third quarter after exit	—	—	—	—	—	—	—	—	—	—	—	—	base	36%	Y
PY 2002-04: Percent of the 14-18 year-old youth who enter the program without a diploma or equivalent that attain a secondary school diploma or equivalent by the first quarter after exit				51%	55%	Y	52%	63%	Y	53%	65%	Y	—	—	—
PY 2001: Percent of the 14–18 year-old youth either employed, in advanced training, post-secondary education, military service or apprenticeships in the third quarter after program exit	50%	50%	Y												
PY 2002-04: Percent of 19–21 year-old youth employed in the first quarter after exit	—	—	—	63%	67%	Y	65%	71%	Y	68%	72%	Y	—	—	—
PY 2001-04: Percent of 19–21 year-old youth employed in the first quarter after exit still employed in the third quarter after program exit	75%	75%	Y	77%	80%	Y	78%	81%	Y	79%	82%	Y	—	—	—
PY 2004: Average cost per participant	—	—	—	—	—	—	—	—	—	$2663	$2856	N	—	—	—
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records															

[1] New indicators often lack data needed to establish targets. For such indicators, the first year's target may be to establish a baseline (abbreviated as "base" in this table); success is determined by gathering the data as planned.

Performance Goal 05-1.1B (JC) Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2001 Goal Substantially Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved			PY 2004 Goal Not Achieved			PY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of Job Corps graduates (within 1 year of program exit) and former enrollees (within 90 days of program exit) who enter employment or enroll in post-secondary education or advanced/occupational skills training							—	—	—	85%	84%	N	85%	80%	N
PY 2001-02: Percent of graduates who enter employment or enroll in education	85%	90%	Y	90%	87%	N									
Percent of students earning a GED, high school diploma or certificate while enrolled in the program	—	—	—							64%	64%	Y	64%	60%	N
PY 2002-03: The number of students who attain high school diplomas while enrolled in Job Corps				3912	6381	Y	7658	8003	Y						
Percent of students who achieve literacy or numeracy gains of one or more Adult Basic Education (ABE) levels	—	—	—	—	—	—	—	—	—	45%	47%	Y	45%	58%	Y
PY 2004: Average cost per participant	—	—	—	—	—	—	—	—	—	$22,503	$24,809	N	—	—	—
PY 2001-03: Percent of graduates who continue to be employed or enrolled in education six months after initial placement date	70%	64%	N	65%	63%	N	65%	63%	N	—	—	—	—	—	—
PY 2001-03: Average hourly wages of graduates with jobs at six months after initial placement	$7.25	$7.96	Y	$8.20	$8.03	S	$8.20	$8.95	Y	—	—	—	—	—	—
Data Source(s): Job Corps Management Information System															

Performance Goal 05-1.1C (VETS) **Improve the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services**															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Not Measured			PY 2003 Goal Achieved			PY 2004 Goal Achieved			PY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of veteran job seekers employed in the first or second quarter following registration	34%	43%	Y	—	—	—	58%	58%	Y	58%	60%	Y	59%	62%	Y
Percent of veteran job seekers still employed two quarters after initial entry into employment with a new employer	—	—	—	—	—	—	72%	79%	Y	80%	81%	Y	81%	81%	Y
Percent of disabled veteran job seekers employed in the first or second quarter following registration	—	—	—	—	—	—	—	—	—	54%	56%	Y	55%	57%	Y
Percent of disabled veteran job seekers still employed two quarters after initial entry into employment with a new employer	—	—	—	—	—	—	—	—	—	78%	79%	Y	79%	80%	Y
Entered employment rate for homeless veterans participating in the Homeless Veterans Reintegration Program (HVRP)	54%	54.4%	Y	54.5%	60.3%	Y	54.5%	61%	Y	60%	65%	Y	61%	68%	Y
Employment retention rate after 6 months for homeless veteran HVRP participants	—	—	—	—	—	—	—	—	—	base	58%	Y	58%	67%**	Y

Data Source(s): State Workforce Agency administrative reports, State UI wage records and homeless veteran grantee reports.

Note: In FY 2003, this program transitioned to a new system of measuring and reporting outcomes that is consistent with the common measures and operates on a program year basis. HVRP entered employment rates for periods prior to PY 2004 were reported under another performance goal.

Performance Goal 06-1.1A (ETA) **Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.**															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of those employed nine months after registration as an apprentice	—	—	—	—	—	—	—	—	—	base	78%	Y	78%	82%	Y

Average hourly wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later (see note below)	—	—	—	—	—	—	—	—	—	base	$1.26	Y	$1.26	$1.32	Y
FY 2005: Average cost per registered apprentice	—	—	—	—	—	—	—	—	—	base	$109	Y	—	—	—
FY 2002-04: New programs in new and emerging industries	293	326	Y	359	359	Y	366	526	Y	—	—	—	—	—	—
FY 2004: New apprentices registered by OATELS staff only FY 2002-03: All registrations	86,647	129,388	Y	133,909	130,615	S	68,592	69,597	Y	—	—	—	—	—	—
FY 2002: New apprenticeship programs	1854	2952	Y	—	—	—	—	—	—	—	—	—	—	—	—
FY 2002: New businesses involved in apprenticeship	3248	5883	Y	—	—	—	—	—	—	—	—	—	—	—	—

Data Source(s): Registered Apprenticeship Information System (RAIS) and Apprenticeship Information Management System (AIMS)

Note: Twenty-three states are Federally-registered apprenticeship programs and enter data on individuals into the Registered Apprenticeship Information System (RAIS). A group of "tracked entrants" is defined as the cohort of apprentices registered and entered into RAIS during a given reporting period.

Performance Goal 06-1.1B (ODEP)
Advance knowledge and inform disability employment policy that affects systems change throughout the workforce development system.

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Number of policy related documents disseminated	—	—	—	—	—	—	—	—	—	—	—	—	base	20	Y
Number of formal agreements initiated	—	—	—	—	—	—	—	—	—	—	—	—	base	20	Y
Number of effective practices identified	—	—	—	—	—	—	base	10	Y	11	19	Y	21	26	Y
FY 2004-05: People with disabilities served through ODEP projects	—	—	—	—	—	—	2391	6151	Y	6718	9768	Y	—	—	—
FY 2004-05: Entered employment rate at pilot sites	—	—	—	—	—	—	13.3%	19.0%	Y	24%	24.1%	Y	—	—	—
FY 2004-05: 3-month and 6-month retention rates for people with disabilities served by the pilots	—	—	—	—	—	—	base	12.3% 6.9%	Y	22% 17%	46.7% 39.0%	Y Y	—	—	—

FY 2003: Implement 30 new Olmstead grant projects, targeted at persons with significant disabilities who are institutionalized	—	—	—	30	16	N	—	—	—	—	—	—	—	—	—
FY 2003: Implement 12 youth grant projects (6 of which are new technology skills projects) to assist youth through the One-Stop Centers and the WIA youth programs	—	—	—	12	21	Y	—	—	—	—	—	—	—	—	—
FY 2002: Implement 12 demonstration programs, through grants, designed to develop and test strategies and techniques that need to be implemented in order for One-Stop Centers and WIA youth programs to effectively serve persons with significant disabilities.	12	16 WIA, 22 other	Y	—	—	—	—	—	—	—	—	—	—	—	—
Data Source(s): ODEP Division of Program Management and Research & Evaluation Team															

Performance Goal 06-1.2A (BLS) **Improve information available to decision-makers on labor market conditions, and price and productivity changes**									
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Not Achieved			FY 2005 Goal Substantially Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for labor force statistics	—	—	—	—	—	—	85%	79%	N
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for prices and living conditions	—	—	—	—	—	—	85%	94%	Y
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for compensation and working conditions	—	—	—	—	—	—	85%	77%	N
Percent of output, timeliness, accuracy, and long-term improvement targets achieved for productivity and technology	—	—	—	—	—	—	85%	100%	Y
Cost per transaction of the Internet Data Collection Facility	—	—	—	$3.32	$2.44	Y	$2.58	$1.82	Y
Customer satisfaction with BLS products and services per the American Customer Satisfaction Index	75%	82%	Y	75%	74%	S	75%	79%	Y
FY 2004-05 (Improve relevancy): Cumulative number of series (e.g., Current Employment Statistics, Employment Cost Index, etc.) converted to the North American Industry Classification System (12 series in total)	8	8	Y	9	9	Y	—	—	—

FY 2004-05 (Improve accuracy): Increase the percent of domestic output of in-scope services included in the Producer Price Index Increase the percent of in-scope industries in the labor productivity measures Improve the response to the Employment Cost Index	 59.2% 58.0% 78%	 59.2% 58.0% 78%	 Y Y Y	 75.7% 58.3% —	 76.3% 59.2% —	 Y Y —	—	—	—
FY 2004-05 (Enhance information technology): Lessen the likelihood of major systems failures that could affect the PPI's ability to release data on time, as measured by the percent of the components of the new repricing system completed	33%	17%	N	40%	37%	N	—	—	—
Deliver economic data on time (Percent of scheduled releases issued on time)	100%	96%	S	100%	100%	Y	—	—	—
Percent of accuracy measures met (e.g., revision, response rates, etc.)	100%	83%	S	100%	100%	Y	—	—	—

Data Source(s): Office of Publications and Special Studies report of release dates against OMB release schedule for BLS Principal Federal Economic Indicators; News releases for each Principal Federal Economic Indicator; BLS budget submissions and Quarterly Review and Analysis System; ACSI Quarterly E-Government scores.

Performance Goal 06-2.1A (ESA)
American workplaces legally employ and compensate workers

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Substantially Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Ensuring Customer Service Number of workers for whom there is an agreement to pay or an agreement to remedy per 1,000 enforcement hours										base	293	Y
FY 2005: Average number of days to conclude a violation complaint							187	178	Y			
FY 2003-04: Average number of days to conclude a complaint	126	108	Y	108	92	Y						
Reducing employer recidivism Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	—	—	—	74%	71%	N	72%	72%	Y	73%	76%	Y
Percent of reinvestigations without any violations	36%	37%	Y	—	—		—	—	—	—	—	
Percent of reinvestigations with identical violations	17%	17%	Y	—	—		—	—	—	—	—	
Increasing compliance in industries with chronic violations Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA and MSPA	—	—	—	—	—	—				base	92%	Y
FY 2005: for Southern CA garment and NYC garment only							base	54% 76%	Y Y			
Ensuring timely and accurate prevailing wage determinations Number of wage determination forms processed per 1,000 hours	—	—	—	base	1491	Y	1506	1667	Y	1491	1834	Y
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data	—	—	—	80%	87%	Y	81%	84%	Y	82%	100%	Y

FY 2003-04: *as indicated in the garment manufacturing industry by*							—	—	—	—	—	—
Percent of employees paid "on the payroll" in New York City	base	33%	Y	34%	39%	Y						
Number of manufacturers in southern California that monitor contractors	714	715	Y	729	729	Y						
Percent of employees paid "on the payroll" in southern California	base	91%	Y	—	—							
New contractors in NYC participating in Compliance Assistance program	72	73	Y	—	—							
Number of manufacturers in NYC that monitor contractors	153	158	Y	—	—							
FY 2003-04: *as indicated in the long-term health care industry by*							—	—	—	—	—	—
Percent of nursing homes in compliance with the FLSA.	—	—	—	45%	55%	Y						
Percent of nursing home employees employed or paid in compliance with the FLSA	—	—	—	91%	90%	N						
Percent of nursing home complaint cases concluded in 180 days	42%	48%	Y	—	—							
Percent of employees in residential care paid in compliance with the FLSA overtime requirements	85%	77%	N	—	—							
FY 2003-04: *as indicated in agricultural commodities by*							—	—	—	—	—	—
Number of employees affected by compliance assistance programs for agricultural employers subject to the DWHaT provisions of MSPA	—	—	—	4743	911,004	Y						
Number of agricultural housing providers who corrected violations following an investigation	170	256	Y	259	335	Y						
Number of agricultural housing providers who corrected violations following a first investigation	98	133	Y	—	—							

Data Source(s): Wage and Hour Investigator Support and Reporting Database (WHISARD) data; WH significant activity reports; regional logs and reports on local initiatives; and statistically valid investigation-based compliance surveys in defined industries

Performance Goal 06-2.1B (ESA)
Ensure union financial integrity, democracy and transparency

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Substantially Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of unions with fraud				base	9%	Y	—	—	—	8%	8%	Y
FY 2003: Percent of investigative resources applied to criminal investigation that result in convictions	53%	63%	Y									
Percent of union reports meeting standards of acceptability for public disclosure	base	73%	Y	75%	92%	Y	95%	94%	S	96%	93%	N
FY 2003: The timely filing of union annual financial reports by unions with annual receipts over $200,000	85%	64%	N									

Percent of unions complying with standards for democratic union officer elections	—	—	—	—	—	—	—	—	—	base	92%	Y
FY 2005: Union dollars protected per staff day	—	—	—	—	—	—	base	$136,617	Y	—	—	—

Data Source(s): OLMS union compliance audit information and e.LORS data system

Note: Fraud indicator data are reported every other (even) year.

Performance Goal 06-2.2A (ETA)
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

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Payment Timeliness: Percent of all intrastate first payments made within 14/21 days	91%	88.7%	N	91%	89%	N	89.2%	90.3%	Y	89.9%	89.3%	N	89.9%	87.4%**	N
Detect Overpayments: Percent of estimated detectable/recoverable overpayments that States establish for recovery	—	—	—	59%	54%	N	59%	59.5%	Y	59.5%	58.7%	N	59.5%	61.4%**	Y
Facilitate Claimant Reemployment: Percent of UI claimants who were reemployed by the end of the first quarter after the quarter in which they received their first payment	—	—	—	—	—	—				—	—	—	base	62.4%	Y
FY 2004: Entered employment rate for UI claimants							base	51.5%	Y						
Establish Tax Accounts Promptly: Percent of new employer liability determinations made within 90 days of the end of the first quarter in which liability occurred.	80%	81.7%	Y	80%	83%	Y	82.2%	82.5%	Y	82.4%	82.4%	Y	82.5%	82.8%**	Y
FY 2005 (Efficiency): Quality-weighted base initial claims per $1,000 of inflation-adjusted base grant funds	—	—	—	—	—	—	—	—	—	8.55	8.60	Y	—	—	—

Data Source(s): Eligibility Determinations Quality: ETA 9056; Payment Timeliness: 9050, 9050p Reports; Payment Accuracy: Benefit Accuracy Measurement (BAM) program and ETA 227 report; Facilitate Reemployment: Unemployment Insurance wage records; New Status Determinations Timeliness: ETA 581 report

Note: This goal was reported as not achieved in the FY 2004 PAR based on estimated data; actual data for the first indicator exceeded the target. In the FY 2005 PAR, the goal was reported as substantially achieved based on estimates; actual data for the first three indicators were slightly lower, affecting results for two of them.

Performance Goal 06-2.2B (ESA)
Minimize the impact of work-related injuries

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Substantially Achieved			FY 2005 Goal Substantially Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Lost production days (LPD) per 100 employees for FECA cases of the United States Postal Service (see note below)	115	131	N	130	143	N	146	147	N	148	135	Y	146	139.9	Y
LPD rate for FECA cases of All Other Governmental Agencies (see note below)	55	54	Y	54.7	55	N	55.4	62.6	N	61	56	Y	60	52.6	Y
FY 2003-04: FECA Vocational Rehabilitation placements with new employers for injured USPS employees	—	—	—	52	56	Y	56	59	Y	—	—	—	—	—	—
Savings in the FECA program through use of Periodic Roll Management	$19 million	$26 million	Y	$20 million	$25 million	Y	$18 million	$24 million	Y	$17 million	$21 million	Y	$13 million	$16 million	Y
Trend in indexed cost per case of FECA cases receiving medical treatment remains below the Milliman Health Cost Index				+9.1%	-2.8%	Y	+8.8%	+2.4%	Y	+8.1%	+2.8%	Y	+8.6%	+6.3%	Y
FY 2002: Reduce Inflation-adjusted costs per case in the FECA program	$2219	$2604	N												
Targets met for key communications performance areas	—	—	—	base	5	Y	3	4	Y	3	3	Y	4	4	Y
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	242	285	N	279	266	Y	274	247	Y	245	254	N	250	235	Y
Percent of Black Lung benefit claims filed under the revised regulations for which, following an eligibility decision, there are no requests for further action from any party pending one year after receipt of the claim.	68.5%	89.9%	Y	70.5%	86.6%	Y	74.5%	82.2%	Y	76.5%	80.6%	Y	79.5%	81.9%	Y
Percent of Initial Claims for benefits in the Part B and Part E Energy Programs processed within standard timeframes													50%	72%	Y
FY 2002-05: for Part B only	75%	48%	N	75%	79%	Y	77%	92%	Y	80%	80%	Y			

Percent of Final Decisions in the Part B Energy Program processed within standard timeframes				75%	76.9%	Y	77%	99%	Y	80%	94.7%	Y	80%	89%	Y
FY 2002: Claims or No-Contest Denials within 75 days of the Recommended Decision.	75%	76%	S												
Reviews of the Written Record within 75 days of request	75%	74%													
Formal Hearings within 250 days of request	75%	100%													
FY 2005: Energy Program Claimants under Part E to whom compensation benefits are paid	—	—	—	—	—	—	—	—	—	1200	1525	Y	—	—	—
Percent of Energy Program Part E claims backlog receiving recommended decisions	—	—	—	—	—	—	—	—	—	—	—	—	75%	85%	Y

Data Source(s): 1&2. Federal Employees' Compensation Act (FECA) data systems, Federal agency payroll offices and Office of Personnel Management employment statistics; 3. Nurse/Rehabilitation Tracking System 4. Periodic Roll Management System and FECA Automated Compensation Payment System; 5. FECA Medical Bill Pay System and Milliman USA Health Cost Index Report; 6. Telecommunications system standard reports, FECA district office and national MIS reports, customer surveys, focus group records and other customer service performance data sources; 7. Longshore Case Management System; 8. Black Lung Automated Support Package; 9-12. Energy Program Case Management System

Note: In FY 2004, OWCP changed the way it measures LPD. The FY 2003 result data for USPS and also for all other government agencies' LPD's reflect the results prior to the measurement changes. LPD's are now measured in real-time rather than with accumulated data.

Performance Goal 06-2.2C (EBSA)
Secure pension, health and welfare benefits

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Enforcement: Ratio of closed civil cases with corrected violations to civil closed cases. Ratio of criminal cases referred for prosecution to total criminal cases	50% 25%	69% 40%	Y Y	50% 25%	69% 45%	Y Y	66% 37.7%	76% 45%	Y Y	69% 40.2%	74% 53%	Y Y
Participant Assistance: Customer Satisfaction Index, or comparable measurement, for participants and beneficiaries who have contacted EBSA for assistance. Additional applications to Voluntary Compliance programs	59 —	59 —	Y —	61 —	62 —	Y —	63 8340	67 14,082	Y Y	65 13,500	69 17,214	Y Y

Data Source(s): Enforcement Management System and The Gallup Organization/Technical Assistance and Inquiry System (TAIS)

Performance Goal 06-2.2D (PBGC)
Improve pension insurance programs

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*
Customer Satisfaction score for premium filers	71	69	N	72	68	N	74	68	N
Customer Satisfaction score for responding to trusteed plan participants' inquiries	77	78	Y	78	79	Y	80	75	N

Data Source(s): American Customer Satisfaction Index (ACSI) report

Performance Goal 06-3.1A (MSHA)
Reduce work-related fatalities and injuries

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Fatal incidence rate (number of mining fatalities per 200,000 hours worked) FY 2002: Mine fatalities	64	71	N	.020	.023	N	.022	.017	Y	.022	.018	Y	.021	.026**	N
All-injury incidence rate (all injuries, including fatalities, per 200,000 hours worked) FY 2002: Non-fatal injury incidence rate	2.87	3.15	N	3.79	4.26	N	3.85	4.07	N	3.48	3.90	N	3.13	3.65**	N

Data Source(s): Mine Accident, Injury, and Employment information that mine operators and contractors report to MSHA under Title 30 Code of Federal Regulations Part 50

Note: In FY 2005, OSHA and MSHA shared performance goals.

