



September 28, 2007

MEMORANDUM FOR: HOWARD M. RADZELY
Acting Deputy Secretary
of Labor

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Fiscal Year 2005 Department of Labor Earmarks
Final Report No. 02-07-205-50-598

At the request of Senator Tom Coburn, Chairman of the Subcommittee on Federal Financial Management, Government Information, and International Security, the Office of Inspector General (OIG), Office of Audit, initiated a project to obtain information regarding earmarks appropriated to the Department of Labor in Fiscal Year (FY) 2005. Senator Coburn requested the following information:

1. What Were the Total Number and Cost of FY 2005 DOL Earmarks?
2. What Oversight was Conducted on Earmarks and How Does This Compare to Oversight Conducted on Other Grants and Contracts?
3. What was the Overall Impact of Earmarks on Advancing the Primary Mission and Goals of DOL?

This report presents the information we obtained in response to Senator Coburn's request. The data included in this report are based on representations of DOL officials. We did not seek to validate the data as our objective did not include assessing the adequacy or sufficiency of the data collected. Accordingly, we do not express any form of assurance on the reported data.

DOL awarded 200 earmarks totaling \$125.3 million during FY 2005. Earmarks were funded by the following DOL agencies: Employment and Training Administration (ETA), Bureau of International Labor Affairs (ILAB), Mine Safety and Health Administration (MSHA), Occupational Safety and Health Administration (OSHA), and Office of Disability Employment Policy (ODEP).

ETA, OSHA, and ILAB provided oversight of their earmarks through desk reviews, risk assessments, and on-site monitoring. MSHA officials stated that oversight was provided primarily through the review of written progress reports. ODEP transferred its earmarked funds to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). Oversight was provided by CMS. For ETA, MSHA, OSHA and ODEP, earmarks' impact was minimal. Earmarks had a major impact on advancing ILAB's mission, as earmarks were the primary source of funding for its international child labor program.

1. What Were the Total Number and Cost of FY 2005 DOL Earmarks?

DOL reported 200 earmarks totaling \$125.3 million during FY 2005. ETA and ILAB accounted for 93 percent (56 percent and 37 percent, respectively) of the earmark funds awarded.

FY 2005 DOL EARMARKS

Agency	Reported by OMB		Reported by DOL			Funds Expended as of March 2007 (Millions)
	Number of Earmarks	Amount (Millions)	Number of Earmarks	Amount (Millions)	Percent of DOL Earmark Funds Reported	
ETA	199	\$65.4	194	\$70.7	56	\$27.8
ILAB	2	47.0	2	46.6	37	25.7
MSHA	2	3.7	2	3.7	3	3.4
OSHA	1	3.3	1	3.3	3	3.1
ODEP	<u>1</u>	<u>1.0</u>	<u>1</u>	<u>1.0</u>	<u>1</u>	<u>.7</u>
Total	<u>205</u>	<u>\$120.4</u>	<u>200</u>	<u>\$125.3</u>	<u>100</u>	<u>\$60.7</u>

A complete list of the earmarks reported by DOL is included as an attachment to this report.

We reconciled the \$120.4 million in earmarks reported by OMB with the \$125.3 million in earmarks reported by DOL, as follows:

Earmarks Reported by OMB	\$120.4 million
Errors in OMB Reported Amounts	5.7 million
Less: ETA Earmarks Not Awarded	<0.4 million>
Less: Other Minor Reporting Differences	<0.4 million>
Total Earmarks Reported by DOL	<u>\$125.3 million</u>

OMB underreported the amount appropriated by Congress for 3 earmarks, as detailed below:

Earmark Entity	Appropriated Amount	Reported by OMB	Difference
AFL-CIO Appalachian Council, Enterprise Community	\$2,200,000	\$220,000	\$1,980,000
AFL-CIO Working for America Institute	\$1,500,000	\$150,000	\$1,350,000
National Center on Education and the Economy	\$2,600,000	\$260,000	\$2,340,000
Total	\$6,300,000	\$630,000	\$5,670,000

We also found that ETA did not make awards totaling \$420,000 for the following five earmarks contained in its appropriation:

