Mission, Vision and Organization

Mission

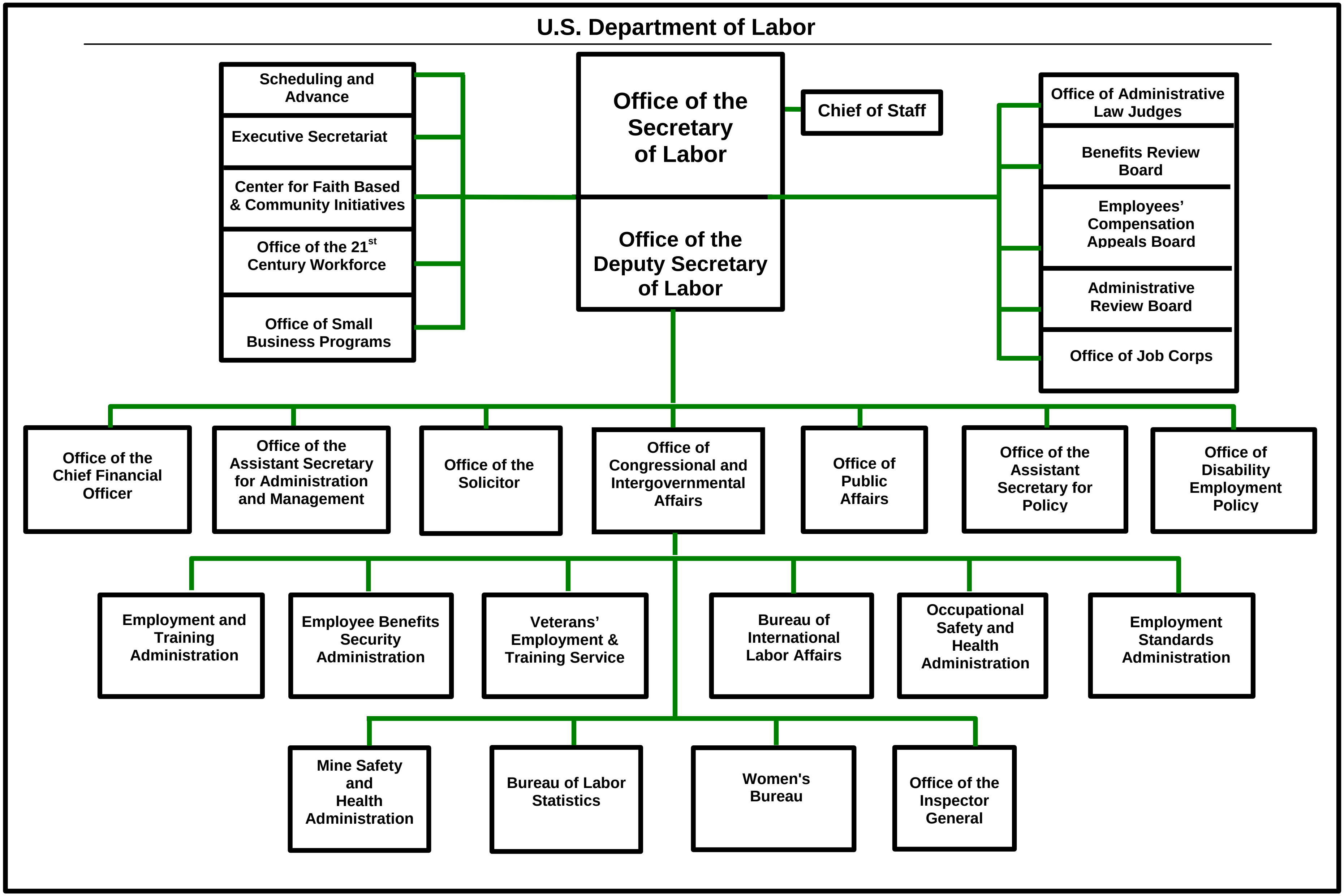
The Department of Labor (DOL) fosters and promotes the welfare of the job seekers, wage earners, and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find 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

[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	–	–	*912*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after program exit	–	–	
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	–	–	*791*
Percent of those employed in the first quarter after exit still employed in the second and third quarters after program exit	–	–	
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	–	–	*1543*
Percent of those employed in the first quarter after program exit still employed in the second and third quarters after program exit	–	–	
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.

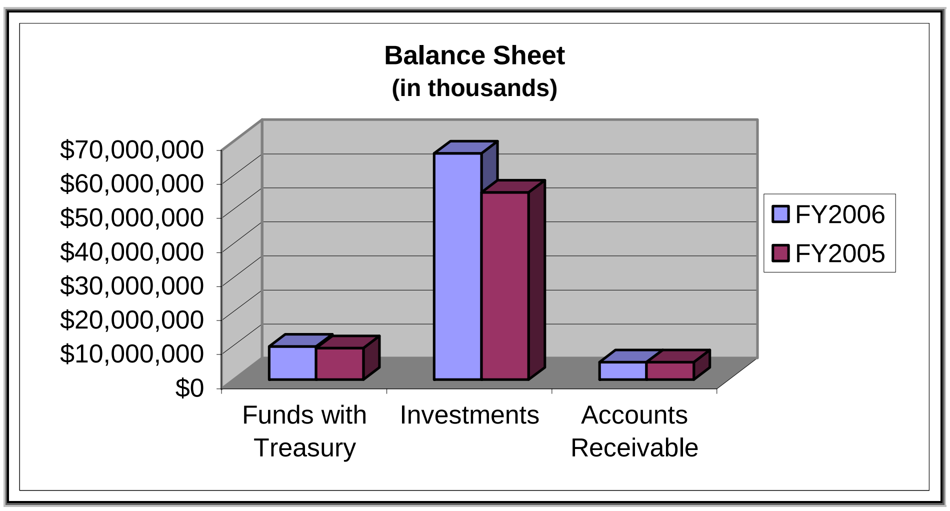
The Department continues to work aggressively with its agencies to increase the number of vendors receiving payments through *electronic fund transfer* (EFT). The percentage of vendors receiving EFT payments increased by 7% to 95%. ESA benefit and medical programs, although increasing in EFT payments,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