Performance Goal 06-3.1B (MSHA)
Reduce mining-related illnesses

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of respirable coal dust samples exceeding the applicable standards for designated occupations	14.2%	15.0%	N	14.2%	11.7%	Y	11.1%	10.2%	Y	10.1%	10.8%	N	9.5%	12.2%**	N

Percent of silica dust samples in metal and nonmetal mines with at least 50% of the permissible exposure limit										base	16.3%	N	17.1%	19.3%**	Y
FY 2002-04: Percent of silica dust samples in metal and nonmetal mines exceeding the applicable standards for high risk occupations	8.8%	6.6%	Y	8.6%	6.5%	Y	6.2%	5.6%	Y						
Percent of noise samples in metal and non-metal mines with at least 50% of the permissible exposure limit	—	—	—	—	—	—	—	—	—	base	20.9%	N	21.9%	24.3%**	Y
Percent of noise samples above the citation level in coal mines										base	5.3%	N	5.0%	4.4%**	Y
FY 2002-04: Percent of noise exposures above the citation level in all mines	8.6%	5.8%	Y	9.3%	4.8%	Y	4.6%	4.6%	Y						

Data Source(s): Dust samples collected by MSHA inspectors. Coal Mine Safety and Health MIS. Metal and Non-Metal Mine Safety and Health MIS.

Note: In FY 2005, OSHA and MSHA shared performance goals. Baseline data for silica dust and noise exposure indicators were not available in time to be included in the FY 2005 PAR.

Performance Goal 06-3.1C (OSHA)
Reduce work-related fatalities

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Fatalities per 100,000 workers	1.59	1.62	N	1.57	1.61	N	1.52	1.61	N	1.47	1.73**	N

Data Source(s): OSHA Integrated Management Information System (IMIS) and Bureau of Labor Statistics (BLS) Current Employment Statistics (CES).

Note: In FY 2005, OSHA and MSHA shared performance goals.

Performance Goal 06-3.1D (OSHA) Reduce work-related injuries and illnesses															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Days away from work case rate per 100 workers				1.8	1.5	Y	1.7	1.4	Y	1.7	1.4	Y	1.4	1.4**	Y
FY 2002: Injury and illness incidence rates in industries characterized by high-hazard workplaces															
Shipyard	6.8	8.1	N												
Food processing	—	—	—												
Meat Products	7.7	7.9	N												
Nursing homes	6.6	7.6	N												
Logging	—	—	—												
Construction	3.6	3.8	N												

Data Source(s): Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses (ASOII).

Note: In FY 2005, OSHA and MSHA shared performance goals.

Performance Goal 06-3.2A (ESA) Federal contractors achieve equal opportunity workplaces															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Incidence of discrimination among Federal contractors				9%	1.2%	Y	9%	1%	Y	7%	2%	Y	6%	1.7%	Y
FY 2002: For contractors participating in specified compliance assistance activities and subsequently evaluated															
Rate of compliance findings for SIC 50	51.9%	58.4%	Y												
For SIC 87	48.6%	64.5%	Y												
Rate of findings of severe violations for SIC 50	6.7%	2.2%	Y												
For SIC 87	8.0%	1.6%	Y												
Rate of focused and offsite compliance evaluations for SIC 50	37.5%	52.8%	Y												
For SIC 87	28.8%	50.8%	Y												

Compliance among Federal contractors in all other respects of equal opportunity workplace standards				59%	72.4%	Y	61%	91%	Y	62%	86%	Y	64%	87.2%	Y
FY 2002: For contractors and subcontractors selected for evaluation, outreach, or compliance assistance activities															
Rate of compliance findings for all supply and service closures	53.9%	62.9%	Y												
Rate of findings of severe violations for contractors and subcontractors that have had prior contact with DOL/OFCCP	8.8%	2.7%	Y												
Rate of focused and offsite compliance evaluation	35.1%	49.8%	Y												
Data Source(s): Case Management System (CMS)															

Performance Goal 06-3.2B (VETS) **Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment**									
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*
USERRA Progress Index (measures compliance and assistance performance)	—	—	—	—	—	—	105%	101%**	N
FY 2005: Percent of USERRA cases resolved within 90 days of filing	—	—	—	85%	80.4%	N	—	—	—
FY 2005: Percent of USERRA cases resolved within 120 days of filing	—	—	—	92%	88.4%	N	—	—	—
FY 2005: Percent of USERRA cases resolved within one year of filing	—	—	—	99%	99.8%	Y	—	—	—
FY 2004: Establish indicators to target reductions in USERRA compliance problems that are most severe and pervasive based on survey of veterans and service members covered by USERRA.	base	4	Y	—	—	—	—	—	—
Data Source(s): USERRA Information Management System (UIMS)									

Performance Goal 06-3.3A (ILAB)
Contribute to the elimination of the worst forms of child labor internationally

*Indicator target reached (Y), substantially reached (S) or not reached (N)	FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Substantially Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Number of children prevented or withdrawn from exploitive labor and provided education or training opportunities as a result of DOL-funded projects	50,000	51,927	Y	60,000	69,915	Y	70,000	91,724	Y	116,000	161,821	Y	178,000	236,787	Y
Number of countries with increased capacity to address child labor as a result of DOL-funded projects							15	26	Y	20	39	Y	39	53	Y
FY 2002-03: Action plans, policies or programs established that combat child labor and/or promote access to education for child laborers or children at-risk	10	15	Y	15	19	Y									
FY 2005: Percent of children completing education programs as a result of ILAB's Child Labor Education Initiative										50%	38%	N	—	—	—
FY 2003-04: Child Labor Education projects that establish targets for education retention and completion rates in project areas	—	—	—	6	8	Y	8	16	Y						
FY 2005: Percent of children retained in education programs as a result of ILAB's Child Labor Education Initiative										65%	80%	Y	—	—	—
FY 2004: Child Labor Education Initiative projects that establish baseline for rate of enrollment and drop out for targeted children							7	8	Y						
FY 2002-03: Countries in which new Child Labor Education Initiative projects begin	8	9	Y	9	10	Y									

FY 2005: Number of target children enrolled in education programs as a result of ILAB's Child Labor Education Initiative							—	—	—	50,000	81,747	Y	—	—	—
FY2002-03: Children targeted for prevention or removal from child labor, particularly its worst forms, through the provision of education or training opportunities in new DOL-funded programs	90,000	103,772	Y	40,000	83,682	Y									
FY 2002: Countries that ratify International Labor Organization (ILO) Convention 182 on Worst Forms of Child Labor.	15	29	Y	—	—	—	—	—	—	—	—	—	—	—	—

Data Source(s): ILO-IPEC (grantee) through progress reports and project monitoring; Child Labor Education Initiative Grantees

Note: For FY 2005, retention result includes all children enrolled in Education Initiative (EI) projects in FY 2001 and FY 2002, but not those who have completed the program. Completion results include children who were enrolled in FY 2001 EI projects prior to FY 2005.

Performance Goal 06-3.3B (ILAB)
Improve living standards and conditions of work internationally

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved			FY 2006		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of USDOL project beneficiaries who consider the project to have improved their conditions of work	—	—	—	base	63%	Y	base	62%	Y	83%	83%	Y	85%	80%	N
Percent of individuals whose economic situation has benefited from USDOL project assistance	—	—	—	base	39%	Y	base	39%	Y	43%	60%	Y	63%	—	—
Number of workers benefiting from compliance with national labor laws through improved inspections	—	—	—							base	3.78 million	Y	3.80 million	1.48 million	N
FY 2003-04: Percent of workplaces exposed to USDOL project assistance that have implemented new measures to prevent workplace accidents and illnesses				base	10%	Y	base	73%	Y						

Employment-related discrimination against persons living with HIV/AIDS	—	—	—	—	—	—				base	270	Y	300	459	Y
FY 2004: Number of new countries where HIV/AIDS workplace education projects begin							5	7	Y						
HIV/AIDS risk behaviors among targeted workers	—	—	—	—	—	—	—	—	—	base	19,500	Y	19,750	—	—
FY 2003-04: Number of workers participating in pension funds that are government regulated by project partner agencies	—	—	—	base	3.545 million	Y	base	no data	—	—	—	—	—	—	—
FY 2002: Countries committed to undertake improvements in assuring compliance and implementation of core labor standards	7	41	Y	—	—	—	—	—	—	—	—	—	—	—	—
FY 2002: Countries that commit with US/DOL assistance to make substantive improvements in raising income levels of working families	6	49	Y	—	—	—	—	—	—	—	—	—	—	—	—
Data Source(s): OFR grantees and contractors															

Performance Goal 05-4.1A (ETA)
Increase employment, retention, and earnings of individuals registered under the Workforce Investment Act Adult program.

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Achieved			PY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of participants employed in the first quarter after program exit	—	—	—	70%	74%	Y	71%	74%	Y	75%	77%	Y	76%	76%	Y
Percent of participants employed in the first quarter after program exit still employed in the second and third quarters after program exit	78%	79%	Y	80%	84%	Y	82%	85%	Y	85%	86%	Y	81%	82%	Y
Average earnings gain for those who are employed in the first quarter after program exit and still employed in the third quarter after program exit	$3361	$3555	Y	$3423	$2900	N	$3100	$3260	Y	$3300	$3746	Y	$3400	$4044	Y
PY 2004: Average cost per participant	—	—	—	—	—	—	—	—	—	$2192	$2025	Y	—	—	—
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records															

Performance Goal 05-4.1B (ETA) Improve the outcomes for job seekers and employers who receive One Stop employment and workforce information services.												
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Not Achieved			PY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of participants employed in the first quarter after program exit	55%	63%	Y	58%	61%	Y	58%	64%	Y	61%	63%	Y
Percent of those employed in the first quarter after exit still employed in the second and third quarters after program exit	—	—	—	72%	80%	Y	72%	81%	Y	78%	80%	Y
Average earnings gain for participants employed in the first quarter after program exit and still employed in the second and third quarters after program exit	—	—	—	—	—	—	—	—	—	base	$1580	Y
PY 2004: Average cost per participant	—	—	—	—	—	—	$52	$56	N	—	—	—
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records Notes: In PY 2002-03, this goal included three additional indicators now under Performance Goal 05-4.1E.												

Performance Goal 05-4.1C (ETA) Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker program															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved			PY 2004 Goal Not Achieved			PY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of participants employed in the first quarter after program exit	73%	79%	Y	78%	82%	Y	78%	82%	Y	82%	84%	Y	83%	83%	Y
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after program exit	83%	87%	Y	88%	90%	Y	88%	90%	Y	91%	91%	Y	89%	88%	N
Average percent of pre-separation earnings for participants employed in the first quarter after program exit and still employed in the third quarter after exit	91%	101%	Y	98%	90%	N	93%	91%	N	91%	93%	Y	92%	$461	–
PY 2004: Average cost per participant	—	—	—	—	—	—	—	—	—	$3195	$3505	N	—	—	—
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records															

Performance Goal 05-4.1D (ETA) Assist older workers to participate in a demand-driven economy through the Senior Community Service Employment Program			
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2005 Goal Not Achieved		
	Target	Result	*
Percent of participants employed in the first quarter after program exit	55%	37%	N
Percent of participants employed in the first quarter after program exit still employed in the second and third quarters after program exit	65%	48%	N
Average earnings gain for participants employed in the first quarter after exit and still employed in the third quarter after exit	base	–	N
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records			

Performance Goal 05-4.1E (ETA) Increase accessibility of workforce information through the National Electronic Tools															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2001 Goal Not Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Substantially Achieved			PY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Page views on America's Career InfoNet	—	—	—	—	—	—	—	—	—	—	—	—	base	61.4 million	Y
Site visits on O*NET	—	—	—	—	—	—	—	—	—	2.77 million	3.91 million	Y	3.87 million	7.0 million	Y
Page views on Career Voyages	—	—	—	—	—	—	—	—	—	—	—	—	base	7.9 million	Y
PY 2001-04: Job openings listed with the public labor exchange (State Workforce Agencies and America's Job Bank)	13.5 million	11.8 million	N	11.8 million	10.2 million	N	10.3 million	12.5 million	Y	12.994 million	14.675 million	Y	—	—	—
PY 2003-04: Number of job searches conducted by job seekers using America's Job Bank	—	—	—	—	—	—	base	169 million	Y	170.788 million	138.567 million	N	—	—	—
PY 2003-04: Number of resume searches conducted by employers from America's Job Bank	—	—	—	—	—	—	base	8 million	Y	8.090 million	9.249 million	Y	—	—	—
PY 2004: Percent of new requirements ratings for O*NET-SOC occupations	—	—	—	—	—	—	—	—	—	21%	22%	Y	—	—	—
PY 2004: Percent of O*NET-SOC occupations for which updated data are released	—	—	—	—	—	—	—	—	—	21%	22%	Y	—	—	—

Data Source(s): America's Job Bank Service Center and quarterly state performance reports included in the Enterprise Information Management System (EIMS).

Performance Goal 06-4.1A (ETA)
Address worker shortages through the Foreign Labor Certification Program

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	100%	100%	Y	100%	100%**	Y
Percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing	base	57%	Y	60%	86%**	Y
Percent of accepted H-2A applications processed within 30 days of the date of need where there are no pending State actions	—	—	—	60%	97.5%**	Y
Percent of the H-2B applications processed within 60 days of receipt	90%	85%	N	90%	82%**	N
FY 2005: The average cost for processing a new PERM application	base	$523	Y	—	—	—

Data Source(s): Automated processing systems and fax/mail processing system

Performance Goal 06-4.1B (ETA)
Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved			FY 2006 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of participants employed in the first quarter after program exit	78%	66%	N	78%	62%	N	70%	63%	N	70%	70%	Y	70%	69%**	N
Percent of participants employed in first quarter after exit who are still employed in the second and third quarters after exit	88%	89%	Y	90%	86%	N	88%	89%	Y	89%	91%	Y	85%	90%**	Y
Percent of pre-separation earnings for those still employed in the third quarter after program exit	90%	80%	N	90%	74%	N	90%	74%	N	80%	76%	N	80%	84%**	Y
FY 2005: Average cost per training participant	—	—	—	—	—	—	—	—	—	$16,000	$10,635	Y	—	—	—

Data Source(s): TAPR (Trade Act Participant Report) included in the Enterprise Information Management System (EIMS)

Performance Goal 06-4.2A (OASP) Maximize regulatory flexibility and benefits and promote flexible workplace programs									
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Not Achieved			FY 2005 Goal Achieved			FY 2006 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*
Percent of identified significant regulations that are reviewed							90%	92%	Y
FY 2005: Criteria and timeline established for regulatory reviews				Y	Y	Y			
FY 2004: Seek input from the public as part of its decision-making process in determining which regulations or regulatory programs should be prioritized for review for their effects on small businesses and entities	Y	N	N						
FY 2005: Unit cost baseline established, and plan developed to identify practices that are not cost-effective				Develop Plan	N	Y	—	—	—
FY 2004: Ensure that all new regulatory proposals identify monetary costs, benefits, and net benefits, and include a summary of this information in all Regulatory Impact Analyses performed by DOL agencies	17	17	Y						
Percent of regulations identified for revision or withdrawal							85%	93%	Y
FY 2005: Develop plan to review all significant regulations for maximum flexibility	Y	N	N	Develop Plan	Y	Y			
Percent of small employers with access to health care benefit plans	—	—	—	base	—	—	—	—	—
<u>Women's Bureau - Flex-Options for Women Project</u> Best practices for, and models of, flexible workplace practices are identified and publicized.				Develop Studies	Y	Y	21	23	Y
FY 2004: Companies enlisted as corporate mentors	40	41	Y						
Women-owned businesses seeking to establish workplace flexibility policies or programs	80	77	S						
Data Source(s): DOL's Spring 2004 Regulatory Agenda - Initiatives supplied by DOL agencies to OASP. Women's Bureau: Best Practice intake forms									

2. Significant FY 2006 Audits and Evaluations

The Department of Labor has a department-wide commitment to using audits and evaluations as part of our management and planning process. Evaluations are used to validate and measure the effectiveness of our goal achievement strategies. Audits and evaluations are also viewed as opportunities to improve the cost effectiveness and quality of our programs.

During the past year, the audits and evaluations summarized below have provided information and guidance to the Department's agencies and bureaus. As each program is examined, the entire Department moves one step closer to our common goal of providing America with a prepared, secure, and competitive workforce with quality workplaces.

The audits and evaluations listed below are categorized by the DOL strategic goals they support.

<table>
<tr><th colspan="2">GOAL 1: A PREPARED WORKFORCE</th></tr>
<tr><td colspan="2">1. Issue: Proper spending of WIA incumbent worker funds</td></tr>
<tr><td>Program Area: ETA WIA
Performance Goal: Goal 05-1.1A – Increase placements and educational attainments for youth served through the WIA Youth program. Goal 05-4.1A – Increase the employment, retention, and earnings of individuals registered under the WIA Adult Program. Goal 05-4.1C – Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker Program.</td><td>Report Title: Insufficient Federal Guidance Could Result in Misuse of Incumbent Worker Training Program Funds (OIG 06-05-003-03-390)
Date Completed: September 2005
Conducted By: OIG</td></tr>
<tr><td colspan="2">Program Implication: Lack of guidance to States could lead to misuse of incumbent worker funds. This is especially important since proposed legislation for WIA reauthorization provides that local boards could spend up to 10 percent of their funds for incumbent working training. It is necessary that ETA ensure that these funds are used to pay for upgrading current workers skills and not on business start-up or production costs.</td></tr>
<tr><td colspan="2">Findings: No Federal definition of “eligible individual” exists for incumbent worker training; each State defines eligibility.</td></tr>
<tr><td colspan="2">Recommendations:
1. ETA should issue guidance to the States that clarifies that incumbent worker training programs are intended to pay for skills upgrading, not start-up costs for a new business. Such guidance might say that skills upgrading includes training that:
a. help an employer's workforce keep up with technology or other job changes to allow employees to keep their jobs, and
b. help workers acquire skills to allow them to be promoted to higher paying jobs.
2. ETA should encourage the States to:
a. establish policies and definitions that set some minimum time period for a company to be in business in a State in order to qualify for incumbent worker training funds available under either WIA statewide activities or local board activities, and
b. set some minimum time for a worker to be employed in order to qualify as an incumbent worker.
3. ETA should seek to incorporate these recommendations into the WIA reauthorization legislation.</td></tr>
<tr><td colspan="2">Actions Taken:
1. ETA has requested additional information from the State of Arkansas to validate that no WIA funds were spent improperly. After a thorough review of Arkansas' questioned WIA incumbent worker expenditures, ETA determined that all of the State's costs were indeed allowable under WIA law and regulations.
2. ETA issued a final determination letter conveying this finding to the State on November 2, 2005.
3. On March 6, 2006, ETA issued TEGL No. 18-05, clarifying the ways in which WIA funds may be used for incumbent worker training.</td></tr>
<tr><td>Actions Remaining: ETA will issue policies on incumbent worker training and on WIA-funded economic development activities.</td><td>Expected Completion: September 2006</td></tr>
<tr><td colspan="2">Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2005/06-05-003-03-390.pdf.</td></tr>
</table>

2. ***Issue:*** **Data quality issues affecting States' efforts to collection and report WIA performance data**	
Program Area: ETA WIA ***Performance Goal:*** **Goal 05-1.1A –** Increase placements and educational attainments for youth served through the WIA Youth program. **Goal 05-4.1A –** Increase the employment, retention, and earnings of individuals registered under the WIA Adult Program. **Goal 05-4.1C** – Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker Program.	***Report Title:*** Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed (GAO-06-82) ***Date Completed:*** November 2005 ***Conducted By:*** GAO
Program Implication: WIA has significantly changed the way that performance outcomes are measured by States and localities. Consequently, it was necessary to review the impact that such changes have had on (1) the data quality issues previously identified as affecting States' efforts to collect and report WIA performance data, (2) States' actions to address them, and (3) the actions DOL is taking to address remaining issues.	
Findings: 1. Almost all States have made efforts to improve the quality of WIA performance data. At least 40 States have controls in their IT systems that capture WIA performance data, such as edit checks or exception reports to help screen for errors or missing data. 2. Forty-three States have taken actions to clarify DOL guidance and help local areas determine who should be tracked in the performance measures. 3. Most States said they monitor local areas by assessing local procedures and policies. 4. DOL addressed some data quality concerns by requiring States to validate their data and ensure the accuracy of their performance outcomes. 5. Most States reported that DOL requirements have increased awareness of data quality at the State/local level. 6. DOL does not have methods in place to review States' validation efforts or hold States accountable for complying with its requirements. 7. DOL issues guidance requiring States to implement common performance measures on July 1, 2005, which clarified some key data elements, but does not address all the issues. 8. The Department has Federal monitoring processes in place but lacks a standard monitoring guide to address data quality.	
Recommendations: 1. DOL should determine a standard point of registration and monitor its implementation. 2. The Department should conduct a review of WIA participant files and take steps to hold States accountable for meeting data validation requirements. 3. DOL should develop a standard monitoring tool for WIA performance data.	
Actions Taken: 1. Training and Employment Guidance Letter (TEGL) 17-05, *Common Measures Policy*, issued February 17, 2006, provided States with a single, unified document on performance and reporting requirements for common measures and WIA Section 136 performance accountability purposes. It includes clarification regarding the point of participation (registration) and exit.	
Actions Remaining: 1. DOL plans to modify the current data validation procedures to begin reviewing a sample of States' validation files and plans to hold States accountable for data validation results. 2. DOL is taking steps to develop a comprehensive monitoring guide for performance data and plans; will provide training on the new guide to improve the completeness and consistency of oversight.	***Expected Completion:*** 1. February 2007 2. December 2006
Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/ d0682.pdf.	