Earmark Entity	Appropriated Amount	Reason Not Awarded
Marshall County Economic Division	\$20,000	Entity did not submit a proposal because the proposed scope of work was outside organization's mission
Indian Territory Associates	\$50,000	Entity declined funds -- pilot project would not be able to occur as proposed
Community Learning Center of Washington County	\$150,000	Entity informed ETA that it would not pursue earmarked funding
California University of Pennsylvania	\$100,000	Entity did not submit a proposal that met ETA's requirements
413 Hope Mission Ministries	\$100,000	Entity did not submit a proposal that met ETA's requirements
Total	\$420,000	

ETA

Congress appropriated 199 earmarks; of these, 194 were awarded totaling \$70.7 million. As explained above, five of the intended recipients of earmarks did not receive funding. Generally, earmarks were used to serve a target group of job seekers, wage earners or retirees, and contained specific performance measures for enrollment, training completion, skill attainment, placement, cost per participant, retention, and employer and participant-customer satisfaction. As of March 31, 2007, ETA reported \$27.8 million, or 39 percent of the amount awarded, had been expended.

ILAB

ILAB received \$46.6 million for two earmarks to the International Labour Organization (ILO), an agency of the United Nations. Of this amount, \$44.6 million was utilized for the elimination of international child labor, and \$2 million was for international HIV/AIDS workplace education. As of March 31, 2007, ILAB reported \$25.7 million, or 55 percent, of the earmark amount had been expended.

MSHA

MSHA received \$3.7 million for two earmarks. One earmark was awarded as a \$3 million contract to the National Technology Transfer Center at Wheeling Jesuit University in Wheeling, West Virginia. The purpose of the earmark was to support the Coal Impoundment Location and Information System. Coal impoundments store water and waste created during the mining process, and are subject to breaks that can result in serious flooding. The Coal Impoundment Location and Information System identifies coal impoundments in West Virginia and other states and is used to alert nearby residents of emergency situations and related evacuation plans. MSHA's other earmark was a \$750,000 contract for infrastructure improvements at the Mine Academy in Beckley, West Virginia. As of March 31, 2007, MSHA reported that \$3.4 million, or 92 percent of the amount awarded, had been expended.

OSHA

OSHA received a \$3.3 million earmark to continue funding 17 Susan Harwood Institutional Competency Building grants. These grants are intended to provide employers and employees in high hazard industries with training and education programs that address the recognition, avoidance, and prevention of occupational safety and health hazards. As of March 31, 2007, OSHA reported \$3.1 million, or 94 percent of the amount awarded, had been expended.

ODEP

ODEP received an earmark directing it to transfer \$1 million to CMS to build on a previous pilot between ODEP and CMS. The pilot provided for the performance of CMS call center work by individuals with severe disabilities working from home-based workstations. A Memorandum of Understanding was signed between ODEP and CMS delegating responsibility for oversight and implementation to CMS. As of March 31, 2007, ODEP reported that \$700,000, or 70 percent of the amount awarded, had been expended.

2. What Oversight was Conducted on Earmarks and How Does This Compare to Oversight Conducted on Other Grants and Contracts?

At three DOL agencies (ETA, OSHA, and ILAB), oversight was provided through desk reviews, risk assessments, and on-site monitoring. MSHA officials stated that oversight was provided primarily by reviewing written progress reports, while ODEP transferred responsibility for oversight to CMS. There were no instances noted where oversight policies differed for earmarks as compared to other awards.

ETA

ETA's oversight procedures used a multi-step approach that included: a structured risk assessment of all new grants and grantees; quarterly desk reviews of the financial and program performance of each grant; onsite review of grantees; and the use of a standard monitoring guide. For FY 2005 earmarks, ETA reported that it had completed risk assessments for 97 percent of the earmark grants, conducted on-site monitoring for 29 percent, and performed desk reviews for 99 percent.

Employment and Training Order No. 1-03, Improving Administration of Grants within the Employment and Training Administration, states:

Regional and program offices with assigned grants will develop an on-site oversight/monitoring strategy for each grant . . . The strategy will use the results of a standardized Risk Assessment, updated quarterly to help determine the priority for scheduling on-site visits to the grantee. Regional and program offices will make on-site visits to all new grants within 12 months of beginning grant activity. . . . New grants that are rated in the "at-risk" category at the time of start-up will be visited on site within the first three months of operation. Any ongoing grant that falls into the "at-risk" category during the period of grant performance will be visited on site within three months of the updated risk assessment... Every grant not selected for an on-site visit during a year will undergo an annual desk audit... FPOs [Federal Project Officer] will conduct quarterly data analysis of financial reports and performance reports to assure that reports are timely and accurate and demonstrate satisfactory progress in achieving the goals of the project. The results of the quarterly analysis will be documented in the Grants e-Management System (GEMS). . . .