Analysis of Financial Statements

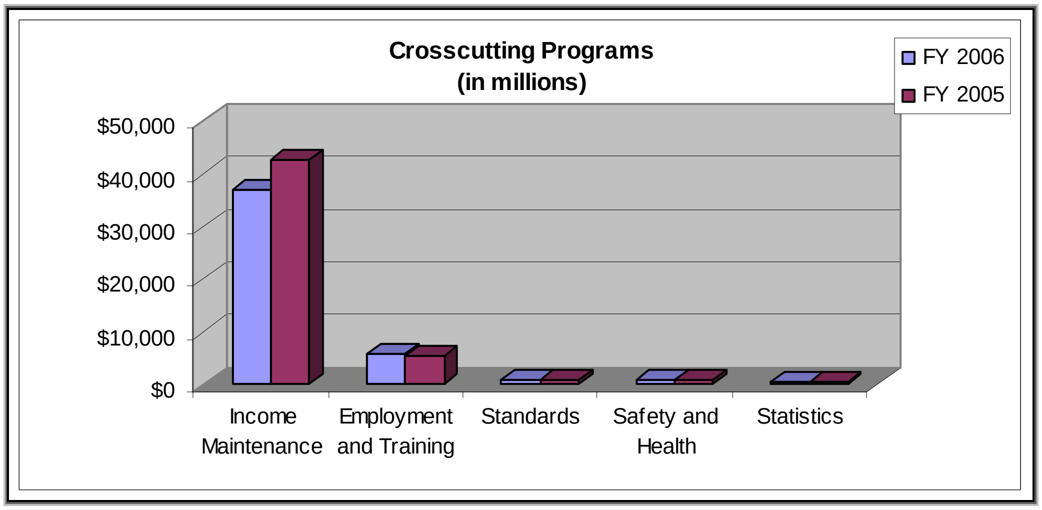
The principal financial statements summarize the Department's financial position, net cost of operations, and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2006 and FY 2005. Highlights of the financial 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.

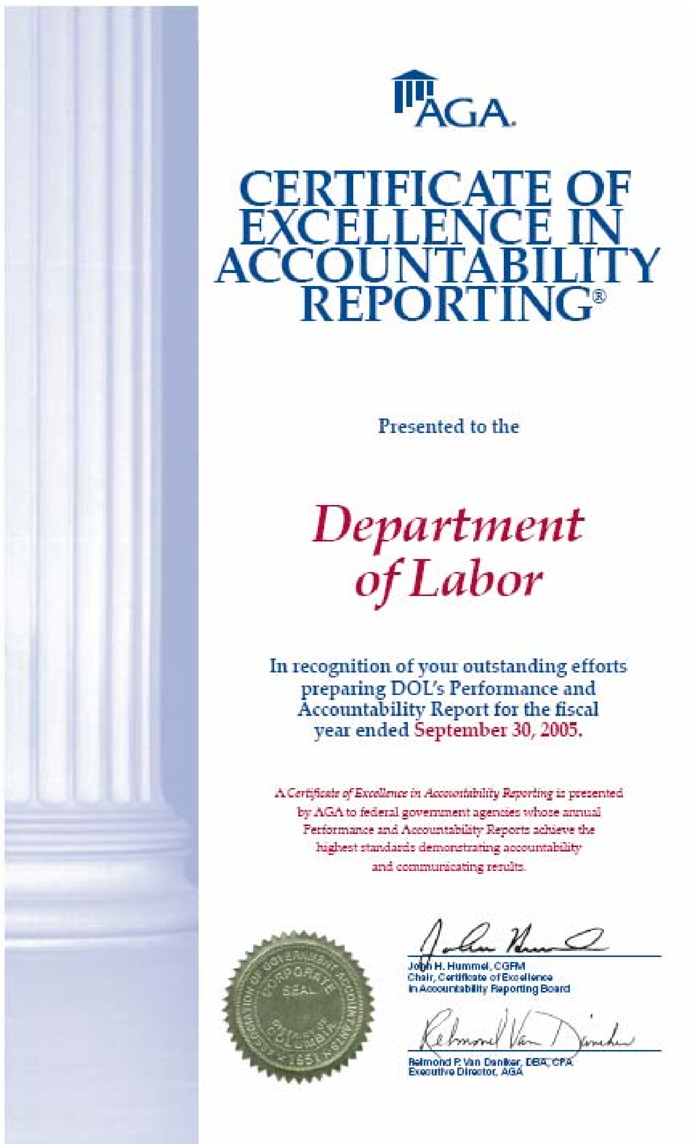
Furthermore, meeting improper payment reduction and recovery targets of programs such as UI and WIA are contingent upon the cooperation and support of State agencies and other outside stakeholders who are intricately involved in the day-to-day management of these programs' activities.

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.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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.	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.
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.		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 Institution 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.*		and violence, student background checks, and student accountability – June 2007.
	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.	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.
	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.	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 Workforce 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