3. ***Issue:*** **Helping students with cognitive disabilities to become employable**	
Program Area: Job Corps ***Performance Goal:*** **Goal 05-1.1B** – Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.	***Report Title:*** Strengthening Efforts to Assess and Account for Students with Cognitive Disabilities Would Help Job Corps Achieve its Mission (OIG 09-06-001-03-370) ***Date Completed:*** November 2005 ***Conducted By:*** OIG

***Program Implication**:* Improving efforts to assess and account for students with unknown or undisclosed cognitive disabilities would help Job Corps achieve its mission to teach eligible young adults the skills they need to become employable and independent.

***Findings**:*
1. Assessing all Job Corps students for cognitive disabilities would improve student outcomes, but increase program costs.
2. Federal law requires assessment under specific circumstances, and Job Corps had not ensured compliance.
3. Job Corps cognitive disability data were not reliable.

***Recommendations**:*
1. Require Job Corps to identify students with unknown or undisclosed cognitive disabilities.
2. Conduct a pilot program to develop appropriate screening and formal evaluation methodology.
3. Assess the impact on performance and costs.
4. Implement national policies and procedures as appropriate.
5. Ensure that center schools subject to legislation requiring cognitive disability assessment comply with such requirements.
6. Ensure that data submitted by centers on cognitively disabled student are accurate and complete.

***Actions Taken**:*
1. Job Corps will follow its established process, comparable to that used in most public school systems, for identification of cognitive disabilities in accordance with the Rehabilitation Act of 1973.
2. A *Policy and Requirements Handbook* Change Notice has been developed and approved by the Department's Office of Civil Rights. It will provide additional information for identifying students with cognitive disabilities.
3. New *Policy and Requirements Handbook* requirements have been developed for approval and release that:
   a. describe the entities required under IDEA and Section 504 to assess students for cognitive disabilities;
   b. require centers that meet any of the criteria to contact the appropriate State or Federal agencies for guidance; and
   c. require centers subject to IDEA or Section 504 requirements to document their processes for providing student assessments and special education for students in their center training plans.
4. Job Corps has incorporated improvements to its annual survey of centers regarding high school programs to better identify centers that might be subject to IDEA and Section 504 requirements.
5. Job Corps will continue to research, confer with national experts in the field, and convene expert and practitioner panels to study new models and strategies to assist students with cognitive disabilities.
6. Job Corps has established Regional Disabilities Specialists to provide ongoing, targeted technical assistance and training for center staff on the implementation of instructional strategies shown scientifically to work with cognitively disabled students and other low achieving students. The specialists will also help centers leverage community-based and other resources in serving students.
7. Through a designated contract, Job Corps conducted targeted assessments at a sample of 12 Job Corps centers to examine disabilities data collection practices and identified specific areas for improvement.
8. Job Corps has established a formal audit system and requires centers/contractors to be more accountable for the accuracy of data. This system enables the national office to routinely check on the accuracy of centers' entry of disabilities data into the electronic data collection system.
9. Job Corps continues to monitor and upgrade its current system for communicating to centers its policies and procedures related to identifying, assessing and meeting the needs of students with cognitive disabilities.

Actions Remaining: Job Corps is developing tools and training materials for Regional, operator, and center staff to help determine and maintain compliance.	***Expected Completion**:* December 2006

Additional Information: A copy of the complete report can be obtained a ww.oig.dol.gov/public/reports/oa/2006/ 09-06-00103-370.pdf.

4. *Issue:* The accuracy of Job Corps' "On-Board-Strength" performance measure

***Program Area**:* Job Corps ***Performance Goal**:* **Goal 05-1.1B** – Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.	***Report Title:*** San Diego Job Corps Center: Student Attendance and Training Data Overstated (OIG 09-05-004-03-370) ***Date Completed**:* September 2005 ***Conducted By:*** OIG

***Program Implication**:* Job Corps will continue to take steps to ensure the reliability of performance outcomes reported by all center operators.

***Findings**:*
1. San Diego staff obtained undated resignation forms from students so they could make up a separation date later.
2. The practice of prolonging student stays after separation or completion of a vocation was widespread.
3. San Diego extended the stay of about half of 717 students who left the center in Program Year 2003, thereby overstating the

"On-Board-Strength" performance measure. 4. Liquidated damages of a maximum of $618,369 could be due to Job Corps. 5. The "60-Day Commitment Rate" and "GED/High School Diploma Attainment Rate" performance measures were reliable. 6. The number of vocational completions was overstated by over 50 percent. Training records did not support that students had in fact completed all the vocation's tasks with an appropriate level of proficiency.	
Recommendations: 1. DOL should ensure that Job Corps management takes corrective action. 2. Controls and monitoring at the San Diego Job Corps Center should be strengthened to ensure compliance with Job Corps' requirements for the student accountability and vocational completion.	
Actions Taken: 1. DOL obtained a Corrective Action Plan for San Diego and corrective actions began. 2. DOL is reviewing the center's response in regard to policies in effect for the timeframe of data reviewed.	
Actions Remaining: Final determination of liquidated damages.	***Expected Completion***: December 2006
Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2005/0905-004-03-370.pdf.	
5. *Issue:* DOL's leadership in the implementation of the Jobs for Veterans Act (JVA)	
Program Area: VETS ***Performance Goal:*** **Goal 05-1.1C –** Improve the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services.	***Report Title:*** Labor Actions Needed to Improve Accountability and Help States Implement Reforms to Veterans' Employment Services (GAO-06-176) and related testimony (GAO-06-357T) ***Date Report Completed:*** December 2005 ***Date Testimony Presented:*** February 2006 ***Conducted By:*** GAO
Program Implication: The ability of veterans to quickly obtain quality services leading to employment is becoming increasingly important as the number of service members leaving active duty is likely to increase by 200,000 annually. DOL's ability to assist veterans will be improved by better integrating veterans' representatives within the One-Stop Career Center delivery system and improving the performance accountability system for veterans.	
Findings: 1. Most provisions of the Jobs for Veterans Act (JVA) were implemented within the first two years of enactment. 2. However, some are still not fully implemented. 3. About one-third of the States did not establish incentive award programs because their laws, policies, or agreements conflict with this JVA provision. 4. New legislation has improved the quality of services to veterans and their employment outcomes. Greater availability of case management services under JVA is credited for this outcome. 5. About half of State Directors of Veterans' Employment and Training reporting their new monitoring role had strengthened local program accountability. 6. About a third of Directors reported that accountability had lessened or not improved. This is attributed to (a) the absence of local performance data, (b) fewer annual visits to One-Stop centers, and (c) a lack of coordination among Labor's agencies responsible for JVA provisions. 7. While Labor has developed a system to monitor program performance, it lacks a strategy for using the information it gathers to make improvements and to help States.	
Recommendations: 1. DOL should provide clear guidance that would integrate veterans' staff into the one-stops; ensure priority of service for veterans among all programs; and foster State use of incentives. 2. DOL should monitor results to develop program improvements. 3. DOL's program offices should coordinate their oversight regarding JVA provisions. 4. The Department should establish effective methods for enforcing Federal contractor requirements.	
Actions Taken: 1. Began new evaluation of the integration of veterans' staff into One-Stop Career Centers (August 2006). 2. Convened work group to revise and update program policy guidance on provision of priority of service. 3. Convened work group to revise and update monitoring guidance to include priority of service. 4. Conducted joint monitoring targeting program improvement in selected States. 5. Published a Notice of Proposed Rulemaking governing the VETS-100 Report in August 2006.	
Actions Remaining: 1. Complete evaluation and disseminate results. 2. Issue revised program policy guidance on priority of service. 3. Disseminate best practices in State incentive award programs.	***Expected Completion:*** 1. September 2007 2. March 2007 3. September 2007

4. Apply monitoring guidance, including priority of service, on a nationwide basis. 5. Coordinate ETA-VETS monitoring on a nationwide basis. 6. Publish Final Rules governing VETS-100 Reports.	4. September 2007 5. September 2007 6. June 2007

Additional Information: A copy of the complete report can be obtained at www.gao.gov/cgi-bin/getrpt?GAO-06-176. A complete copy of the related testimony can be obtained at http://www.gao.gov/new.items/d06357t.pdf.

6. *Issue:* Employment Rates for Disabled Veterans

Program Area: VETS ***Performance Goal:*** **Goal 05-1.1C –** Improve the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services.	***Report Title:*** Employment Rates for Disabled Veterans ***Date Completed:*** September 2006 ***Conducted By:*** SRA International, Inc.

Program Implication: The Department of Veterans Affairs (VA) makes substantial resource investments in providing vocational rehabilitation to disabled veterans who qualify for this program. In addition, Congress has consistently stressed the need for collaboration between VA and DOL to achieve the program's employment and earnings goals for participants.

Findings:
1. There is high correspondence between the area in which training is provided and the area in which employment is secured.
2. There is considerable variation in employment retention.
3. Higher average earnings for those participants who do not appear to have received services from State Workforce Agencies.
4. Complex patterns for attributing credit for employment placement to DVOP specialists, to Federal personnel with the Department of Veterans Affairs (VA), to personnel operating under VA contracts, or in some cases, among these three.

Recommendations:
1. Involve DVOP specialists in the development of employment and training development plans for VR&E participants.
2. Encourage DVOP specialists to become certified as Career Development Facilitators.
3. Resolve differences between VA and DOL in the methods applied to measure outcomes.

Actions Taken: The final report was received late September 29 so no actions have been taken yet.

Actions Remaining: DOL and VETS have a Memorandum of Agreement (MOA) to work closer together in the referral process of VA clients to the DVOPs. The MOA establishes three work groups and many of the issues identified in this report are appropriate for follow up by the three work groups. There are overarching issues that all three will be interested in and some that are work group specific. VA and DOL will continue meeting at the national level to develop actions as well as coordinate the work of the three work groups.	***Expected Completion:*** September 2006

Additional Information: A copy of the complete report can be obtained by contacting Ronald Drach at (202) 693-4749 or at Drach.Ronald@dol.gov

7. *Issue:* Customer Satisfaction with the BLS Occupational Outlook Handbook (OOH) Website

Program Area: BLS ***Performance Goal:*** **Goal 06-1.2A** – Improve information available to decision-makers on labor market conditions, and price and productivity changes.	***Report Title:*** Customer Satisfaction with the BLS Occupational Outlook Handbook (OOH) Website ***Date Completed:*** September 2006 ***Conducted By:*** Federal Consulting Group

Program Implication: As BLS continues to provide more information to customers on its Web site, it is important to know how satisfied customers are with the delivery of BLS products and services. Improvements to the Occupational Outlook Handbook (OOH) portion of the BLS Web site in areas such as search or navigation can increase the usefulness of the Web site to BLS customers.

Findings: BLS achieved a customer satisfaction score of 79 for FY 2006. Quarterly results indicated that Web site changes, such as improving the search component of the BLS OOH website, can improve overall customer satisfaction with the Web site.

Recommendations: None made

Actions Taken: BLS began using a replacement search engine for the entire BLS public website in July 2006.

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the quarterly news release can be obtained at http://www. foreseeresults.com/Form_ACSISept2006.html.

8. *Issue:* Principal Federal Economic Indicator (PFEI) Performance Evaluations

Program Area: BLS ***Performance Goal:*** **Goal 06-1.2A** – Improve information available to decision-makers on labor market conditions,	***Report Title:*** U.S. Import and Export Price Index and Consumer Price Index Performance Evaluations ***Date Completed:*** March 2006

and price and productivity changes.	***Conducted By:*** BLS

Program Implication: For all Principal Federal Economic Indicators, the goal of the performance evaluations is to ensure that the Federal data and estimates used to assess current economic conditions meet high standards of accuracy and reliability, and are released to the public in a timely manner while avoiding disclosure prior to scheduled release. These evaluations are carried out in accordance with OMB Statistical Policy Directive No. 3.

Findings: None

Recommendations: Not Applicable

Actions Taken: None

Actions Remaining: None	***Expected Completion:*** Not Applicable

Additional Information: None

GOAL 2: A SECURE WORKFORCE

9. *Issue: WHD's Directed Enforcement Program*

Program Area: ESA WHD ***Performance Goal:*** **Goal 2.1A** – American workplaces legally employ and compensate workers.	***Report Title:*** Low-Wage Industry Operational Models for Compliance ***Date Completed:*** June 2006 ***Conducted By:*** Mathematica Policy Research Inc./Boston U.

Program Implication: This evaluation will augment and expand upon prior evaluation efforts designed to develop and validate specific performance indicators. Additional analysis related to the integration of WHD's directed enforcement and complaint programs will aid WHD's resource allocation efforts.

Findings:
1. Incidence and severity of violations can be measured across industries in terms of percent of employers in compliance, percent of employees employed in compliance, and average back wages due affected employees.
2. Data suggest 33 industries that have high potential for minimum wage and overtime violations.
3. In the health care industry, full FLSA investigations are more efficient than randomly selected survey cases, reflecting WHD's success in focusing its resources on establishments with substantial violations.
4. Within the health care industry, full FLSA investigations are slightly more efficient for identifying "employers in violation" in nursing home cases, than residential care cases. Residential care investigations are slightly more efficient in terms of "back wages agreed to pay."
5. Given resource constraints and the continuing need to focus on performance results, decisions regarding complaint and directed inspection activity in regional and district offices should better focus investigation resources on those low-wage industries of highest priority.
6. To ensure maximum performance, complaint and directed activity should be integrated with one another.
7. Overlaying information on complaint rates and underlying measures of compliance provides a way of setting priorities across different industries.

Recommendations:
1. At least in the health care industry, where complaints appear to identify many violations, WHD might consider increasing the rate at which it pursues complaints as full rather than limited investigations or exploring ways to elicit more complaints.
2. Conducting more full investigations in larger health care establishments may somewhat increase efficiency in identifying employees in violation.
3. Future policies must provide strategic approaches for responding to complaints and targeting directed investigations, as well as for taking greater advantage of the overlap between them.

Actions Taken:
1. WHD disseminated a list of the identified industries for use in local and regional planning efforts.
2. WHD conducted a national investigation-based survey of low-wage industries, identified in the list, to determine compliance with the FLSA.
3. WHD integrated a strategic approach to complaint and directed investigations into its FY 2007 initiative planning process.
4. WHD secured funding for additional evaluations to further research recommendations related to strategic enforcement and enforcement in the low-wage industry.

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the report is available from the Wage and Hour Division, Office of External Affairs, 200 Constitution Avenue, NW, Washington, DC 20210 or by calling (202) 693-0051.

10. *Issue:* The effectiveness of WHD's Web site

Program Area: ESA WHD ***Performance Goal:*** **Goal 2.1A** – American workplaces legally employ and compensate workers.	***Report Title:*** Evaluating the WHD Web Site ***Date Completed:*** March 2006 ***Conducted By:*** Gallup

Program Implications: Compliance assistance is a key component of the WHD's efforts to secure voluntary compliance among the nation's businesses.	
Findings: 1. The primary reason visitors accessed the WHD Web site was for minimum wage information. 2. Most respondents came from the private sector. 3. The majority of respondents were first time users: there are distinctions between first-time users and repeat visitors. 4. Among those who came to the Web site and answered the survey, one half came through a search engine. 5. The Web site was rated "very good" or "excellent" at providing information by 56% of respondents; fewer than 50% of respondents did not rate the Web site as very high in providing the information they needed. 6. Sixty-four percent of respondents reported that the information they were looking for was easy to find. 7. Over half of survey respondents said they would take some action as a result of their visit to the Web site.	
Recommendations: 1. The Web site should provide more general information for users. 2. The Web site should be more user friendly for first timer users. 3. More specific information on overtime laws is needed and should be added to the web site. 4. With over half of those coming to the Web site coming from a generic search browser, WHD may need a clearer introductory page that would let visitors know exactly where they are and give some general information about WHD. 5. More research should be conducted to assess additional information to add to the Web site.	
Actions Taken: WHD has begun making modifications to its Web site, incorporating recommendations of the study.	
Actions Remaining: Completion of the Web redesign.	***Expected Completion:*** FY 2007
Additional Information: A copy of the complete report can be obtained from Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, FPB S-3502, 200 Constitution Ave., N.W., Washington, D.C. 20210, or by calling (202) 693-0051.	

11. *Issue:* WHD's process of developing, negotiating, and awarding settlement agreements	
Program Area: ESA WHD ***Performance Goal:*** **Goal 2.1A** – American workplaces legally employ and compensate workers.	***Report Title:*** Agreement With Wal-Mart Indicates Need for Stronger Guidance and Procedures Regarding Settlement Agreements (OIG 04-06-001-04-420) ***Date Completed:*** October 2005 ***Conducted By:*** OIG
Program Implications: WHD needed to strengthen procedures for settlement agreements with employers.	
Findings: 1. Wal-Mart agreement did not violate Federal laws or regulations. 2. Breakdowns existed in WHD's process for negotiating, developing, and approving such agreements. 3. WHD did not consult with the Office of the Solicitor (SOL) in developing and approving the agreement.	
Recommendations: 1. WHD should develop and implement written procedures for negotiating, developing, and approving agreements with employers. 2. Future WHD settlement agreements should be developed in coordination with SOL.	
Actions Taken: WHD instituted a new settlement agreement policy in June 2006 that resolved OIG recommendations.	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/ oa/2006/04-06-001-04-420b.pdf.	

12. *Issue:* Worker classifications and FLSA protection	
Program Area: ESA WHD ***Performance Goal:*** **Goal 2.1A**–American workplaces legally employ and compensate workers.	***Report Title:*** Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification (GAO-06-656) ***Date Completed:*** July 2006 ***Conducted By:*** GAO
Program Implications: Workers classified as "contingent" may be subject to FLSA protection and affected by WHD's efforts in low-wage industries.	
Findings: 1. DOL detects and addresses misclassification of employees as independent contractors by investigating complaints, but does not always forward misclassification cases to other Federal and State agencies. 2. The FLSA poster is a principal means of communicating FLSA protections, but does not contain any information on employment relationship, or provide a telephone number for individuals to register complaints.	

Recommendations: 1. DOL should revise its FLSA workplace poster to include additional contact information to facilitate the reporting of potential employee misclassification complaints. 2. DOL should evaluate the extent to which misclassification cases found through FLSA investigations are referred to other agencies, and take action to make improvements as needed.	
Actions Taken: 1. WHD is reviewing its internal processes to determine the extent and appropriateness of referring employee misclassification cases to other Federal or State agencies. 2. WHD has begun redesign of the FLSA poster.	
Actions Remaining: 1. WHD will continue to review its internal process to determine the extent and appropriateness of referring employee misclassification cases to other Federal or State agencies. 2. WHD will complete the redesign of the FLSA poster.	***Expected Completion:*** 1. FY 2007 2. FY 2007
Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/ d06656.pdf.	
13. *Issue:* The transparency of the Service Contract Act (SCA) wage determinations	
Program Area: ESA WHD ***Performance Goal:*** **Goal 2.1A** – American workplaces legally employ and compensate workers.	***Report Title:*** Service Contract Act: Wage Determination Process Could Benefit From Greater Transparency, and Better Use of Violation Data Could Improve Enforcement (GAO-06-27) ***Date Completed:*** December 2005 ***Conducted By:*** GAO
Program Implications: Report highlights potential improvements to the administration of the Service Contract Act (SCA).	
Findings: 1. When making a wage determination, WHD analysts consult several sources of information for wage data on occupations. 2. The wage determination process produces a wealth of nationwide wage data for service occupations that WHD makes available online and strives to update annually. 3. Some stakeholders contend that the wage determination process is not transparent and that the resulting wages do not necessarily reflect local wage conditions. 4. WHD enforces SCA by conducting investigations, ensuring contractor payments and providing compliance assistance to stakeholders.	
Recommendations: 1. Develop a procedure for updating the SCA directory of occupations at regular intervals and include criteria for listing and removing occupations as the need emerges. 2. Analyze the historical SCA contractor violation data in the Wage and Hour Investigator Support and Reporting Database (WHISARD), as well as Department information not included in WHISARD. To the extent appropriate, use this information to plan compliance assistance and investigative efforts and to develop enforcement goals for additional industries, similar to those WHD currently uses for repeat violators and industries with chronic violations. 3. Update and revise the 1996 Service Contract Act/Walsh-Healey work site poster to include national and regional office telephone numbers and a Web site address for complaints.	
Actions Taken: 1. Issued the 5th edition of the SCA Directory of Occupations in April 2006. 2. Included an analysis of SCA enforcement data when establishing WHD's annual priorities at the national level and for specific local and regional initiatives. 3. Began revising the SCA poster.	
Actions Remaining: Completion of the SCA poster revision.	***Expected Completion***: FY 2007
Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/ d0627.pdf.	
14. *Issue:* User's opinion of the OLMS Web site	
Program Area: ESA OLMS ***Performance Goal:*** **Goal 06-2.1B** – Ensure union financial integrity, democracy, and transparency.	***Report Title:*** Evaluating the OLMS Web site ***Date Completed:*** December 2005 ***Conducted By:*** Federal Consulting Group
Program Implication: Customers use the OLMS Web site to obtain forms, compliance assistance materials, and public disclosure data from reports filed under the Labor-Management Reporting and Disclosure Act. It is important that the Web site provides accurate information and ease of navigation in order to fulfill its function. Any improvement to the Web site increases its usefulness to the OLMS customers.	