Further, ETA established the Philadelphia Center for Excellence to manage and coordinate ETA's earmark award process. The Philadelphia Center for Excellence reviewed grant proposals and provided technical assistance and policy guidance to Regional Offices and earmark grantees.

ILAB

ILAB received \$46.6 million for two earmarks to the ILO, an agency of the United Nations. The United Nations, not ILAB, has direct oversight responsibilities for the ILO.

The United Nations' oversight of the ILO is provided through its internal auditor (Office of Internal Oversight Services) and an external auditor. The external auditor is selected for a 4-6 year term from organizations similar to the United States' Government Accountability Office. The external auditor is currently the National Audit Office of the United Kingdom. Because it is an agency of the United Nations, headquartered in Geneva, Switzerland, the ILO is not subject to the audit requirements of OMB Circular A-133.

According to ILAB officials, ILAB is responsible for providing the necessary oversight to the projects funded under its cooperative agreement with the ILO to ensure that project objectives are achieved and funds are spent in compliance with the terms and conditions of the cooperative agreement.

ILAB's oversight role for the funds earmarked to the ILO is outlined in the USDOL-ILO Cooperative Agreement, with more substantive directives included in ILO's Management Procedures and Guidelines (MPG). According to the MPG:

USDOL involvement focuses on working with the ILO in order to refine project documents and their corresponding budgets, monitoring implementation through progress reports, and mid-term and final project evaluations. USDOL involvement is generally characterized by written comments and oral feedback tied to the approval of deliverables and grantee performance, as outlined in the Cooperative Agreement and individual project documents. USDOL staff may also conduct field visits to the project.

ILAB officials stated that they perform risk assessments on ILAB-funded ILO projects, and use the risk assessments to identify projects for review by ILO's external auditors. According to ILAB officials, until about 2004, the external auditors conducted solely financial audits of the ILO and its programs. ILAB officials stated that, more recently, ILAB has provided funding to the external auditors to conduct project specific audits that assessed and provided an opinion on the reliability of financial and performance data reports, and compliance with the terms and conditions of the cooperative agreement.

MSHA

The Contracting Officer and Contracting Officer's Technical Representative provided oversight of MSHA's two earmarks. According to MSHA officials,

oversight was provided primarily through written progress reports provided with each invoice for payment.

OSHA

OSHA officials stated that oversight of earmarks was provided by OSHA regional offices. OSHA regional offices are required to perform program and financial monitoring of all Harwood grants, including earmarks, annually. OSHA Directive Number TED 03-00-001, Administering OSHA Discretionary Grant Programs, requires regional offices to conduct at least two on-site monitoring visits during the first year of the grant and at least one on-site monitoring visit during each subsequent year.

ODEP

A Memorandum of Understanding delegated oversight responsibility to CMS. ODEP receives progress reports provided by CMS on a quarterly basis and upon project completion.

Objective 3: What was the Overall Impact of Earmarks on Advancing the Primary Mission and Goals of DOL?

For ETA, MSHA, OSHA and ODEP, earmarks' impact was minimal. Earmarks had a major impact on advancing ILAB's mission, as earmarks were the primary source of funding for its international child labor program. ILAB, through its Office of Child Labor, Forced Labor, and Human Trafficking (OCFT), funds and oversees cooperative agreements and contracts to organizations engaged in efforts to eliminate exploitive child labor around the world. The \$44.6 million earmark appropriated to ILAB in FY 2005 for the elimination of international child labor provided 56 percent of the funding for the international child labor program.

ETA

Generally, ETA's earmarks were used to serve a target group of job seekers, wage earners or retirees, supporting ETA's mission of improving working conditions, advancing opportunities for profitable employment, protecting retirement and healthcare benefits, and helping employers find workers. ETA's earmarks accounted for less than 1 percent of ETA's FY 2005 Budget. These activities supported DOL's Strategic Goals 1 and 4: A Prepared Workforce and A Competitive Workforce.