Findings:
1. Survey results showed a fairly low customer satisfaction rating.
2. Respondents gave the lowest ratings to the navigation and search functionality areas.

Recommendations: Improve the navigation and search functions.

Actions Taken:
1. OLMS redesigned the disclosure Web site.
2. OLMS released the new Web site to the public in January 2006.
3. OLMS renewed the contract and began a new round of data collection.

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: Information about this study can be obtained on-line at http://www.dol.gov/esa/olms_org.htm.

15. *Issue:* The prevalence of offshoring in Federal human services programs

Program Area: ETA UI ***Performance Goal:*** **Goal 06-2.2A** – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.	***Report Title:*** Offshoring Occurs in Most States, Primarily in Customer Service and Software Development (GAO-06-342) ***Date Completed:*** March 2006 ***Conducted By:*** GAO

Program Implication: The State administered Unemployment Insurance Program is partially being performed offshore. Federal human service programs need to be aware of the (1) occurrence and nature of offshoring, (2) benefits achieved and problems encountered, and (3) actions that have been taken to limit offshoring and why.

Findings:
1. Some work is performed offshore in the majority of States for the four State-administered programs reviewed (Food Stamps, TANF, Child Support Enforcement, and Unemployment Insurance). No work is performed offshore for the Federally-administered student aid programs (Pell Grant and Federal Family Education Loan).
2. Offshoring occurred in one or more programs in 43 of 50 States and the District of Columbia, most frequently in the Food Stamp and TANF programs.
3. The services most frequently reported as being performed offshore were functions related to customer service, such as call centers. Functions in the Unemployment Insurance and Child Support Enforcement programs were related to software development.
4. India was the most prevalent offshore location, followed by Mexico.
5. Lower costs are a benefit of having services performed offshore and few officials identified problems with offshore service providers in their contracts. On average, cost comparisons showed a savings between 0.3 and 24 percent if some services are performed offshore.
6. The few State officials that reported any problems with the quality of services provided by offshore contractors said that they involved difficulties in understanding the English of software programmers or customer service representatives.
7. New Jersey and Arizona have prohibited offshoring in state contracts. Some States have taken other actions, such as requiring State agencies to disclose when State-contracted work is performed offshore or to report implications of offshoring. The Federal government does not have regulations specifically related to offshoring of services in the six programs reviewed.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cqi-in/getrpt?GAO06-342.

16. *Issue:* Fraudulent claims relating to Hurricane Katrina

Program Area: ETA UI ***Performance Goal:*** **Goal 06-2.2A** – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.	***Report Title:*** Claimants with Unemployment Claims in Both Mississippi and Louisiana Related to Hurricane Katrina (OIG 06-06-004-03-315) ***Date Completed:*** December 2005 ***Conducted By:*** OIG

Program Implication: After Hurricane Katrina, both the States of Louisiana and Mississippi were inundated with Unemployment Insurance (UI) and Disaster Unemployment Assistance (DUA) claims. ETA Regional and National Office staff will need to work with State staff to identify potentially fraudulent claims.

Findings:
1. OIG identified 238 claims where the same Social Security Number was used to file claims in both States and benefits were paid in both States for the same week-ending dates.

2. When UI and DUA claims are paid to the same claimant, it is likely that the DUA claim is fraudulent because State wages are required for a UI claim. Where DUA is being paid to a claimant in both States, it is likely that one claim is fraudulent. Consequently, Federal FEMA dollars for DUA are more likely to be at risk than State UI funds.

Recommendations: Because of the susceptibility for Federally-funded DUA claims to be fraudulent, the Regional ETA offices should assist the States in their case reviews to expedite the identification of fraudulent claims.

Actions Taken:
1. A claims review was conducted and non-monetary issues were established as appropriate. The States have begun recovery efforts for improper payments, as appropriate.
2. ETA's Regional Offices worked with the States to implement a crossmatch of DUA claims against claims in bordering States to identify potentially fraudulent claims.
3. ETA Dallas Regional Office assisted the Louisiana Department of Labor in initiating ongoing data matching with the National Directory of New Hires to detect unreported earnings by UI claimants. Through the use of this data matching system, it is possible to detect those claimants who are working in any State as well as those working with any Federal agency including the military.
4. ETA's Dallas Regional Office is working with the Office of Inspector General to identify fraudulent DUA and UI claims in cases where claimants were employed in jobs funded by a National Emergency Grant. The OIG will provide the results of investigations along with recommendations to the Department of Justice for prosecution.

Actions Remaining: Work with the OIG to complete investigations.	***Expected Completion:*** August 2007

Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2006/0606-004-03-315.pdf.

17. *Issue:* Assisting State Workforce Agencies in the use of IRS Form 1099 data for accurate employee classification

Program Area: ETA UI ***Performance Goal:*** **Goal 06-2.2A** – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.	***Report Title:*** State Workforce Agencies Use of IRS Form 1099 Data to Identify Misclassified Workers (OIG 03-05-005-03-315) ***Date Completed:*** September 2005 ***Conducted By:*** OIG

Program Implication: When employers misclassify employees as independent contractors, this reduces their tax liability because they do not pay State and Federal Unemployment Insurance, Social Security, and Medicare taxes. By using IRS data, State Workforce Agencies (SWAs) increase the possibility of identifying and correcting these misclassifications. ETA can provide guidance and help SWAs overcome obstacles in obtaining and using the data.

Findings:
1. Only nine SWAs used IRS Form 1099 data to identify potential employers misclassifying employees as independent contractors.
2. Communication with the IRS was the key to successfully obtaining and using the 1099 data. SWAs already receiving other IRS tax information may be further ahead in meeting the IRS application and safeguard requirements.
3. Representatives from SWAs using the 1099 data identified several extract criteria to make the 1099 data useful.
4. The age of the 1099 data was a perceived obstacle, but the age of the data does not affect its usefulness in identifying potential employers who may be misclassifying employees.
5. As of December 2004, seven of the nine SWAs reported that they identified 7,118 misclassified employees, recovered $1,492,521 in underreported UI tax contributions and adjusted $328,634 for overreported UI tax contributions associated with these workers.

Recommendations:
1. Provide assistance and guidance to the SWAs applying for the 1099 data to increase the possibility that they are successful in obtaining and using the data.
2. Communicate to these SWAs how to overcome obstacles in obtaining and using the data.
3. Encourage SWAs before the start of the 2006 IRS enrollment period to apply for and use the 1099 data in their UI field tax audit program.

Actions Taken:
1. For 2006, the number of SWAs using the 1099 data increased to 27, resulting in part from several conference calls that were convened with the SWAs.
2. In February 2006, DOL sent the OIG Report to all SWA tax chiefs and reminded them of the enrollment period for 2007 (August through November 2006).
3. DOL is an active participant in an IRS workgroup to address Questionable Employer Tax Practices (QETP).
4. The work group also includes some State Workforce Agency staff. This work group was established to foster further coordination between the IRS and the SWAs, particularly in their discovery and audit of employers exercising questionable tax practices in their business operations.

Actions Remaining: Use the 2007 Unemployment Insurance National Tax Conference to further promote and foster participation in both the 1099 program and the QETP coordination initiative.

Expected Completion: August 2007

Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2005/0305-005-03-315.pdf.

18. *Issue:* Understanding the factors that lead UI-eligible workers to receive benefits

Program Area: ETA UI
Performance Goal: **Goal 06-2.2A –** Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Report Title: Unemployment Insurance. Factors Associated with Benefit Receipt (GAO-06-341)
Date Completed: March 2006
Conducted By: GAO

Program Implication: Using information on the extent to which an individual worker's characteristics, including past UI benefit receipt or industry, are associated with the likelihood of UI benefit receipt or unemployment duration can help the Unemployment Insurance program better meet the needs of unemployed workers.

Findings:
1. UI-eligible workers that GAO studied are more likely to receive UI benefits if they have higher earnings prior to becoming unemployed, are younger, have more years of education, or if they have a history of past UI benefit receipt when compared with otherwise similar workers. Past experience with the UI program has a particularly strong effect on the future likelihood of receiving UI benefits.
2. UI-eligible workers who receive UI benefits have longer unemployment durations than those who do not receive benefits. Other characteristics of UI-eligible workers associated with longer unemployment duration include lower earnings before becoming unemployed; fewer years of education; being African-American or female; and not belonging to a union.
3. Simulations show that the likelihood of receiving UI benefits during a first period of unemployment is highest among workers from the mining and manufacturing industries. The likelihood of receiving UI benefits when unemployed increases with each previous period of UI receipt across all industries, and the most notable increase occurs in public administration.
4. First-time unemployed workers from construction and manufacturing experience significantly shorter unemployment duration than workers from other industries.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None

Expected Completion: Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/d06341.pdf.

19. *Issue:* Improper payment of UI benefits

Program Area: ETA UI
Performance Goal: **Goal 06-2.2A –** Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of unemployment insurance beneficiaries, and set up unemployment tax accounts promptly for new employers.

Report Title: Unemployment Insurance: Enhancing Program Performance by Focusing on Improper Payments and Reemployment Services (GAO-06-696T)
Date Completed: May 2006
Conducted By: GAO

Program Implication: The Department of Labor and States have a shared responsibility to enhance UI program performance by ensuring that only eligible individuals receive benefits while on the UI rolls and fostering reemployment. DOL's Office of Inspector General and others have found that aspects of UI may be vulnerable to fraud and improper payments, and despite the size and scope of UI, there has been little national information to fully assess States' efforts to foster reemployment.

Findings:
1. DOL has introduced a number of initiatives to help States improve their ability to detect and prevent overpayments, including new computer matches with Federal databases, a new core performance measure intended to provide States with added incentives for detecting and preventing overpayments, and additional funding for States' overpayment detection efforts.
2. States most often made use of Federal UI program requirements to help connect claimants with reemployment.
3. States provide targeted reemployment services to particular groups of UI claimants, most often through Federally required claimant profiling.
4. Despite States' efforts to design systems that link UI claimants to reemployment services, few data are available to gauge whether or not their efforts are having the intended result.
5. DOL has initiatives that may begin to shed light on claimant outcomes, but they fall short of providing a comprehensive understanding of services and outcomes for UI claimants.
6. DOL's FY 2007 budget request does not include funding for additional evaluations on Federally required efforts to target

reemployment services.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None | ***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgibin/getrpt?GAO-06-696T.

20. ***Issue:*** **Determine the completeness and reliability of the CY 2003 data**

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** GPRA Data Validation Review – Federal Employees' Compensation Act (OIG 22-05-008-04-431) ***Date Completed:*** September 2005 ***Conducted By:*** OIG

Program Implications: DOL relies on data submitted by the district offices to assess whether or not the program is achieving its yearly goals and if changes are needed to make it more effective.

Findings: Reductions in payments of Periodic Roll Management (PRM) benefits, due to the death of a claimant, are included in the FECA Program's computation of savings generated in the first year.

Recommendations: DOL should ensure the FECA Program excludes cases resolved due to claimants' death from the calculation of savings generated through use of Periodic Roll Management.

Actions Taken: ESA concurs with the finding that the methodology for calculating PRM savings should be modified to exclude savings from benefit payment reductions due to claimant deaths that occurred during the given time period. The Division of Federal Employees' Compensation completed appropriate action to modify the methodology it applies to this calculation for PRM savings on October 1, 2005.

Actions Remaining: None | ***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/publicreports/oa/2005/2205-008-04-431.pdf.

21. ***Issue:*** **ESA's compliance with Federal and departmental security standards in selected control areas for three ESA systems**

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** Compliance with Federal and Departmental Security Standards in Selected Control Areas for Three Employment Standards Administration Systems (OIG 23-05-015-04-001) ***Date Completed:*** October 2005 ***Conducted By:*** OIG

Program Implications: Evaluate the agency's compliance with Federal and Departmental requirements in security control areas that are emphasized by the Office of Management and Budget (OMB) in its annual Federal Information Security Management Act (FISMA) reporting requirements.

Findings:
1. The Certification and Accreditation (C&A) packages for Energy Case Management System (ECMS), Longshore Case Management System (LCMS), and Automated Support Package (ASP) were not reevaluated and updated to comply with the April 2004 issue of the Department of Labor Computer Security Handbook and National Institute of Standards and Technology Special Publication 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*.
2. There was a security control finding related to the ECMS, LCMS, and ASP Plan of Action and Milestone (POA&M) reports. However, ESA management took timely action to correct one of the four conditions of the medium-risk security control finding prior to the issuance of this report. The OIG considers this one condition of the medium-risk finding to be closed.
3. The ESA System Inventory process related to ECMS, LCMS, and ASP was in compliance with Departmental requirements. The Incident and Response tools and procedures were in compliance with Federal and Departmental requirements.

Recommendations:
1. Perform a security control assessment of ECMS, LCMS, and ASP to verify whether they are operating as designed.
2. Incorporate the results of the assessments into ECMS, LCMS, and ASP Certification and Accreditation (C&A) packages.
3. Update reports to indicate that technical testing is ongoing until corrective action has been taken.

Actions Taken:
1. During fourth quarter FY 2005, ESA performed logical access control testing of ECMS and LCMS applications.
2. Computer Sciences Corporation performed the same testing for the ASP. Records documenting the test results are on file with the Division of Information Technology Management and Services (DITMS).

Actions Remaining:	**Expected Completion:**
1. The ECMS, LCMS and ASP systems are scheduled for recertification; the Security Test and Evaluation for the recertification will include technical testing. 2. The results of the security control assessments from recent testing, as well as testing scheduled for the 2006 C&A, will be incorporated into the ECMS, LCMS, and ASP C&A packages. 3. ESA is currently in the process of renewing all system certifications. As part of this effort ESA will perform security control assessments of ECMS, LCMS, and ASP security control that include technical testing of the key management, operational, and technical controls, as defined in the ECMS, LCMS, and ASP System Security Plans, to verify whether they are operating as designed.	1. November 2006 2. October 2006 3. December 2006

Additional Information: A copy of the complete report can be obtained from the Office of the Inspector General, U.S. Department of Labor, FPB S-5502, 200 Constitution Ave., NW, Washington, DC 20210, or by calling 202-693-5100.

22. *Issue:* The mission, design, and costs for four Federal benefits programs

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** Federal Compensation Programs: Perspectives on Four Programs (GAO-06-230) ***Date Completed:*** November 2005 ***Conducted By:*** GAO

Program Implication: Federal benefit programs, such as DOL's Black Lung Program and the Energy Employees Occupational Illness Compensation Program should be alert to the impact of legislative amendments on program costs and the timeliness of benefit payments.

Findings:
1. Looking at the Black Lung Program, the Vaccine Injury Compensation Program (VICP), the Radiation Exposure Compensation Program (RECP), and the Energy Employees Occupational Illness Compensation Program (EEOICP), GAO found that all four programs were designed to compensate individuals injured by exposure to harmful substances. However, their design, the agencies that administer them, their financing mechanisms, benefits paid, and eligibility criteria, including their standards of proof differ significantly.
2. All four programs were established within two years of their enacting legislation, and for some programs, benefits paid have exceeded the initial estimates.
3. The total benefits paid for the Black Lung Program have far exceeded initial estimates because the program was initially set up to end in 1976 when State workers' compensation programs were to have provided these benefits and the program has been expanded several times since 1969, including several amendments that have increased benefits and added categories of claimants.
4. EEOICP costs are expected to rise substantially because of recent changes that move payments from State programs to DOL.
5. For all four programs, it has taken the agencies years to finalize some claims and compensate eligible claimants.
6. The Federal role in all four programs has expanded significantly over time. All four have expanded to provide eligibility to additional categories of claimants, cover more medical conditions, or provide additional benefits.
7. Program design, including the extent to which programs allow claimants and payers to appeal claims decisions in the courts and the standards of proof for each program, can affect claims-processing time.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at www.gao.gov/cgi-bin/getrpt?GAO-06-230.

23. *Issue:* The Longshore program cannot compare its results with those of similar programs

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** Measuring the Comparability of the Longshore Program ***Date Completed:*** January 2006 ***Conducted By:*** SRA International

Program Implications: The Longshore Case Management System (LCMS) is insufficient in supporting the program's objectives for performance measurement and comparability analysis with other State workers' compensation programs.

Findings:
1. The current LCMS database does not thoroughly support the intended benchmarking goals because the database does not store certain key data elements that are essential to evaluate performance measures associated with these system goals. Medical, injury, rehabilitation, carrier, and attorney data elements that are needed for related types of performance measures are not captured.
2. The current data stored in the LCMS database is not based on specific national standards that can support any meaningful comparison of Longshore program performance measures to similar indicators from other State and national workers' programs.

3. The LCMS system does not classify injuries by occupation and industry classification codes. This largely impedes the ability to easily perform direct comparisons with external workers' compensation programs.
4. The current LCMS database structure is optimized to store transactional data and hence lacks any extensive reporting capabilities. This limits the ability to effectively query the database and produce results that can be used for any standardized statistical analysis. This structure also makes it difficult to perform comparisons with data from other similar State-sponsored programs.

Recommendations: The recommended alternative consists of two major project phases – a short-term approach for enhancing the existing LCMS system and a long-term approach for developing a claims management system that will address significant deficiencies with the existing LCMS system by upgrading the entire technology platform and extending functionality such that major functional requirements for performance measurement and benchmarking are satisfied.

Actions Taken: The Longshore Program is exploring budgetary options to secure necessary additional funding to implement the two recommended project phases. In the absence of this funding, the Program is exploring what can be done within existing resources to develop short-term enhancements.

Actions Remaining: Develop plans to implement the recommended alternative consisting of two major project phases – a short-term approach for enhancing the existing LCMS system and a long-term approach for developing a custom solution for a claims management system that will address significant deficiencies with the existing LCMS system by upgrading the entire technology platform and extending functionality such that all major functional requirements for performance measurement and bench-marking are satisfied.	***Expected Completion:*** September 2011

Additional Information: A copy of the complete report can be obtained from the Office of Workers' Compensation Programs, Employment Standards Administration, U.S. Department of Labor, FPB S-3522, 200 Constitution Ave., NW, Washington, DC 20210, or by calling 202-693-0534.

24. *Issue:* Disability benefits for military personnel and civilian public safety officers vary

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** Disability Benefits – Benefit Amounts for Military Personnel and Civilian Public Safety Officers Vary by Program Provisions and Individual Circumstances (GAO-06-4) ***Date Completed:*** April 2006 ***Conducted By:*** GAO

Program Implications: Congress mandated that GAO study the disability benefits available to Federal, State, and local government employees who serve the public in high-risk occupations and are injured in the line of duty.

Findings:
1. Neither military personnel, nor any of the civilian Public Safety Officers (PSOs) included in this study, consistently have more line-of-duty disability benefits available to them in all situations.
2. During the initial period of treatment, recovery, and evaluation, program provisions governing the availability of continuation of pay and temporary disability benefits offer certain advantages for military service members compared with the selected civilian PSOs.
3. When disabilities are permanent, however, the amount of benefits provided over a lifetime for permanent partial or totally incapacitating disabilities are sometimes greater for military veterans, and sometimes greater for the selected civilian PSOs, depending on such variables as the type and degree of impairment and the individual's pre-injury salary level.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/ d064.pdf.

25. *Issue:* The Actuarial Liability, Net Intra-Governmental Accounts Receivable and Benefit Expenses of the FECA Special Benefit Fund for the year ending September 2005

Program Area: ESA OWCP ***Performance Goal:*** **Goal 2.2B** – Minimize the impact of work-related injuries.	***Report Title:*** Special Report Relating to the Federal Employees' Compensation Act Special Benefit Fund – FY 2005 (OIG 22-06-006-04-431) ***Date Completed:*** October 2005 ***Conducted By:*** OIG

Program Implication: DOL is charged with the responsibility of operating the Employees' Compensation Fund to provide income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to job-related injury or occupational disease. This schedule has been prepared to report the actuarial liability, net intra-governmental accounts receivable and benefit expense of the Fund.

Findings:

1. The benefit expense for the year ending September 30, 2005 was comprised of the following (dollars in thousands):
   a. Benefits paid for compensation = $1,692,469
   b. Benefits paid for medical benefits = $681,038
   c. Change in accrued benefits = $854
   d. Change in actuarial liability = $436,968
   e. Total benefit expense = $2,811,329.
2. Aggregate liability increased approximately 1.6%. Two agencies had liabilities that changed by more than 10%: OPM (96.17%) and DOJ (11.70%).
3. The Liabilities to Benefits Paid ratio was 11.
4. Actual payments were about 16.7% lower than predicted by model. Four agencies' actual payments varied from the prediction by more than 20%: Treasury (-22.1%), DHS ($-36.9%), DOL (-20.9%), and USPS (-21.8%).
5. The calculated liability amounts were within 10% of amounts derived by DOL models for all agencies except for the Nuclear Regulatory Commission (16%) and U.S. Agency for International Development (-19.2%).
6. A non-statistical sample of at least 50 claimant accounts receivable showed 12 instances in which the establishment, recording, or processing of the receivable or related recoveries was not done in accordance with established policy and related standards.
7. The 4^{th} quarter estimation was -0.77% from the actual.
8. The 2005 benefits decreased by 0.24% over 2004.
9. Comparison of the Summary Chargeback Billing Report to the total benefit payments for the fiscal year ending September 2005 resulted in a 3.7% variance.
10. Benefit payments for the fiscal year ending September 2005 decreased by 1.96% overall from September 2004.

Recommendations: None made

Actions Taken: Not applicable

Actions Remaining: None | ***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2006/22-06-001-13-001.pdf.

26. *Issue:* Customer Satisfaction with EBSA

***Program Area**:* EBSA ***Performance Goal**:* **Goal 2.2C** – Secure pension, health and welfare benefits.	***Report Title**:* Office of Participant Assistance Program Evaluation Studies ***Date Completed**:* December 2005 ***Conducted By:*** The Gallup Organization

***Program Impacts**:* EBSA employees most engaged with their customers are better able to identify situations requiring the attention of enforcement staff. Being able to provide feedback to employees on the strengths and weaknesses of their customer interactions is instrumental in continued program improvement.

***Findings**:*

Participant Assistance Customer Satisfaction Surveys:

1. EBSA achieved a customer satisfaction score of 67 percent (customers rating 4 or 5 on a 5-point scale).
2. With few office exceptions, EBSA improved its overall customer satisfaction score each year since 2001.
3. Individual employee performance drives the customer service experience.
4. Poor service delivery has greater impact than just on the immediate customer; unhappy customers tell more people about their experience than those who were pleased.
5. Despite improvement, EBSA should still focus on the perception that EBSA is willing to work with its constituents to ensure their needs are met.
6. There was strong improvement in employees following up on commitments to their customers.

Outreach Surveys:

1. Approximately 85 percent of seminar attendees rate overall satisfaction and usefulness favorably.
2. As in FY04, EBSA presenters are rated favorably for being knowledgeable and well informed, but they rate lower on being able to connect with the audience.
3. Ratings vary widely by office.
4. 90 percent of attendees would recommend the seminar and have a better understanding of the regulations.

Public Disclosure Room:

1. The Public Disclosure Room satisfies 73 percent of its customers.
2. Clerks need to improve their ability to help customers identify what records will best meet their needs.
3. Accessibility and timeliness of the material in the Public Disclosure Room are issues that need to be addressed.

***Recommendations**:*

Participant Assistance Customer Satisfaction Surveys:

1. Examine barriers to providing excellent customer service in offices that have failed to improve.
2. Continue to share individual results and provide training in customer service and customer engagement.

3. Examine staff fitness for customer service role. Customer service training has had an impact but managers need to ensure customer service skills are present in new hires
4. Focus on developing the best talents of each Benefits Advisor.
5. Set clear expectations and hold Benefits Advisors and Supervisors accountable for their service delivery.
6. Recognize and compensate for greatness.

Outreach Surveys:
1. Closely examine presentation skills of the presenters.
2. Consider reorganization of seminars to incorporate attendees' comments.

Public Disclosure Room:
1. Review results with new Disclosure Room contractor and develop an action plan for addressing performance.
2. Develop specific action plan for training program for clerks.

Actions Taken:

Participant Assistance Program:
1. The Gallup Organization analyzed one of the offices that had been struggling with customer service and identified several areas for the office to focus on to improve customer service.
2. The Benefits Advisors in each office meet to refine and update plans for improving their office's scores.
3. Certain offices conduct morale building events as part of their action plans to improve service.
4. Regional Directors are now rated on whether or not they meet the current year goal for customer satisfaction.

Outreach Surveys: EBSA continues to evaluate this service and relate updated findings for conducting outreach.

Training: Public speaking training was made available to those conducting outreach events to improve outreach performance.

Public Disclosure Room: Results have been communicated to the Supervisor of the Public Disclosure Room for development of an action plan to address the issues identified in the study.

Actions Remaining: Public Disclosure Room personnel have met to devise methods for improving service in the areas identified by the report and will continue to work toward improving performance.	***Expected Completion:*** Ongoing

Additional Information: A copy of the complete reports can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, NW, Room N-5625 Washington, DC 20210, or by calling 202-693-8655.

27. *Issue:* The transparency of PBGC financial reporting

Program Area: PBGC ***Performance Goal:*** **Goal 06-2.2D** – Improve pension insurance program.	***Report Title:*** Private Pensions. Opportunities Exist to Further Improve the Transparency of PBGC's Financial Disclosures (GAO-06-429) ***Date Completed:*** March 2006 ***Conducted By:*** GAO

Program Implication: The PBGC single-employer insurance program insures the pension benefits of over 34 million participants in almost 29,000 private sector defined benefit pension plans. The increase in PBGC's probable claims has raised question PBGC's monitoring and financial disclosure practices, including whether the information that PBGC discloses is sufficient for interested parties to understand the effect on PBGC's financial condition.

Findings:
1. PBGC takes steps to monitor and ensure the accuracy of its single-employer probable claims forecasts by (a) contacting plan sponsors to obtain financial information, (b) reviewing filings submitted by probable plans to conduct a risk analysis, and (c) performing valuations to determine the present value of net probable claims and expected date of probable plan termination.
2. To ensure the accuracy of its probable claims, PBGC reported that it uses an automated system and available plan financial data to calculate the assets and liabilities for probable plans.
3. While PBGC and public companies follow the same accounting standards for recording probable losses in their annual financial statements, they each follow different policies and requirements when reporting information throughout the fiscal year. PBGC, which is not subject to Security and Exchange Commission's (SEC) requirements, follows its own set of policies and procedures.
4. PBGC has made efforts to improve the transparency of the information it discloses about its financial condition, but pension experts, financial analysts, and others believe that additional improvements are still needed. Many stated that the press releases PBGC issues that announce newly terminated plans do not provide the public with enough information to determine the financial impact of such plans on PBGC's published deficit.
5. Experts also expressed concern about the lack of transparency regarding the methodology PBGC uses to determine the interest rate it uses to calculate liabilities.

Recommendations:
1. PBGC should disclose whether a newly terminated plan was already included in its published deficit.
2. PBGC should make its interest rate methodology more widely available to the public.

Actions Taken:
1. Decision made that in future media releases, PBGC will release whether or not reserves have previously been made relating to the termination of the subject company's defined benefit plans.

2. Additional details regard the interest methodology were added to the Web site, http://www.pbgc.gov.	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/d06429.pdf.	

GOAL 3: QUALITY WORKPLACES

28. *Issue:* Ensuring the safety and health of underground coal miners

Program Area: MSHA ***Performance Goal:*** **Goal 06-3.1A** – Reduce mining-related fatalities and injuries. **Goal 06-3.1B** – Reduce mining-related illnesses.	***Report Title:*** MSHA's Programs for Ensuring the Safety and Health of Coal Miners Could be Strengthened (GAO-06-370T) ***Date Completed:*** January 2006 ***Conducted By:*** GAO

Program Implication: GAO was asked to submit a statement for the record highlighting findings from a 2003 report on how well MSHA oversees its process for reviewing and approving critical types of mine plans and the extent to which MSHA's inspections and accident investigations processes help ensure the safety and health of underground coal miners. MSHA has a new opportunity to report additional progress toward implementing the recommendations from that report.

Findings:
1. MSHA could improve its oversight, guidance, and human-capital-planning efforts.
2. MSHA headquarters did not ensure that 6-month inspections of ventilation and roof support plans were being completed on a timely basis.
3. Officials did not always ensure that hazards found during inspections were corrected promptly.
4. Gaps were found in the information that MSHA used to monitor fatal and nonfatal injuries, limiting trend analysis and agency oversight. Specifically, the agency did not collect information on hours worked by independent contractors staff needed to compute fatality and nonfatal injury rates for specific mines, and it was difficult to link information on accidents at underground coal mines with MSHA's investigations.
5. Guidance provided by MSHA management to agency employees could be strengthened. Some inspections procedures were unclear and were contained in many sources, leading to differing interpretations by mine inspectors. The guidance on coordinating inspections conducted by specialists and regular inspectors was also unclear, resulting in some duplication of effort.
6. As of 2003, although about 44 percent of MSHA's underground coal mine inspectors were going to be eligible to retire within five years, the agency had no plan for replacing them or using other human capital flexibilities available to retain its highly qualified and trained inspectors.

Recommendations:
1. Monitor the timeliness of inspections conducted as part of the six-month review of certain mine plans.
2. Ensure that mine operators are correcting hazards identified during inspections in a timely manner.
3. Develop a plan for addressing anticipated shortages in the number of qualified inspectors due to retirements.
4. Revise the systems used to collect information on accidents and investigations.

Actions Taken:
1. MSHA has developed and continues to refine a Mine Plan approval database to facilitate headquarters monitoring timely ventilation and roof control plan approvals. Operator abatements are being monitored by Headquarters through data reviews and through field audits pursuant to MSHA's revised Accountability Program.
2. MSHA Headquarters has implemented a process to monitor abatement times in each District, and reviews this information as part of its ongoing oversight responsibilities.
3. In response to retirements in an aging mine inspector workforce, DOL launched a Career Intern Program to fill the demand for qualified mine safety inspectors. This effort has included recruitment and screening sessions at mining locations nationwide. The result has been a wider field of qualified applicants and a recruitment process that now takes 45, compared to the 180 days it took in FY 2004.
4. MSHA effectively linked accident, investigations and other Part 50 data and databases in FY 2004. These are fully accessible via MSHA's current data model and are part of the migration to MSHA new standardized information system.
5. In January 2006, MSHA revised its *Handbook of General Coal Mine Inspection Procedures* which strengthens and clarifies guidance provided to enforcement personnel. This is in addition to policy memorandums designed to make inspection procedures more clear and straightforward, including guidance on coordinating inspections conducted by specialists and regular inspectors.

Actions Remaining: Regarding recommendation 2, when the OIG audit is completed, MSHA will respond to the report and prepare corrective actions and action plans as applicable.	***Expected Completion:*** 2007

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgi-bin/getrpt?GAO-06-370T.

29. *Issue:* MSHA's Process for Handling of Miner's Complaints of Unsafe Working Conditions	
Program Area: MSHA ***Performance Goal:*** **Goal 06-3.1A –** Reduce mining-related fatalities and injuries. **Goal 06-3.1B –** Reduce mining-related illnesses.	***Report Title:*** Coal Mine Hazardous Condition Complaint Process Should Be Strengthened (OIG-05-06-006-06-001) ***Date Completed:*** September 2006 ***Conducted By:*** OIG

Program Implication: The Mine Safety and Health Act of 1977 (Mine Act) gives miners and miner representatives the right to confidentially obtain an immediate inspection when there are reasonable grounds to believe that an imminent danger, or a violation of the Mine Act or a mandatory safety or health standard exists.

Findings:
1. MSHA should ensure that the hazard complaint process is promoted consistently.
2. MSHA should ensure that complaints are evaluated and inspected timely, consistently, and in accordance with applicable requirements.
3. MSHA should ensure that information used for headquarters oversight and management of the hazard complaint process is complete.

Recommendations:
1. Develop a written strategy to plan, monitor, and evaluate the effectiveness of efforts to promote MSHA's hazardous condition complaint process to coal miners, coal miner representatives, and other stakeholders. Additionally, MSHA should ensure personnel receiving and documenting hazardous condition complaints are properly trained and knowledgeable about coal mining terminology.
2. Establish management controls to ensure that the expectation for evaluation timeliness is quantified and that the timeliness is monitored and systemic reasons for delays are identified and addressed. Additionally, management should ensure evaluation of the seriousness of complaints is documented, training and oversight is provided for appropriate determination of imminent danger complaints, and copies of complaints provided to mine operators are consistent with MSHA's guidelines to remove detailed information that could compromise a complainant's identity.
3. Establish management controls to ensure that inspections for complaints filed with both headquarters and the districts are timely and that inspection timeliness is monitored and systemic reasons for delays are identified and addressed.
4. Additionally, management should ensure expectation of timeliness for starting inspections of imminent danger allegations is quantified and that inspector notes receive appropriate supervisory review.
5. Establish management controls to ensure complaints made directly to CMS&H's eleven districts are included in management reports used to direct oversight and enforcement. Additionally, management should ensure hazardous condition complaint data reported to the public are complete.

Actions Taken: During the audit, MSHA initiated action to monitor the quality of services provided by the contractor receiving complaints filed through MSHA headquarters, track the timeliness of hazardous condition complaint evaluations and inspections, and use the MSHA Standard Information System (MSIS) to record, track, and report headquarters and district-generated condition complaints.

Actions Remaining: None	***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained http://www.oig.dol.gov/public/reports/oa/2006/05-06-006-06-001.pdf.

30. *Issue:* MSHA's Enforcement Accountability Program	
Program Area: MSHA ***Performance Goal:*** **Goal 06-3.1A –** Reduce mining-related fatalities and injuries. **Goal 06-3.1B –** Reduce mining-related illnesses.	***Report Title:*** MSHA Accountability Program Coal Mine Safety and Health Management Letter (OIG 05-06-007-06-001) ***Date Completed:*** September 2006 ***Conducted By:*** OIG

Program Implication: MSHA's Accountability Program was established to evaluate the quality of MSHA enforcement activities by conducting peer reviews of District activities, and to provide reasonable assurance that policies and procedures are being complied with consistently.

Findings:
1. The Accountability Program does not require a standard process for selecting mines to be reviewed during District Peer Reviews and Head Quarter's (HQ) Reviews of Districts.
2. The Accountability Program does not require that a review team member visit those mines selected for review during District Peer Reviews and HQ Reviews of Districts.
3. The Accountability Program does not require that a review team member interview appropriate district and/or field office personnel during District Peer Reviews and HQ Reviews of Districts.
4. The Accountability Program does not require a standard format for District Peer Review reports and corrective action plans.
5. The Accountability Program does not require a centralized system for HQ to record and track the deficiencies and corrective actions identified during District Peer Reviews and HQ Reviews of Districts.

Recommendations:
1. MSHA should develop and require a standard process for the selection of a mine(s) to be reviewed during both District Peer Reviews and HQ Reviews of Districts. The process should assure that (a) any entity could be selected and (b) the selection is not within the control of any individual. In addition, to the mine(s) selected through this process, MSHA could, if desired, select an additional mine(s) for review based on criteria of its choosing (e.g., fatalities, accidents, enforcement history, size).
2. MSHA should require that one or more review team members observe selected portions of the mine(s) chosen for review. The scope of these observations should be sufficient to form an overall perspective of the mine's condition and operation in comparison to that reflected by the related mine plans and records (e.g., inspector notes, citations, etc.).
3. MSHA should require that review team members interview appropriate individuals during District Peer Reviews and HQ Reviews of Districts. The scope of these interviews should address overall office operations as well as the information contained in any specific records (e.g., inspector notes, citations, etc.) reviewed.
4. MSHA should require the use of a standard report format, in both presentation and content, for District Peer Review Reports and corrective action plans. This would help MSHA to assess the consistent application of policies and procedures nationwide as well as facilitate the identification of systemic weaknesses and the implementation of potential best practices.
5. MSHA should develop a system to record and track the results of District Peer Reviews and HQ Reviews of Districts, e.g., identified deficiencies, planned corrective actions, potential best practices, etc. This tracking system will facilitate review and analysis of systemic weaknesses and trends, help to ensure that corrective actions are completed in a timely manner, and that potential best practices are shared nationwide.

Actions Taken: Based on MSHA's written response to the OIG's recommendations, OIG stated that they considered recommendations 1, 3, 4, and 5 resolved.

Actions Remaining: MSHA will include visits to a percentage of mines selected for District Peer Reviews. The OIG will take the action into account as they continue their ongoing audit and issue recommendations from that audit.

Expected Completion: 2007

Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/cgi-bin/oa_rpts.cgi?s=&y=fy92005n&a=all.

31. *Issue:* Concerns for the safety of Federal workers and the costs associated with unsafe Federal workplaces

Program Area: OSHA
Performance Goal: **Goal 06-3.1C** – Reduce work-related fatalities. **Goal 06-3.1D** – Reduce work-related injuries and illnesses.

Report Title: OSHA Could Improve Federal Agencies' Safety Programs with a More Strategic Approach to its Oversight (GAO-06-379)
Date Completed: April 2006
Conducted By: GAO

Program Implication: OSHA oversees and assists Federal agencies' efforts to develop and administer their safety programs. Because Federal workers' compensation costs exceeded $1.5 billion in 2004, with approximately 148,000 new claims files that year, OSHA could provide a more strategic approach to its oversight.

Findings:
1. OSHA's oversight of Federal agencies' safety programs is not as effective as it could be because the agency does not use its enforcement and compliance assistance resources in a strategic manner.
2. Inspections are one of OSHA's primary enforcement tools, but it does not conduct many inspections of Federal work sites or have a national strategy for targeting worksites with high injury and illness rates for inspections.
3. Although OSHA is responsible for tracking disputed violations and reporting any unresolved disputes to the President, OSHA does not do so.
4. Although OSHA is required to review agencies' safety programs annually and submit a report on them to the President each year, as of January 2006, the last report submitted was for FY 2000.
5. While OSHA has a range of compliance assistance programs designed to help agencies comply with its regulations and improve safety, these programs are not being fully utilized.

Recommendations:
1. OSHA should conduct targeted inspections of Federal facilities.
2. OSHA should track disputed violations to their resolution.
3. OSHA should report unresolved disputes to the President.
4. OSHA should conduct evaluations of the largest and most hazardous agencies as required.
5. OSHA's annual report to the President should include an assessment of each agency's safety program and recommendations for improvements.

Actions Taken:
1. OSHA began developing an inspection targeting program and expects to have it in place by FY 2007.
2. OSHA continues to work with OWCP and others to devise a methodology to combine site–specific injury data with Federal agency employment numbers.
3. A process was implemented whereby each agency's annual report is reviewed and analyzed. Information from inspection

and evaluation activity will be incorporated into this process as these efforts begin to provide significant information.

Actions Remaining:	***Expected Completion:***
1. Develop an internal tracking system for appealed violations. 2. Redesign reporting instructions that are sent out to Federal agencies each year.	1. March 2007 2. March 2007

Additional Information: A copy of the complete report can be obtained at http://www/gao.gov/cgi-bin/getrpt?GAO-06-379.

32. *Issue:* Improving implementation of OSHA's voluntary guidelines

Program Area: OSHA ***Performance Goal:*** **Goal 06-3.1C** – Reduce work-related fatalities. **Goal 06-3.1D** – Reduce work-related injuries and illnesses.	***Report Title:*** Evaluation of OSHA Voluntary Guidelines ***Date Completed:*** June 2006 ***Conducted By:*** Eastern Research Group (ERG)

Program Implication: Promotion of voluntary OSHA guidelines begins with the development process. Involving stakeholders early in the process and using market information on the target population are particularly important. Obtaining feedback on the use of voluntary guidelines once issues would enable OSHA to better evaluate the interventions that incorporate the voluntary guidelines.