ILAB

Earmarks had a major impact on advancing ILAB's mission, as earmarks were the primary source of funding for its international child labor program. ILAB reported receiving \$46.6 million of earmarked funds in FY 2005, which

represented 50 percent of ILAB's overall budget of \$94 million. The \$44.6 million earmark for the elimination of child labor represented approximately 56 percent of ILAB's Elimination of Child Labor budget of \$79 million. In FY 2005, DOL reported 150,708 children were removed or prevented from child labor and provided education or training opportunities as a result of ILAB activities. Earmark-funded projects supported DOL's Strategic Goal 3: A Quality Workforce.

MSHA

MSHA officials stated that one of MSHA's earmarks furthered DOL's mission by supporting the Coal Impoundment Location and Information System. Coal impoundments store water and waste created during the mining process, and are subject to breaks that can result in serious flooding. The Coal Impoundment Location and Information System identifies coal impoundments in West Virginia and other states and is used to alert nearby residents of emergency situations and related evacuation plans. MSHA's other earmark funded improvements to a facility at its Mine Safety and Health Academy in Beckley, West Virginia. MSHA officials stated that these improvements enhanced DOL's ability to support its continuity of operation plans. MSHA earmarks accounted for less than 2 percent of its budget for FY 2005, and supported DOL's Strategic Goal 3: A Quality Workforce.

OSHA

OSHA earmarks provided training and education programs that addressed the recognition, avoidance, and prevention of occupational safety and health hazards to employers and employees in high hazard industries, and to small business employers, young workers and limited-English-proficient employees. OSHA earmarks account for less than 1 percent of its budget for FY 2005, and supported DOL's Strategic Goal 3: A Quality Workforce.

ODEP

The ODEP earmark was used to recruit, hire, and employ qualified individuals with disabilities to work as Customer Service Representatives from their home. The tele-work initiative fit both the development of effective employment practices and the development of disability employment policy. ODEP earmarks account for 2 percent of its budget for FY 2005, and supported DOL's Strategic Goal 2: A Secure Workforce.

I would like to express our appreciation for the cooperation and courtesy that was extended to us by your staff. If you have any questions or would like a briefing on this report, please contact me on 693-5166.

Attachment

EARMARK AWARD RECIPIENT	AMOUNT AWARD
<u>Employment and Training Administration</u>	
Advanced Ceramics Foundation	\$991,700
AFL-CIO Appalachian Council, Enterprise Community	2,200,000
AFL-CIO Working For America Institute	1,500,000
American Community Partnership	198,400
Amer-I-Can Illinois, Inc.	49,600
Amigos De Los Rios	99,200
Asnuntuck Community College	198,400
Automation Alley	446,400
Base, Inc.	99,200
Ben Franklin Technology Partners Corporation	99,200
Biopartners at Lake Success, Inc.	252,960
Bismarck State College	496,000
Black Clergy of Philadelphia & Vicinity	4,000,000
Blackhawk Technical College	297,600
Board Of Regents - NSHE on Behalf of Desert Research Institute	148,800
Brooklyn Public Library	496,000
Burlington School District	198,400
Camp, Inc.	496,000
Capital Investing in the Development & Education of Adults, Inc.	317,440
Capital Workforce Partners	99,200
Career Academy	286,688
Career Resources Inc	99,200
Carl Sandburg College	99,200
Center for Employment Training	198,400
Central State University	198,400
Centralia College	248,000
Charity Cultural Services, Inc	396,800
Chattanooga State Tech Community College	396,800
Cincinnati State Technical And Community College	248,000
City of Auburn, New York	297,600
City of Hawthorne - South Bay Workforce Investment Board	287,680
City of Santa Ana Work Center	198,400
Clackamas Community College	148,800
Collegiate Consortium for Workforce and Economic Development	297,600
Communities in School of San Francisco Valley Inc.	530,720
Community College of Allegheny County	49,600
Community Educational Council of Elk and Cameron Counties	74,400
Community Empowerment Association Inc	99,200
Community Transportation Association of America	496,000
Cook Inlet Tribal Council, Inc.	223,200
Council of State Gov't (Northeast States Assoc. for Agricultural Stewardship)	74,400
County of San Bernardino	248,000
Delaware Valley Project W/DBA Hireability	99,200
Denali Commission	6,944,000
Department of Labor and Industrial Relations/State Of Hawaii	1,984,000
Dorcas Place Adult & Family Learning Center, Inc.	148,800