Findings:
1. Of the three guidelines studied, the Nursing Home Ergonomics Guidelines had the highest percent of employers aware of the OSHA guidelines. Employers are also aware of guidelines issued by other Federal agencies.
2. The OSHA Web site was identified as a source of information on ergonomics for 74 percent of the survey respondents, but only 21% of respondents to the Late-Night Retail survey cited the OSHA Web site for information on violence prevention.
3. A higher percentage of respondents in the Nursing Home Ergonomics Survey and the Health Care Violence Prevention Guidelines Survey implemented program features addressed in the respective OSHA guidelines vs. Late-Night Retail.
4. A greater percent of respondents indicated lack of information as an obstacle for program features they had not implanted.
5. Over half of all respondents reported using OSHA guidelines to implement ergonomic or violence prevention programs.
6. To the extent that employers were aware of the OSHA Guidelines and used the OSHA guidelines in their programs, the OSHA voluntary guidelines contributed to the benefits employers reported.
7. Establishments that had both OSHA inspections and awareness of the guidelines had larger and more frequent reductions in lost work days rates and the number of days away from work, restriction or transfer due to injury or illness.
8. Establishments that implemented ergonomics programs with more features did better, as did those establishments that implemented all the specific features of their ergonomics program earlier than those who implemented more recently.

Recommendations:
1. Better define voluntary guidelines and their role for OSHA.
2. Pursue wider recognition of OSHA voluntary guidelines.
3. Adopt the protocol that worked well for the Nursing Home Ergonomics Guidelines for the development and promotion of all voluntary guidelines.
4. Expand awareness of OSHA voluntary guidelines through refinement of marketing efforts.
5. Monitor continued relevance of specific OSHA voluntary guidelines.

Actions Taken: None

Actions Remaining:	***Expected Completion:***
1. Better define voluntary guidelines and their role for OSHA.	1. September 2008
2. Pursue wider recognition of OSHA voluntary guidelines.	2. September 2008
3. Adopt the protocol that worked well for the Nursing Home Ergonomics Guidelines for the development and promotion of all voluntary guidelines.	3. September 2008
4. Expand awareness of OSHA voluntary guidelines through refinement of marketing efforts.	4. September 2008
5. Monitor continued relevance of specific OSHA voluntary guidelines.	5. September 2008

Additional Information: A copy of the complete report can be obtained by calling John Smith at (202) 693-2244.

33. *Issue:* Finding ways to improve the efficiency of resource allocation for compliance reviews

Program Area: OFCCP ***Performance Goal:*** **Goal 06-3.2A** – Federal contractors achieve equal opportunity workplaces.	***Report Title:*** A Study to Refine the OFCCP Discrimination Prediction Model ***Date Completed:*** October 2005 ***Conducted By:*** Eastern Research Group (ERG)

Program Implication: By understanding the indicators of discrimination, OFCCP can concentrate its resources on fostering equal opportunity in employment.

Findings:
1. The use of county-based models appear to provide a more valid means of measuring local market conditions than Metropolitan Statistical Area data.
2. A county-based model has more significant coefficients and appears to do a better job of predicting discrimination findings.

Recommendations:
1. Use county-based models when predicting discrimination findings.
2. Additional analyses may further refine and improve OFCCP's ability to identify patterns of discrimination.

Actions Taken: Initiation of a test to validate the findings presented in the report. The test is based on a set of audits selected by (a) random selection and (b) targeted selection using prediction models.

Actions Remaining: Complete case reviews to gauge the benefits of the modeling procedures.	***Expected Completion:*** September 2007

Additional Information: Information on the study can be obtained from the Office of Federal Contract Compliance Programs, Employment Standards Administration, Department of Labor, FPB N-3402, 200 Constitution Avenue, NW, Washington, DC 20210, or by calling Michael D. Sinclair at 693-1153.

34. *Issue:* The extent to which USERRA has been supported and enforced by the Departments of Defense, Labor, Justice and the Office of Special Counsel

Program Area: VETS USERRA ***Performance Goal:*** **Goal 06-3.2B** – Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employments.	***Report Title:*** Federal Management of Servicemember Employment Rights Can Be Further Improved (GAO-06-60) ***Date Completed:*** October 2005 ***Conducted By:*** GAO

Program Implication: Hundreds of thousands of employers and service members have been educated about USERRA, but the efficiency and effectiveness of this outreach is hindered by a lack of employer information. DOL also relies on paper files when transferring or reviewing complaints, slowing effective and timely oversight. The program could be improved by focusing on results, rather than outputs.

Findings:
1. Whether overall USERRA compliance or employer support has increased, decreased, or remained steady is difficult to firmly establish. Limited insights into USERRA compliance is provided by formal and informal complaint data and employer support figures.
2. DOL numbers show that formal complaints rose in FY 1991 and 1992.
3. Despite many general outreach efforts, agencies lack essential employer information needed to efficiently and effectively target outreach to employers who actually have service member employees. Without complete information about the full expanse of service member employers, the Federal agencies conducting outreach have no assurance that they have informed all service member employers about USERRA rights and obligations.
4. Agency abilities to address service member complaints, as intended by USERRA, are hampered by incompatible data systems, reliance on paper files, and a segmented process that lacks visibility.
5. Analysis revealed substantial differences between the recorded processing times and the actual elapsed times for those complaints. The recorded processing times averaged 103 days, although it took much longer because the service members actually waited an average of 619 days from the time they filed their initial formal complaints with DOL until the time they complaints were fully addressed.

Recommendations:
1. DOD should include USERRA questions in its periodic surveys of servicemembers.
2. DOD should take steps to enforce the requirement for servicemembers to report their civilian employment information, maintain the database on this civilian employment information, and share applicable employer information with other agencies.
3. The Departments of Defense, Labor, and Justice, along with Office of the Special Counsel (OSC) should explore methods of electronically transferring information between agencies.
4. The Secretary of Labor should develop a plan to reduce agency reliance on paper files and fully adopt the agency's automated complaint file system.
5. Congress should consider designating a single office to maintain visibility over the entire complaint resolution process.

Actions Taken:
1. In September 2005, DOL made efforts to promote the agencies' goal of early resolution of USERRA employment and reemployment issues a longstanding cooperative relationship with the DOD Employer Support of the Guard and Reserve.
2. DOL's Office of the Solicitor and VETS have begun to discuss ways in which the two offices can use one electronic case management system, interfaced as appropriate with DOD, DOJ, and OSC.

3. DOL has discussed with the other agencies ways to improve inter-agency information exchange and data-sharing capabilities. Based on agreements reached among all USERRA agencies, an upgraded version of VETS' 4. USERRA Information Management System (UIMS) will be used by all USERRA agencies for case status reporting, effective October 2, 2006.	
Actions Remaining: VETS' UIMS will be further upgraded to enable electronic versions of case documentation to be uploaded into case records. This functionality will be the first step toward a fully automated complaint file system	***Expected Completion:*** February 2007
Additional Information: A copy of the complete report can be obtained at www.gao.gov/cgi-bin/getrpt?GAO-06-60.	
GOAL 4: A COMPETITIVE WORKFORCE	
35. *Issue :* Implementation of the seamless One-Stop vision	
P8ogram Area: ETA One-Stop ***Performance Goal:*** **Goal 05-4.1B –** Improve the outcomes for job searchers and employers who receive One-Stop employment and workforce information services.	***Report Title:*** Two of Illinois' One-Stop Centers Have Not Fully Implemented the Seamless Service Concept (OIG 06-05-011-03-390 ***Date Completed:*** September 2005 ***Conducted By:*** OIG
Program Implication: ETA views the One-Stop system as the cornerstone of the new workforce investment system, which unifies numerous training, education, and employment programs into a single, customer-friendly system in each community. ETA envisions one overall service system where One-Stop truly means one stop.	
Findings: 1. There are issues in two of the State of Illinois' One-Stops implementation of the seamless One-Stop vision. 2. The One-Stop organizational structures provide shared administration of the One-Stop centers, but better collaboration and coordination will enhance service delivery. 3. One-Stop partners did not share a statewide common intake system for the One-Stop service delivery system. 4. Local boards established MOUs, but greater detail would enhance the One-Stop concept.	
Recommendations: None made	
Actions Taken: Not applicable	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/ 2005/ 0605-011-03-390.pdf.	
36. *Issue:* Implementation of the One-Stop Seamless Service Concept in Texas	
Program Area: ETA One-Stop ***Performance Goal:*** **Goal 05-4.1B –** Improve the outcomes for job searchers and employers who receive One-Stop employment and workforce information services.	***Report Title:*** The State of Texas has Effectively Implemented the One-Stop Seamless Service Concept (OIG 06-05-007-03-390) ***Date Completed:*** September 2005 ***Conducted By:*** OIG
Program Implication: The State of Texas could serve as a model for successful implementation of the seamless One-Stop vision.	
Findings: 1. The State of Texas was an early implementer of the One-Stop system, and they established an organizational structure that supports the seamless service concept. 2. The Texas Workforce Commission (TWC) effectively coordinates a cohesive workforce system. The TWC coordinates the oversight and administration of the One-Stop system. 3. The State has developed a statewide common intake system for One-Stop service delivery; the TWC provides guidance through statewide polices and procedures. 4. One-Stop system partners established memoranda of understanding (MOUs) and contracts to support the One-Stop concept.	
Recommendations: None made	
Actions Taken: Not applicable	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2005/06-05-007-03-390.pdf.	

37. *Issue:* An alleged mismanagement of WIA Dislocated Worker Program and funds	
Program Area: ETA Dislocated Worker ***Performance Goal:*** **Goal 05-4.1C** – Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker Program.	***Report Title:*** Alleged Violations of WIA Program and Federal Guidelines at One-Stop Center Operated by Affiliated Computer Services, Inc. (OIG 05-06-002-03-390) ***Date Completed:*** December 2005 ***Conducted By:*** OIG
Program Implication: Local Workforce Investment Boards are authorized to continue setting program policies and regulations consistent with the WIA Act within their local areas.	
Findings: 1. The alleged mismanagement of the WIA Dislocated Worker Program and funds was unsupported. 2. The Local Workforce Investment Board (LWIB) IV WIA program policy was consistent with the WIA Act and regulations. WIA, Section 117 authorizes the LWIB to set policy for the workforce investment system within the local area. The LWIB decided and adopted a policy to give priority for training services for adult participants to recipients of public assistance and other individuals with low income in accordance with WIA, Section 134(d) (4) (E).	
Recommendations: None made	
Actions Taken: Not applicable	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.oig.dol.gov/public/reports/oa/2006/05-06-002-03-390.pdf.	

38. *Issue:* The effect of recent amendments to the Older Americans Act	
Program Area: ETA SCSEP ***Performance Goal:*** **Goal 05-4.1D** – Assist older workers to participate in a demand-driven economy through the Senior Community Employment Service Program.	***Report Title:*** Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain (GAO-06-549T) ***Date Completed:*** April 2006 ***Conducted By:*** GAO
Program Implication: The aging of the baby boom generation presents serious challenges for the nation's workforce investment system. The expected increase in the number of low-income older adults means that, more and more, older Americans will have to continue working in order to have sufficient income. Given the problems that older adults often experience in obtaining in-depth services, such as training, it is unclear whether the existing workforce system is able to provide the type and level of services this population may need.	
Findings: 1. The 2000 Older Americans Act (OAA) Amendments have had little impact on the distribution of funds between national and State grantees. National grantees continue to receive approximately 78 percent of the funding and States about 22 percent. 2. Distribution of funding among national grantees changed substantially after DOL's 2002 open competition for the national grants portion of Senior Community Service Employment Program (SCSEP) funding. 3. DOL has taken steps to establish an enhanced performance accountability system for the SCSEP, but has yet to implement some features. 4. DOL has implemented an early version of a data collection system to track grantee performance, but the final Internet-based version is not yet available. 5. Changes to SCSEP eligibility criteria and difficulties coordinating with the WIA one-stop system have posed challenges to grantees. DOL modified some SCSEP eligibility criteria to target limited program funds to individuals it believes are most in need of services. However, grantees expressed concern that these changes had made it more difficult for them to meet their enrollment goals. 6. Despite provisions in the OAA Amendments to strengthen connections between SCSEP and WIA, problems persist in coordinating with WIA providers and obtaining intensive and training services for older workers at one-stop centers.	
Recommendations: None made	
Actions Taken: 1. Beginning in PY 2005 and continuing into PY 2006, ETA has been implementing the Internet-based Senior Community Service Employment Program Performance Accountability Quarterly Progress Report (SPARQ2) data collection system to collect program information and data on the common performance measures and SCSEP-specific performance measures. 2. States will begin reporting using SPARQ2 during PY 2006.	
Actions Remaining: None	***Expected Completion:*** Not applicable
Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/new.items/ d06549t.pdf.	

39. *Issue:* The aging of the American workforce

Program Area: ETA SCSEP ***Performance Goal***: **Goal 05-4.1D –** Assist older workers to participate in a demand-driven economy through the Senior Community Employment Service Program.	***Report Title:*** Older Workers: Labor Can Help Employers and Employees Plan Better for the Future (GAO-06-80) ***Date Completed:*** December 2005 ***Conducted By:*** GAO

Program Implication: There is a need for a Federal interagency taskforce to work collectively to address the workforce challenges posed by an aging workforce.

Findings:
1. Employers in every occupation face the likelihood that a greater percentage of their workforce will be nearing retirement age, resulting in the loss of a significant number of experienced workers in a short period of time.
2. Almost 80 percent of between the ages of 55 and 74 are employed in professional, management, service, office and administrative support, and sales occupations. These occupations make up about 75 percent of the total workforce aged 25 to 74.
3. Given the potential skill gaps and slowdown in the growth of the labor supply, older workers may become a resource of growing importance to employers.
4. Some employers are making an effort to hire and retain older workers, but most have not made targeting older workers a priority.
5. Just over 60 percent of full-time workers aged 55 or older have expressed a desire to gradually reduce their hours at their current jobs, but few employers have implemented policies of phased or partial retirement.

Recommendations:
1. The Secretary of Labor should design a comprehensive and highly visible public awareness campaign as a way to help employers and employees plan better for the future and by so doing, bridge the gap between employer and employee needs.
2. The campaign should involve other relevant agencies and target employer organizations and groups that interact with employees and, ultimately, encourage employers to find ways to retain and recruit older workers, and assist older workers in finding opportunities for continued work.

Actions Taken:
1. DOL has convened an intra-agency taskforce on older workers and is working with business leaders on issues concerning the aging workforce.
2. ETA has initiated an outreach campaign to inform employers about the benefits of hiring and retaining older workers. The message of the campaign is "Strength in Numbers," in recognition of the important role that the baby boom generation will play in the U.S. workforce over the next 25 years.
3. ETA is also targeting older workers to encourage them to remain in or re-enter the workforce.
4. ETA has developed campaign materials, including an employer outreach kit, a Public Service Announcement, posters, and brochures, for all workforce investment system professionals, employers, and the public-at-large.
5. ETA released a *Protocol for Serving Older Workers* to the workforce investment system to enhance the services provided to older workers.
6. ETA's *Workforce Innovations* conference (July 2006) placed special emphasis on older worker issues.
7. Workshops focused on solutions to the challenges employers face in recruiting and retaining older workers; effective strategies for providing employment and training services to older individuals; and skill assessment/training techniques for this population.
8. ETA's Business Relations Group has sponsored educational forums intended to inform employers about the benefits of employing older workers.

Actions Remaining:	***Expected Completion:***
1. DOL is participating in the Taskforce on the Aging of the American Workforce, an inter-agency effort. The Taskforce will make recommendations to increase awareness of and outreach to older workers relating to: 1) individual opportunities for employment; 2) legal and regulatory issues regarding work and retirement and 3) employer response to the aging workforce.	1. April 2007
2. ETA will support National Employ Older Worker Week in September 2006 with outreach materials, posters, news releases and will post grantee commemorative events on the SCSEP Web site calendar to encourage exchange of peer best practices and heighten awareness.	2. September 2006

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgi-bin/getrpt?GAO-06-80.

40. *Issue:* Worker classifications through the H-1B program

Program Area: ETA FLC ***Performance Goal***: **Goal 06-4.1A –** Address worker shortages through the Foreign Labor Certification Program	***Report Title:*** Labor Could Improve Its Oversight and Increase Information Sharing with Homeland Security (GAO-06-720) ***Date Completed:*** June 2006 ***Conducted By:*** GAO

Program Implication: The H-1B visa program assists U.S. employers in temporarily filling certain occupations with highly-skilled foreign workers. There is considerable interest regarding how DOL, along with the Departments of Homeland Security and Justice, is enforcing the requirements of the program.

Findings:

1. DOL could improve its oversight of employers' compliance with requirements of the H-1B program.
2. DOL review of employers' applications to hire H-1B workers is timely, but lacks quality assurance controls and may overlook some inaccuracies.
3. From January 2002 through September 2005, DOL electronically reviewed more than 960,000 applications and certified almost all of them. About one-third of the applications were for workers in computer systems analysis and programming occupations.
4. Analysis of DOL data found certified applications that could have been identified by more stringent checks: 3229 applications were certified even though the wage rate on the application was lower than the prevailing wage for that occupation, and 1000 certified applications contained erroneous employer identification numbers.

Recommendations:

1. Congress should consider eliminating the restriction on DOL using information from Homeland Security to initiate an investigation and directing Homeland Security and DOL to share information on employers that may not be fulfilling program requirements.
2. DOL should improve its checks of employers' applications.
3. Homeland Security should include DOL's application case number in its new information technology system.

Actions Taken:

1. DOL developed 26 new fact sheets to describe employer responsibilities and employee rights that will be made available on the web in 2006.
2. DOL is working with the Department of State to provide information cards to H-1B workers and employers about their employment rights and responsibilities.

Actions Remaining: DOL is conducting a thorough review of the FEIN and prevailing wage issues raised in the GAO report.

Expected Completion: January 2007

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgi-bin/getrpt?GAO-06-720.

41. *Issue:* Reemployment services available to workers laid off as a result of international trade

Program Area: ETA TAA
Performance Goal: **Goal 06-4.1B –** Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.

Report Title: Most Workers in Five Layoffs Received Services, but Better Outreach Needed on New Benefits (GAO-06-43)
Date Completed: January 2006
Conducted By: GAO

Program Implication: Little is known nationally about the extent to which workers laid off as a result of international trade use the variety of Federally funded reemployment services available to them. Programs need to understand the extent to which workers access their services, the factors affecting participation, and the outcomes achieved by the services.

Findings:

1. At all five trade-related plant closures that GAO studied, about three-quarters or more of the workers received reemployment assistance through a One-Stop center.
2. Workers at the sites most often received one-on-one services such as job search assistance.
3. About a third or less of the workers at most sites received training and long-term income support, with workers over age 55 less likely to enter training than younger workers.
4. Workers who did not visit a center most often said they needed to find a job right away and did not think they had time to visit a center, or did not think they needed help finding a new job.
5. At the time GAO conducted its survey, most of the workers had either found a new job or retired. At three sites, over 60 percent were reemployed. At another site only about 40 percent were reemployed, but another third had retired. At the final site, about a third were reemployed, but this site had the highest proportion of workers in training and most were likely to still be in training.
6. The majority of reemployed workers earned less than they had previously, replacing about 80 percent or more of their prior wages. At one site, over half the reemployed workers matched their prior wages.
7. Few workers at each site received either the health insurance benefit or the wage insurance benefit available to some older workers. No more than 12 percent of workers at each site received the health insurance benefit; many were unaware of it.
8. No more than one in five of the older workers at each site received the wage insurance benefit; many were unaware of it.

Recommendations: Provide guidance to State and local officials on how to promote awareness of the new health insurance and wage insurance benefits to potentially eligible workers.

Actions Taken:

1. A national Rapid Response Summit was held in St. Louis, Missouri, from May 23 through 25, 2006. This summit, attended

by over 500 Workforce system practitioners at the State and local level, included workshops on both health insurance and wage insurance benefits which were designed to ensure that potentially eligible workers were made aware of these options.
2. In conjunction with the Rapid Response Summit, a national State Trade Coordinator's meeting was held on May 23, 2006. Specifically, the agenda featured a discussion of the recommendations of this report and the importance of ensuring that potentially eligible workers were made aware of all available programs.

Actions Remaining: None | ***Expected Completion:*** Not applicable

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgi-bin/getrpt?GAO-06-43.

42. *Issue:* The accuracy of program performance data

Program Area: ETA TAA
Performance Goal: **Goal 06-4.1B –** Assist workers impacted by international trade to better compete in the global economy through the Trade Adjustment Assistance Program.

Report Title: Labor Should Take Action to Ensure Performance Data Are Complete, Accurate, and Accessible (GAO-060496)
Date Completed: April 2006
Conducted By: GAO

Program Implication: In the current tight budgetary environment, program performance is likely to be an increasingly significant factor to help policymakers assess programs and determine funding levels. Given concerns over the quality of performance data for the TAA program, it is important to provide a credible picture of the program's performance by improving the quality of data submitted by the States.

Findings:
1. The performance information that Labor makes available on the TAA program does not provide a complete and credible picture of the program's performance.
2. Only half the States are including all participants, as required, in the performance data they submit to DOL.
3. Many States are not using all available data sources to determine participants' employment outcomes, resulting in lower reported outcomes.
4. Some States compile their performance data using manual processes or automated systems that lack key capabilities to help minimize errors, but many States have plans to improve their systems' capabilities.
5. Performance data reported by DOL represents participants who left the program up to 30 months earlier and is not useful for gauging the TAA program's current performance.
6. Performance information reported by DOL is not displayed using categories that would be informative to policymakers, such as the type of service received and industry of dislocation.
7. Most States find performance information from Labor to be at least moderately useful, but many want more information.
8. DOL has taken steps to improve the quality of TAA performance data, but issues remain. In 2003, Labor began requiring States to validate data, but the process does not address the problem of excluding participants from the performance data.
9. In FY06, DOL instituted a set of common measures and many States reported delays implementing all required changes.

Recommendations:
1. Clarify through guidance and other communications with States that all participants who exit the program should be included in the Trade Act Participant Report (TAPR), along with the documentation needed to verify the training completion date.
2. Ensure the core monitoring guide currently under development for regional office site visits includes guidance for assessing whether States' data collection processes for performance reporting capture all participants.
3. Provide States with opportunities to share lessons learned with other States on issues that may affect data quality.
4. DOL should provide data by the type of services received by TAA participants.

Actions Taken:
1. Issued Training and Guidance Letter No. 3-03, Changes 2 and 3 which implemented the data validation system for the TAPR and required documentation from the training institution for three elements related to a participant's training, including completion. These records are now required to be contained in each participant's file.
2. A national State Trade Coordinators' meeting was held in conjunction with the Rapid Response Summit in St. Louis on May 23, 2006. This meeting provided an opportunity for staff to clarify State issues, dispel misunderstandings, and share lessons learned with other States on issues that may affect data quality.
3. As part of the implementation of Common Measures, three rounds of training sessions were held nationwide, providing States an opportunity to share lessons learned and approaches to properly managing program data.

Actions Remaining:
1. Finalize a Core Monitoring Guide for ETA Regional Office staff to include guidance for review of data and reporting requirements, data quality, and performance of the TAA Program in all States.
2. Updating its TAPR reporting system for Trade Adjustment Assistance. Once completed, States will be able to access data more quickly, easily and in a variety of ways that may prove useful to them.

Expected Completion: December 2007

Additional Information: A copy of the complete report can be obtained at http://www.gao.gov/cgi-bin/getrpt?GAO-06-496.

3. Improper Payments Information Act Reporting Details

I. Risk Assessment

The Department's risk assessment for FY 2006 was developed by establishing criteria for determining levels of risk and evaluating all major programs against these criteria. Different methodologies were necessary for assessing the risks of improper payments for benefit and grant programs because of the differences in their administration and the availability of data.

<u>*Benefit Programs*</u>

The Department performed the risk assessment for all benefit programs according to the criteria defined below:

1. *Programs with outlays less than $200 million*

The Department assumed a low risk of improper payments unless a known weakness existed in program management, based on reports issued by oversight agencies such as the Department's Office of Inspector General and/or the Government Accountability Office. Unless such weaknesses were identified, the Department made an assumption that the improper payment rate for these programs would not exceed the IPIA defined threshold of 2.5 percent. As a result of this review, no programs with outlays less than $200 million were deemed to be susceptible to risk of improper payments.

2. *Programs with outlays greater than $200 million*

The Department sampled FY 2006 data in order to determine an improper payment rate. The sampling details, including sampling methodology and sampling selection, are provided in the next section. The Department sampled Federal Employees Compensation Act (FECA), Unemployment Insurance (UI), Black Lung Disability Trust Fund, and Energy Employees Occupational Illness Compensation Program. The Department applied the improper payment rate determined through sampling to the program outlays for FY 2006 in order to determine whether the amount of potential improper payments for these programs exceeded the $10 million threshold. UI was the only program deemed to be susceptible to risk as a result of this approach. Per the Office of Management and Budget's (OMB) guidelines, the Department is reporting FECA's improper payment rate.

<u>*Grant Programs*</u>

The Department used a separate methodology to assess the risk of improper payments in grant programs because these are administered differently than benefit programs.

Since the Department provides grants to states, cities, counties, private non-profits, and other organizations to operate programs, it relies significantly on single audits (as required by the Single Audit Act of 1996) to monitor funding to all grant recipients. Therefore, the Department analyzed these single audit reports[2] in order to determine the improper payment rate for all grant programs.

The Department reviewed all FY 2004 single audit reports with Department of Labor-related findings from the Federal Audit Clearinghouse and identified all questioned costs. FY 2004 reports were the most recent single audit reports available for review. Based on a review of the definition of questioned costs in OMB Circular A-133 and OMB's IPIA implementation guidance, we determined that questioned costs can be used as a proxy for improper payments.

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[2] 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. Since 1997, all non-Federal entities that expend over $300,000 ($500,000 for fiscal years after December 31, 2003) or more of Federal awards in a year are subject to a consolidated financial single audit; any non-Federal entities that do not meet this threshold are not required to have a single audit. All non-Federal entities are required to submit all single audit reports to a Federal Audit Clearinghouse (Clearinghouse) that is administered by the Census Bureau.

To determine an approximate rate of improper payments for the WIA program, the Department divided the projection of questioned costs from the FY 2004 single audit reports by the FY 2004 program outlays identified in the Federal Audit Clearinghouse. The Department applied this improper payment rate to the program outlays for FY 2004 in order to determine whether the amount of potential improper payment for these programs exceeded the $10 million threshold.

For the other non-WIA grant programs, the Department determined an overall improper payment rate by dividing the projection of the non-WIA questioned costs by the total non-WIA outlays.[3] 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 as required by OMB guidelines, although its improper payment rate is well below the 2.5 percent threshold.

Results

Based on the risk assessment methods applied to benefit programs and grant programs, only one program, UI, was determined to be high risk. Two other programs, FECA and WIA, were classified as high risk because each of the program's payments exceeds $2 billion, although their risk assessments do not support such a high risk designation. The Department plans to continue to identify corrective actions to reduce improper payments in these programs and has established improper payment reduction and overpayment recovery targets in accordance with IPIA and associated OMB guidance.

Table 2: Department of Labor's High Risk Programs

DOL Program/Activity	*Risk*	*Reason for High Risk Classification*	*Type of Program*
Unemployment Insurance (UI)	High	Exceeds OMB Threshold; also Section 57	Benefit
Federal Employees Compensation Act (FECA)	High	Section 57	Benefit
Workforce Investment Act (WIA)	High	Section 57	Grant

The Department also sampled the following programs in FY 2006 despite their low risk status in FY 2004 and FY 2005. A listing of programs that were sampled is presented below in Table 3.

Table 3: Additional programs that were sampled

DOL Program/Activity	*Type of Program*	*Risk*
Black Lung Benefit Payments	Benefit	Low Risk
Energy Employees Occupational Illness Compensation Program (EEOICP)	Benefit	Low Risk
DOL Salaries	Other	Low Risk
DOL Expenses	Other	Low Risk

II. Statistical Sampling

The Department's risk assessment identified only the UI program as being risk susceptible based on the OMB guidance threshold. However, as noted, two additional programs, WIA and FECA, were added to this list as required by OMB guidelines. In addition, the Department sampled several other programs that did not qualify as risk-susceptible programs.

Unemployment Insurance (UI)

Sampling Methodology: Improper payment rates are obtained from the Benefit Accuracy Measurement (BAM) program. It is designed to determine the accuracy of paid and denied claims in the three largest permanently authorized unemployment compensation (UC) programs: State Unemployment Insurance (State UI), Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX).

[3] A review of the FY 2003 single audit reports revealed questioned costs for only some of the grant programs. Even for those programs that had questioned costs, there were not enough samples to make a valid projection. Therefore, an aggregate projection of questioned costs was made for all non-WIA grant programs and an overall estimated improper payment rate was calculated by dividing this projection by the total non-WIA outlays identified in the Clearinghouse. This estimated improper payment rate was then applied to the specific grant program outlay to calculate the estimated amount of improper payments.

BAM provides two rates of improper payments. The first, the Annual Report Overpayment Rate, includes estimates of nearly every divergence from what state law and policy dictate the payment should have been. The second rate, the Operational Overpayment Rate, includes only recoverable overpayments states are most likely to detect through ordinary overpayment detection and recovery procedures, known as Benefit Payment Control (BPC) procedures. Operational overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund.

BAM reconstructs the UI claims process for randomly selected weekly samples of payments and denied claims using data verified by trained investigators. For claims that were overpaid, underpaid, or improperly denied, BAM determines the amount of benefits the claimant should have received, the cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the error.

In reconstructing each sampled payment, the BAM program retroactively investigates the accuracy of the UI claim's monetary and separation determination as well as all information relevant to determining weekly eligibility for the sampled payment, including the claimant's efforts to find suitable work, ability and availability for work, and earnings from casual employment or other income sources, such as pensions. By 2008, all BAM investigations will incorporate a crossmatch with New Hire data to improve the ability to detect overpayments due to beneficiaries who claim benefits after returning to work, the largest single cause of UI overpayments.

Using the same methodology applied to paid claims, the Denied Claim Accuracy module of BAM assesses the accuracy of denial decisions made at the monetary, separation, and continuing eligibility levels of eligibility determination.

Sample Selection: The universe (population) is the payments and denials under the State UI, UCFE, and UCX programs. State UI, UCFE and UCX account for approximately 95% of UC programs activity in an average year. Data on overpayment and underpayment rates for FY 2006 shown in the Improper Payment Reduction Outlook Table are for the period July 1, 2005, to June 30, 2006. Data are shown for this period rather than the Fiscal Year because they are more complete and thus more precise. Based on historical data, those BAM cases requiring the most time to complete are more likely to have payment errors. The BAM program standard is to complete 95% of the cases within 90 days. Over 99.5% of the BAM cases for the period shown are complete, versus about 92% of the cases for the fiscal year. The paid claim accuracy completed sample consisted of 23,711 payments. For Denied Claims Accuracy (DCA), states sample 150 cases for each of the monetary, separation, and non-separation denials; the allocated sample for each type is 7,800 cases per test per year. A total of 46,379 items were selected and investigated for both the BAM and DCA samples for the period July 1, 2005, to June 30, 2006.

Federal Employees' Compensation Act (FECA)

Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and compensation payments. For medical bill payments, sampling was designed to test payment issues, such as duplicate payments, appropriate receipts, and billing consistent with regional allowances, payment made for appropriate procedures, and eligibility at date of service. The compensation payment sampling was designed to test issues such as compensation payments consistent with identified injury, current medical evidence supporting continued compensation payments, eligibility requirements, and calculations of compensation amounts.

Sample Selection: The universe of the population is for both the compensation and medical payments paid out of the FECA program in the testing period, October 1, 2005, to June 30, 2006. The population was stratified in compensation payments and medical payments from thirteen district offices. Samples of 102 items from compensation payments and of 108 items from medical payments were selected. A total of 210 items were selected and tested for the FY 2006 FECA sample.

Black Lung Disability Fund

Sampling Methodology: A stratified sampling approach was applied to estimate improper payments for both medical bill payments and benefit payments. The population was stratified into medical payments and benefit payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. The compensation payment sampling was designed to test issues such as eligibility requirements, calculations of compensation amounts, and calculations of compensation offsets due to dependants.

Sample Selection: The universe of the population is for medical payments made at Computer Sciences Corporation (CSC) and for all benefit payments paid out of the Black Lung program in the testing period, October 1, 2005, to June 30, 2006. The universe of the population is also medical payments made at Affiliated Computer Services (ACS) in the testing period, October 1, 2005, to June 30, 2006. The sample consisted of 45 benefit payments and 45 medical bill payments. A total of 90 items were selected and tested for the FY 2006 Black Lung sample.

Energy Employees Occupational Illness Fund

Sampling Methodology: The sampling approach for Energy's compensation and medical bill payments consisted of Monetary Unit Sampling (MUS) to estimate improper payments. The payment sampling was designed to determine that the benefits paid were in accordance with specified policies and procedures, that eligibility requirements were followed, and that payments were made in the correct amount.

Sample Selection: The universe of the population consisted of compensation payments and medical bill payments made under EEOICP in the testing period, October 1, 2005, to June 30, 2006. The sample consisted of 45 compensation payments and 46 medical bill payments.

Department of Labor Salaries

Sampling Methodology: DOL Salaries consist of the department payrolls of the national office and three regional offices: Atlanta, Philadelphia, and San Francisco. To accomplish the sampling for the payroll, a stratified approach was applied. The testing criteria consisted of testing items such as employee's eligibility, earnings and leave tracked correctly, time card consistent with payment, and pay rate calculated correctly.

Sample Selection: The universe of the population of Department salaries is comprised of the payroll transactions in the testing period, October 1, 2005, to June 30, 2006. A sample of 66 items from the Department's payroll transactions was selected for testing.

Department of Labor Expenses

Sampling Methodology: DOL expenses consist of department expenses related to the operation and administration of programs' and headquarters' activities. Expense transactions were stratified into seven groups and samples were then statistically drawn from each stratum. For non-payroll costs, sample testing focused on testing criteria such as: (1) appropriate contracts used, (2) payments supported with invoices, (3) invoices correct, and (4) whether or not the purchase was allowable under program costs.

Sample Selection: The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2005, to June 30, 2005. A total of 50 items were selected and tested.

III. Corrective Actions

Unemployment Insurance

Despite implementing new initiatives that will reduce its improper payments, the UI program's estimated improper payment error rate increased to 10.0%. The underpayment rate—the percentage of dollars paid made that was smaller than they should have been—was 0.67%, a rate that has remained steady for several years.

Two factors appear to account for most of the increase in the overpayment rate from 9.3% a year earlier as the table below shows:

- Several major hurricanes in 2005 had a devastating impact on Louisiana and Mississippi, and less severe impacts on Alabama, Florida, and Texas. Overpayments in these states increased significantly during the year, largely because of confusion about reinstated eligibility requirements that had been temporarily suspended due to disruption of the economy. We estimate that the increases in the Gulf States raised the aggregate Annual Report rate by a third of a percentage point and the operational rate by 0.13 percentage points.
- In its aggressive emphasis on payment integrity over the past few years, the Department has developed a new core performance measure for overpayment detection and has begun to improve the Benefit Accuracy Measurement (BAM) program's ability to detect individuals who are working and claiming UI benefits concurrently, the single largest cause of overpayment errors. This increased attention has heightened states' overall awareness of the problem of UI benefit overpayments and led to improved--and higher--BAM estimates. For the year ending 06/30/06, eighteen states voluntarily crossmatched BAM cases with the State Directory of New Hires (SDNH) or National Directory of New Hires (NDNH). We estimate that this voluntary use of the new hire directories raised the measured overpayment rates by nearly a fifth of a point during FY 2006.

	Total Rate	Operational Rate*
Year Ending 6/30/2005 Rates	9.32%**	4.98%**
FY 2006 Targets	9.3%	4.75%
Unadjusted YE 6/30/2006 Estimates	10.0%	5.63%
New Hire Cross match	-0.18%	-0.18%
Hurricane - affected States	-0.35%	-0.13%
Adjusted Rates	9.47%	5.32%

The Department has obtained authority to require states to use the NDNH to improve their BAM estimates of overpayments due to workers who return to work but continue claiming benefits. When this NDNH crossmatch requirement becomes mandatory in January 2008, we estimate that it will raise the measured BAM annual report and operational rates by 0.5 to 0.75 percentage points.

Without the effects of these two elements, we estimate that the Annual Report rate would have been about 9.5% instead of 10.0%, and the operational rate 5.3% instead of 5.6%. Because both estimates are sample-based, they are subject to the usual sampling variation. The 95% confidence intervals are 10.0% +/- 0.54 percentage points for the Annual Report rate and 5.63% +/- 0.44 percentage points for the operational rate.

The Department's analytical studies indicate that earlier detection of recoverable overpayments is the most cost-effective way to address improper payments. Early detection allows agencies to stop payments before a claimant who has returned to work can exhaust benefits and to recover these overpayments more readily. The Department estimates that the forty-five states that crossmatch UI beneficiaries with the SNDH or the NDNH instead of UI wage records prevented approximately $75 million of overpayments in each of the past two fiscal years. Last year, three states participated in a pilot study initiated by the Office of the Chief Financial Officer and the UI program to determine whether a cross-match using the NDNH is more effective than the SDNH in identifying individuals no longer eligible to receive UI benefits. The results of this pilot showed that because the NDNH includes records for out-of-state employers, Federal agencies, and multi-state employers that report all of their new hires to a single state, it detects improper payments more effectively than the SDNH. The Department has provided states with funds to implement these NDNH cross-matches; as of 10/30/06, twenty-two states have implemented the NDNH crossmatch, twelve states have signed the computer-matching agreement with HHS that is the prelude to connecting with the NDNH, and seventeen are in the planning process. Seven States were awarded special FY 2006 supplemental funds to implement NDNH.

In FY 2005, the Department began providing States funds to conduct Reemployment and Eligibility Assessment (REAs) with UI beneficiaries. These assessments reduce improper payments both by speeding claimants' return to work and by detecting and preventing eligibility violations. Twenty states received funds to continue REAs during FY 2006; these REAs are estimated to return about $66 million to the UI trust fund. An impact evaluation of nine states' REA programs is scheduled for March 2007.

Federal Employees' Compensation Act

The FECA program continues its progress in improving medical bill processing using an outsourced bill processing service. Significant attributes of the service include the ability to better match treatments to work related injury or illness and more sophisticated bill editing techniques. The bill processing service uses automated front-end editing operations to check for provider and claimant eligibility, accepted condition and treatment type, billing form and content, and duplications. The service uses proprietary software to screen professional medical and outpatient hospital bills to check for certain improper billing practices. Furthermore, on-site process audits resulted in clearer instructions and corrective action plans. This year's implementation of in-house audits of bill samples will provide the program with additional information about bill processing performance and will also identify weaknesses.

Additional causes of improper payments for FECA include: (1) incorrect or incomplete information submitted for the claims record (such as pay rate, night differential rate, retirement plan, etc.); (2) Office of Workers' Compensation Programs (OWCP)[4] errors including mistakes in judgment or interpretation in making decisions; (3) miscalculations in making payments; and (4) claimant fraud or misrepresentation. OWCP's integrity initiatives to address these issues are as follows:

- Medical bill processing performance is reviewed as a routine function of FECA National Office oversight of the central bill processing contract and is used to score against performance requirements specified in the contract.
- Samples of medical payments are audited monthly by FECA district office staff for both financial and procedural errors.
- Compensation payment performance is reviewed by FECA district office managers, line supervisors, and fiscal operations staff; frequency of review varies according to need (e.g., supervisors and fiscal staff look at performance almost on a per-transaction basis; whereas, summary performance is reviewed daily, weekly, or quarterly by supervisors and managers). Results are monitored in the National Office and used to design procedural revisions or corrective action plans for the District Offices. The National Office also conducts formal biennial accountability reviews to rate each District Office for quality and accuracy. System reports used to analyze payment information include the Report on Receivables Due from the Public (Schedule 9), Accounts Receivable Aging Schedule and Performance reports. Regular matching of death records is done to reduce improper payments.
- Case management techniques are used to monitor ongoing entitlement to benefits and payment accuracy. For example, FECA's Periodic Roll Management (PRM) units monitor cases receiving long-term disability benefits. Changes in medical condition or ability to return to work are identified by regular ongoing PRM review of the cases, and compensation benefits may be reduced or terminated. Benefit reductions also result from new information reported about changes in status, such as the death of a claimant. The key outcome measure for PRM is the annual amount of benefit savings generated from these case actions. Benefits savings can also be compared directly to PRM administrative costs.
- Improvements continue in documentation quality and faster transmission of notice of injury and claims for compensation from the agencies to OWCP. Progress in submitting these forms more quickly yields faster and more accurate adjudication and payment and fewer customer service problems. More than a quarter of new claims are now received via Electronic Data Interchange from the Departments of Labor, Defense, Treasury, Transportation, Veterans Affairs, and Homeland Security. That percentage is expected to grow in the future.