EARMARK AWARD RECIPIENT	AMOUNT AWARD
Economic Growth Connection of Westmoreland	148,800
Empowerment Group	99,200
Expertise, Inc.	248,000
Fashion Business, Inc.	49,600
Fay-Penn Economic Development Council	99,200
Florida Institute of Technology	892,800
Fort Worth Hispanic Chamber of Commerce, Inc.	331,328
Fresno County	223,200
Fresno County WIB	396,800
Fresno County WIB	99,200
George C. Wallace Community College	148,800
Houston Area Urban League, Inc.	297,600
Illinois State University	496,000
Illinois Valley Community College	396,800
Impact Services Corporation	74,400
International Association of Jewish Vocational Services	148,800
Iowa Valley Community College	148,800
IRC Network, Inc.	99,200
Ivy Tech Community College of Indiana - Fort Wayne Campus	49,600
Jackson County Twenty-First Century Council	74,400
Jackson Memorial Hospital	124,000
Jewish Family and Children's Services of Pittsburgh	99,200
Jewish Healthcare Foundation	99,200
Jewish Vocational Service	198,400
Jewish Vocational Services, Inc. – Boston	396,800
Kennebec Valley Community College	248,000
Ken's Kid, Inc.	49,600
Lake County	198,400
Laramie County Community College	99,200
Lawson State Community College	138,880
Louisiana National Guard	99,200
Maglev, Inc.	992,000
Maine Manufacturing Extension Project	248,000
Massachusetts League of Community Health Centers, Inc.	248,000
Massachusetts Manufacturing Extension Partnership	124,000
Maui Economic Development Board	300,000
Maui Economic Development Board	300,000
Maura-Clarke-Ita Ford Center	248,000
Mayor's Office of Employment Development	446,400
Mayville State University	99,200
McKean County Housing & Redevelopment Authority	99,200
Meca United Cerebral Palsy, Inc.	49,600
Medina Works	148,800
Melwood Horticultural Training Center, Inc.	198,400
Mercy Vocational High School	148,800
Metropolitan Career Center	99,200
Milwaukee Area Technical College	446,400
Mineral Area College	496,000
Minot State University	644,800

EARMARK AWARD RECIPIENT	AMOUNT AWARD
Mississippi State Univ. -- Robotics & Automated Systems For Nursery Industry	496,000
Mission of Love Charities, Inc.	148,800
Mississippi State University	496,000
Mississippi State University	396,800
Mississippi Technology Alliance	496,000
Mississippi Valley State University	396,800
Montachusets Opportunity Council Inc.	198,400
Montana State University - College Of Business	124,000
Multicultural Community Family Services, Inc.	49,600
National Center on Education And The Economy	2,600,000
National Council of La Raza	496,000
National Student Partnerships, Inc.	595,200
New Courtland Elder Services	148,800
New York Association for New Americans, Inc.	99,200
North Carolina Rural Economic Development Center, Inc.	396,800
Northeast Higher Education District	347,200
Northwest Artic Borough School District	248,000
Northwest Pennsylvania Industrial Resource Center	148,800
Northwest Wisconsin CEP, Inc.	694,400
Opportunities Industrialization Centers Inc.	248,000
Our House, Inc.	148,800
PA Learning Network, Inc.	99,200
Patrick County Education Foundation	99,200
Phoenix Houses Of New England	99,200
Piedmont Virginia Community College - Division of Workforce Services	99,200
Pine Ridge Area Chamber Of Commerce	198,400
Pittsburgh Airport Area Chamber Enterprise Foundation	74,400
Polk Community College	198,400
Precision Manufacturing Institute	99,200
Project Arriba	337,280
Project One	24,800
Public Health Foundation Enterprises, Inc. for Aztecs Rising	396,800
Ramsey County	99,200
Regional Economic Development District Initiatives (REDDI)	99,200
Regional Technical Center, City of Holly Springs	99,200
Reg. Workforce Inv. Alliance (AKA Central Iowa Emp. & Training Consortium)	595,200
Rend Lake College	148,800
Research Foundation of State University Of New York	99,200
Robert Morris University	99,200
Rural Enterprises of Oklahoma, Inc.	49,600
San Diego Second Chance Program	218,240
Schoolcraft College	99,200
Seattle King County Workforce Development Council	99,200
Second Chance Employment Services	99,200
Shelton State Community College	406,720
Smart Futures (AKA Tides Center of Western Pennsylvania)	24,800
Society of St. Vincent De Paul of South Pineallas	248,000
South Seattle Community College	99,200
Southeast Local Dev. District AKA Southeast Tennessee Dev. District	297,600