Workforce Investment Act

Ensuring proper fund stewardship is of primary importance to the WIA program. ETA currently uses a multi-step approach to ensure proper administration and effective program performance of WIA grants. First, ETA starts its review/oversight process by conducting a structured risk assessment of all new grants and grantees. Risk assessments are periodically revised as new information about a grant and grantee becomes available through desk reviews, onsite reviews or other sources of information. Second, ETA Federal Project Officers (FPOs) conduct quarterly desk reviews of the financial and program performance of each grant. The results of these activities are contained in the Grants e-Management Solution (GEMS), an electronic tracking and grant management system. This serves as an early warning system to detect

[4] OWCP oversees the administration of four federal employee compensation programs. These programs are the Energy Employees Occupational Illness Compensation program, the Federal Employees' Compensation program, the Longshore and Harbor Workers' Compensation program, and the Coal Mine Workers' Compensation program.

potential financial management and/or programmatic performance issues and allows ETA to target technical assistance more effectively. Finally, ETA staff (FPOs, financial management and others) conduct periodic onsite reviews of grantees. ETA attempts to conduct an onsite review of each grantee at least once every two years, but actual review schedules are based on the results of the risk assessments and desk reviews. Onsite reviews are conducted using ETA's Core Monitoring Guide as well as program specific and technical guide supplements designed to provide a more detailed review of program requirements and financial activities. Results of the onsite monitoring activites are also cataloged in the GEMS system. For grantees with large numbers of sub-recipients (e.g., WIA formula grantees), the onsite review conducted using the formula program supplement to the Core Guide includes an assessment of the grantee's sub-recipient monitoring activities. In addition, ETA conducts onsite review of local areas as part of its review of the state grantee. The results of the onsite monitoring are also catalogued in the GEMS system. ETA now has the capability to review trends or issues that arise in a more comprehensive manner. Whenever deficiencies or problems are identified as a result of a desk review, onsite review, or an independent audit, ETA immediately begins working with the grantee to obtain appropriate corrective actions. Corrective actions undertaken by the grantee are tracked by ETA and follow-up technical assistance and reviews are scheduled as needed.

IV. Improper Payment Reduction Outlook FY 2004 – FY 2008 (in $ millions)

Program	FY 04 Outlays	FY 04 %	FY 04 IP $	FY 05 Outlays	FY 05 %	FY 05 IP $	FY 06 Outlays	FY 06 %	FY 06 IP $	FY 07 Est. Outlays	FY 07 %	FY 07 IP $	FY 08 Est. Outlays	FY 08 %	FY 08 IP $
Unemployment Insurance (Operational Rate)	$37,823	5.07%	$1,918 overpayment	$32,248	4.98%	$1,606	$30,976	5.63%	$1,744	$33,020	4.5%	$1,525	$36,240	4.25%	$1,631
Unemployment Insurance (Annual Report Rate)	$37,823	9.70%	$3,669 overpayment	$32,248	9.46%	$3,051	$30,976	10.00%	$3,168	$33,020	9.0%	$3,049	$36,240	8.7%	$3,153
Unemployment Insurance Underpayment Rate	$37,823	0.64%	$242 underpayment	$32,248	0.67%	$216	$30,976	0.67%	$208	$33,020	0.64%	$217	$36,240	0.64%	$232
Workforce Investment Act	Not Available[5]	Not Available	Not Available	$3,738	0.21%	$7.8	$3,763	0.17%	$6.4	$3,606	0.19%	$6.85	$2,975	0.19%	$5.65
Federal Employees' Compensation Act	$2,471	0.25%	$6.2	$2,519	0.13%	$3.3	$2,555	0.03%	$0.322	$2,646	0.244%	$6.5	$2,726	0.24%	$6.5

Note: the UI overpayment and underpayment rates are from the Benefit Accuracy Measurement program for the period 7/1/2005 – 6/30/2006; the outlays are FY 2006 actual.

[5] WIA's baseline rate was established in FY 2005.

V. Recovery Auditing

DOL expense transactions consist of all non-payroll program operation and administration costs. These transactions were stratified into seven groups and samples were then statistically drawn from each stratum. Sample testing focused on testing criteria such as: (1) appropriate contracts used; (2) payments supported with invoices; (3) invoices correct; and (4) the purchase was allowable under program costs. The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2005, to June 30, 2006. A total of 50 items were selected and tested, and no improper payments were noted; as such, recovery audit efforts for FY 2006 were not necessary.

The Department will continue to sample and estimate the level of improper payments for all non-payroll expenses to determine if there are costs that must be set up for recovery. In the event that such recoverable costs are identified, the Department will work to institute an effective recovery audit system to ensure that all contract overpayments are recovered and/or resolved. The Department will also make sure that all recovery audit actions, costs, and amounts recovered are clearly documented and reported to OMB on an annual basis.

VI. Management Accountability

Existing control processes and the implementation of the revised OMB Circular A-123 requirements continue to ensure that the Department's internal controls over financial reporting and systems are well documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse and better ensure that the Department's resources continue to be used effectively and efficiently to meet the intended program objectives. Furthermore, this Department-wide effort will support the Secretary of Labor's annual certification of internal controls in the PAR. The OCFO continues with the quarterly financial management certifications and reviews with each agency in the Department. These controls began in fiscal year 2003. The primary objectives of this oversight are to obtain assurances of DOL compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Federal Financial Management Improvement Act of 1996 (FFMIA), and IPIA, to enhance the Department's internal financial controls, and to resolve financial management issues in a more efficient and timely manner. The quarterly certification process allows for an open discussion of each agency's progress in resolving internal control issues, audit findings, and improper payments, as well as establishing a formal, early warning process to identify and address other potential problem areas.

VII. Information Systems and Infrastructure

Unemployment Insurance

ETA believes that in most cases the states have the information systems and infrastructure they need for improper payment reduction. States are implementing systems to exchange data with the Social Security Administration (SSA) and interface with their SDNH. Four fifths of the states are now using the SDNH and 18 began using the NDNH during FY 2006. Fourteen additional states have signed the computer-matching agreement with HHS that is the prelude to connecting with the NDNH, and nineteen others are in the planning stage for NDNH. More states plan to access the SDNH during FY 2007.

Federal Employees' Compensation Act

The Office of Worker's Compensation Programs (OWCP) has deployed an integrated management information and compensation benefit system that will enhance both compensation payment accuracy and medical bill processing accuracy. Resources are included in the FY 2007 budget request for this system.

Workforce Investment Act

ETA currently has multiple technology projects underway in an effort to improve grants management. The WIA program utilizes these tools to execute the risk management process to assess and monitor grantees. They include the web-based EBSS (Enterprise Business Support System), with its GEMS (Grants e-Management Solution) and EMILE (ETA Management Information and Longitudinal Evaluation) modules. EBSS is the Enterprise Business Support System, a web-based solution used to track and manage grants. A component of the EBSS is the automated grant cost reporting system that captures grant costs and obligations, which improves fiscal integrity. This system will feed data into GEMS. The combination of the two will be part of the cradle-to-grave E-grants solution for the entire Department. Roll out is expected to begin in October of 2006. The GEMS system, mentioned also in Section III of this appendix is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources. The utilization of the GEMS system by the Federal Project Officers and program management and financial staff allows ETA a more coordinated and comprehensive repository of grant specific information. A GEMS technology project has recently been undertaken to provide for a report writing module and the cataloging of the Core Monitoring Guide and supplements. This will allow ETA staff to customize and target their oversight efforts.

VIII. Statutory or Regulatory Barriers

Unemployment Insurance

The UI program has several statutory barriers to reducing improper payments. First, States administer the UI program and set operational priorities. The Department has limited authority to ensure they pursue improper payment reduction activities. Second, the “immediate deposit” requirement (Sec. 3304(a)(3), Federal Unemployment Tax Act (FUTA) and Sec 303(a)(4), Social Security Act (SSA)) and the “withdrawal standard” (Sec. 3304(a)(4), FUTA and Sec 303(a)(5), SSA) preclude the use of recovery auditing techniques and affect recovery efforts.

The “immediate deposit” requirement dictates that all employer contributions (unemployment taxes) must be paid immediately into the trust fund and the “withdrawal standard” says that money in the trust fund can only be used for UI benefits. There are certain exceptions to the “immediate deposit” requirement, but they do not apply to recouped benefit overpayments. These requirements preclude State UI agencies from using funds recovered from overpayments to be used for administrative or operational efforts to improve prevention, detection, and recovery efforts. In addition, Title IV-D of the SSA, which established the state and national directories of new hires for the purposes of locating individuals who were delinquent in paying child support, does not require employers to report the date of hire. Having this date greatly increases the efficiency of using crossmatches with the SDNH or NDNH to detect UI beneficiaries who continue to claim benefits despite having returned to work.

Elements of the Unemployment Compensation Integrity Act, transmitted to Congress in May 2006, would relax the barriers posed by the “immediate deposit” requirement and the “withdrawal standard” to provide additional funding for recovery and other integrity activities. It would permit states (a) to use up to 5% of all recovered overpayments to augment Benefit Payment Control (BPC) activities (b) to use up to 25% of fraud overpayments recovered or delinquent contributions collected by a collection agency to be retained by that agency, and (c) to use up to 5% of certain tax collections to implement provisions of the law relating to employer fraud or tax evasion, such as the SUTA Dumping Prevention Act of 2004. It would also amend the SSA to require states to impose a penalty of at least 15% on fraudulent overpayments, and use the penalties to fund BPC activities. The Integrity Act would also prohibit states from non-charging employer accounts if the agency determined the employer’s “fault”—e.g., a late or missing response--caused an overpayment, and would allow the recovery of benefit overpayments, delinquent taxes, and unpaid penalties and interest by intercept of Federal income tax refunds. Finally, it would mandate that states require all employers to report the date of first earnings or “start work” date to the SDNH, and that the state transmit this information to the NDNH.

Federal Employees' Compensation Act

With regard to the FECA program, legislation does not currently permit FECA to verify employment earnings with the SSA without the claimant's written permission. Compensation benefits may be overpaid if an employee has unreported earnings and does not grant permission for the program to verify earnings with SSA.

Workforce Investment Act

No statutory or regulatory barriers exist that limit WIA's ability to address and reduce improper payments. The WIA program has the legal authority to establish receivables and implement actions to collect those receivables.

IX. Additional Comments

The Department continues to consider the most appropriate ways to define reportable UI overpayments. The Operational Overpayment rate, in use since 2002, was defined to measure recoverable overpayments readily detected by normal agency operations for establishment and recovery. Although the total or "Annual Report," rate used in this report, has the virtue of measuring the value of all payments that exceed what State law and policy prescribe, it may be excessively broad. It includes many "technical" overpayments (e.g., that may not involve any conscious act or omission on the part of claimants or employers), or whose causes may have a weak, if any, relationship to achievement of other goals of the UI program such as swift return to suitable work. Overpayments due to failure to register with the Employment Service (approximately 1 percent of UI payments and 10 percent of all overpayments in YE 6/30/06) are a good example. About one-fourth of all UI overpayments are also not subject to recovery, a typical criterion in other public programs. Two other integrity rates that the Department regularly monitors is total fraud and nonfraud recoverable overpayments (7.59% of UI benefits paid in YE 6/30/06), and the fraud rate (2.71% of UI benefits paid in YE 6/30/06).

4. Acronyms

ACSI	American Customer Satisfaction Index
BLS	Bureau of Labor Statistics
CAM	Cost Analysis Manager
CATARS	Capital Asset Tracking and Reporting System
CFO	Chief Financial Officer
CY	Calendar Year
DBA	Davis-Bacon Act
DOD	U.S. Department of Defense
DOL	U.S. Department of Labor
DOLAR$	Department of Labor Accounting and Related Systems
DVOP	Disabled Veterans' Outreach Program
EBSA	Employee Benefits Security Administration
EEO	Equal Employment Opportunity
EIMS	Enterprise Information Management System
ERISA	Employee Retirement Income Security Act
ESA	Employment Standards Administration
ETA	Employment and Training Administration
FASAB	Federal Accounting Standards Advisory Board
FBCO	Faith-Based and Community Organizations
FECA	Federal Employees' Compensation Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Managers' Financial Integrity Act
FLSA	Fair Labor Standards Act
FMLA	Family Medical Leave Act
FTE	Full Time Equivalent
FUTA	Federal Unemployment Tax Act
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HVRP	Homeless Veterans' Reintegration Project
ILAB	Bureau of International Labor Affairs
ILO	International Labor Organization
IMIS	Integrated Management Information System
IPEC	International Program for the Elimination of Child Labor
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IT	Information Technology
JFMIP	Joint Financial Management Improvement Program
LMRDA	Labor-Management Reporting and Disclosure Act
LPD	Lost Production Days
LVER	Local Veterans' Employment Representative
MSHA	Mine Safety and Health Administration
NAICS	North American Industry Classification System
OASAM	Office of the Assistant Secretary for Administration and Management
OASP	Office of the Assistant Secretary for Policy
OATELS	Office of Apprenticeship Training, Employer and Labor Services
OCFO	Office of the Chief Financial Officer
OCIA	Office of Congressional and Intergovernmental Affairs
ODEP	Office of Disability Employment Policy
OFCCP	Office of Federal Contract Compliance Programs
OIG	Office of Inspector General
OLMS	Office of Labor-Management Standards
OMB	Office of Management and Budget
O*NET	Occupational Information Network
OPA	Office of Public Affairs
OSHA	Occupational Safety and Health Administration
OWCP	Office of Workers' Compensation Programs
PART	Program Assessment Rating Tool

PBGC	Pension Benefit Guaranty Corporation
PMA	President's Management Agenda
PPI	Producer Price Index
PY	Program Year
SOL	Office of the Solicitor
SSA	Social Security Administration
SWA	State Workforce Agencies
TAA	Trade Adjustment Assistance
TAP	Transition Assistance Program
UI	Unemployment Insurance
USPS	U.S. Postal Service
UTF	Unemployment Trust Fund
VA	U.S. Department of Veterans Affairs
VETS	Veterans' Employment and Training Service
WB	Women's Bureau
WHD	Wage and Hour Division
WIA	Workforce Investment Act

5. Internet Links

Employment Information (For Workers and Employers)
America's Career InfoNet **http://www.acinet.org/acinet/**
America's Job Bank **http://www.ajb.dni.us/**
Occupational Outlook Handbook **http://www.bls.gov/oco/**
Job Corps **http://jobcorps.doleta.gov/**
DOL Jobs **http://www.dol.gov/oasam/doljobs/main.htm**
DisabilityInfo.gov **http://www.disabilityinfo.gov**
Job Accommodation Network (JAN) **http://www.jan.wvu.edu/**
Small Business and Self Employment Service (SBSES) **http://janweb.icdi.wvu.edu/sbses/**
Employer Assistance & Recruiting Network (EARN) **http://www.earnworks.com**
Women's Bureau GEM-Nursing Project **http://www.gem-nursing.org**

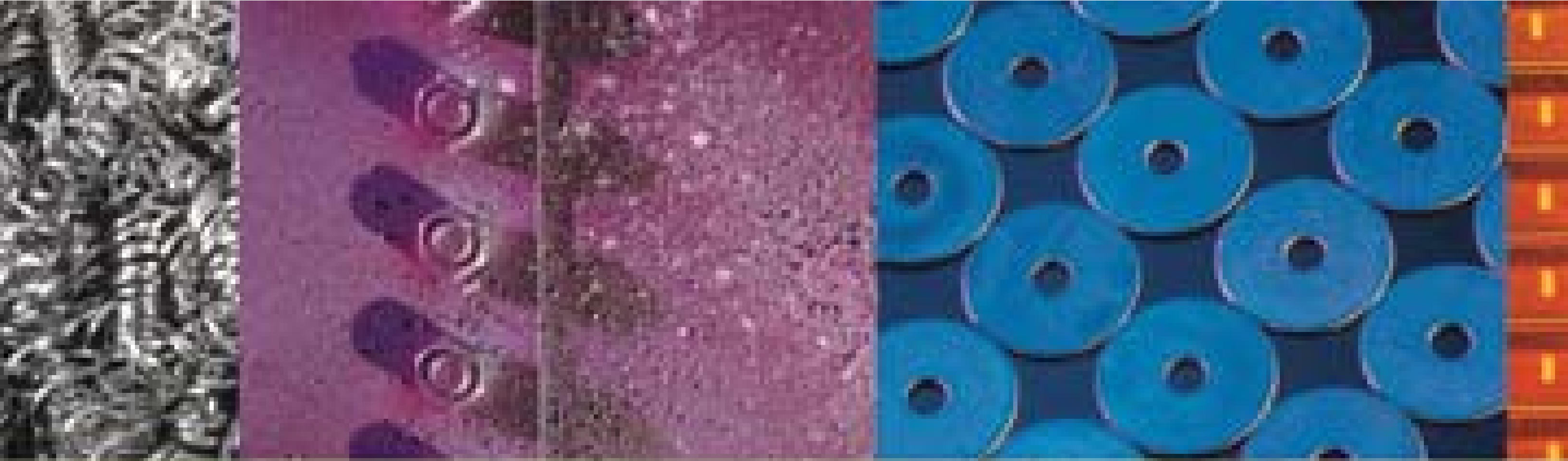
Workplace Laws and Related Information
DOL Compliance Assistance **http://www.dol.gov/compliance**
Employment Laws Assistance for Workers and Small Businesses **http://www.dol.gov/elaws/**
State Labor Laws and Offices **http://www.dol.gov/esa/programs/whd/state/state.htm**
Minimum Wage Q&A **http://www.dol.gov/esa/minwage/q-a.htm**
Fair Labor Standards Act **http://www.dol.gov/esa/regs/statutes/whd/allfair.htm**
Family & Medical Leave Act **http://www.dol.gov/esa/whd/fmla/**
Small Business Compliance Assistance **http://www.dol.gov/osbp/sbrefa/**
Union Reporting and Public Disclosure **http://www.dol.gov/esa/regs/compliance/olms/rrlo/lmrda.htm**

Statistical Information
Consumer Price Indexes **http://www.bls.gov/cpi/**
Bureau of Labor Statistics Most Requested Data **http://www.bls.gov/data/**
Current Population Survey **http://www.bls.gov/cps/**
Workplace Injury, Illness & Fatality Statistics **http://www.osha.gov/oshstats/work.html**
Employment Projections **http://www.bls.gov/emp**
International comparisons **http://www.bls.gov/fls/**
Employment, Hours, and Earnings **http://www.bls.gov/ces/**

Safety and Health Information
OSHA's Partnership Page **http://www.osha.gov/dcsp/partnerships/index.html**
The Workers' Page **http://www.osha.gov/as/opa/worker/index.html**
OSHA Regulations and Compliance Links **http://www.osha.gov/comp-links.html**
OSHA Standard Industrial Classification Search **http://www.osha.gov/oshstats/sicser.html**
OSHA Reading Room **http://www.osha.gov/readingroom.html**
MSHA's Accident Prevention Program **http://www.msha.gov/Accident_Prevention/appmain.htm**
Health Hazard Information (MSHA) **http://www.msha.gov/hhicm.htm**
To report a safety or health hazard to MSHA **http://www.msha.gov/codeaphone/codeaphonenew.htm**

Labor Department History
History at the Dept of Labor **http://www.dol.gov/asp/programs/history/main.htm**
Annals of the Dept of Labor **http://www.dol.gov/asp/programs/history/webannalspage.htm**

Labor Agencies
Bureau of International Labor Affairs **http://www.dol.gov/ILAB/**
Bureau of Labor Statistics **http://www.bls.gov/**
Employee Benefits Security Administration **http://www.dol.gov/ebsa/**
Employment Standards Administration **http://www.dol.gov/esa/**
Employment and Training Administration **http://www.doleta.gov**
Mine Safety and Health Administration **http://www.msha.gov**
Occupational Safety and Health Administration **http://www.osha.gov/index.html**
Office of Disability Employment Policy (ODEP) **http://www.dol.gov/odep/**
Veterans' Employment and Training Service **http://www.dol.gov/vets/**
Women's Bureau – A Voice for Working Women **http://www.dol.gov/wb/**



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