EARMARK AWARD RECIPIENT	AMOUNT AWARD
Southland Health Care Forum	99,200
Southwest Alaska Vocational & Education Center	496,000
Southwestern Oklahoma State University	317,440
St. Louis Community College	317,440
Stark State College Of Technology	429,536
Stark State College Of Technology	198,400
State Of Alaska, Department Of Labor And Workforce Development	496,000
Stillman College	138,880
Teach Tec, Training & Employment Center	322,400
Team Taylor County	248,000
The Abilities Fund	992,000
The Employment Source	396,800
The Enterprise Center	99,200
The Excel Institute	426,560
The Hispanic Center, Inc. (The Hispanic/Latino Center)	49,600
The Institute for Human Investment and Economic Growth	99,200
The Iowa Department of Human Rights - Division of Latino Affairs	241,056
The Philadelphia Veterans Multi-Service	545,600
The Prince Music Theater	74,400
The Women's Resource Assistance Program	99,200
Tunkhannock Area School District	49,600
UMWA Career Centers, Inc.	793,600
United Mine Workers of America Career Center	1,190,400
University of Alaska - Southeast Ketchikan	148,800
University of Hawaii/Maui Community College	496,000
University of Hawaii/Maui Community College	1,785,600
University of Hawaii/Maui Comm. College (Hawaii Comm. Foundation)	1,488,000
University of Idaho, College Of Agriculture	892,800
University of Northern Iowa	198,400
University of Wisconsin – Stout	148,800
Upper Catskill Television Network	99,200
Valencia County Hispano COC	248,000
Valley Initiative for Development and Advancement	317,440
Vermont Healthcare Information Technology	322,400
Vietnam Veterans Leadership Program of Western Pennsylvania, Inc.	744,000
Vermont Department Of Labor	446,400
Waubonsee Community College	297,600
WAVE	74,400
West Shore Community College	396,800
West Virginia High Tech Consortium Foundation	496,000
WHYY Inc.	49,600
Wire Net	367,040
Women Work! The National Network for Women Employment	49,600
Workforce Connections, Inc.	198,400
WIB of Herkimer, Madison and Oneida Counties	173,600
Workforce Resource, Inc.	148,800
Worknet Pinellas, Inc.	198,400
Worksystems, Inc.	297,600
Wrightco Technologies Inc.	99,200

EARMARK AWARD RECIPIENT	AMOUNT AWARD
Wrightco Technologies Inc.	99,200
TOTAL	<u>\$70,651,828</u>
<u>Bureau of International Labor Affairs (ILAB)</u>	
International Labour Organization (ILO) 17 projects	\$44,640,000
International HIV/AIDS Workplace Education Program	<u>1,984,000</u>
TOTAL¹	<u>\$46,624,000</u>
<u>Mine Safety and Health Administration (MSHA)</u>	
Mine Academy in Beckley, West Virginia	\$750,000
National Technology Transfer Center at Wheeling Jesuit University	<u>3,000,000</u>
TOTAL	<u>\$3,750,000</u>
<u>Occupational Safety and Health Administration (OSHA)</u>	
Susan Harwood Institutional Competency Building category grants	<u>\$3,258,943</u>
<u>Office of Disability Employment Policy</u>	
DHHS Centers for Medicare and Medicaid Services	<u>\$994,600</u>
TOTAL EARMARK AWARDS	<u>\$125,279,371</u>

¹ ILAB retained \$5,382,000 for oversight activities of its two earmarks.