

## 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 2003. It is divided into four major sections:

The *Annual Performance Report* conveys, through data, analyses and examples, progress in achieving the Department's goals. The appendices provide additional details and explanatory materials supporting the program results.

The *Financial Performance Report* 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.

The *Audit Report and Financial Statements* are provided in their entirety. The Audit Report is an independent opinion on the Financial Statements provided by the Department's Office of Inspector General.

The *Management and Performance Challenges* section of this report summarizes the top management issues identified by the Department's Inspector General and the Department's progress and plans to meet these challenges. Both the Annual Performance Report and the Financial Performance Report discuss these challenges in detail, where they apply to specific performance goals and financial issues.

A summary of each of the four sections follows.

### I. Annual Performance Report

This marks the fifth year that the Department of Labor has reported program results under the Government Performance and Results Act (GPRA). Goals that are key to the accomplishment of Departmental strategic goals were selected from individual DOL agency plans for inclusion in the Department's Annual Performance Plan, providing a basis for assessing the Department's effectiveness.

DOL's annual report includes performance goals from two different annual plans because some goals are tracked on a cycle that differs from the fiscal year (FY). Many of the Employment and Training Administration's programs are funded on the basis of a Program Year (PY) that begins nine months later than the fiscal year – in this case, July 1, 2003 vs. October 1, 2002 – so their performance data lag as well. Although, for funding reasons, program year goals appear in the same plan as fiscal year goals, their reports are staggered. This report covers PY 2002 and FY 2003 goals; PY 2003 goals will appear in the FY 2004 report.

The Department's goal structure has three levels. Strategic goals describe outcomes 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 has associated indicators and targets to measure our impact on a continuous basis.

The report is organized by strategic goal. Appendices 2 and 4 provide summary and detailed performance goal information, respectively.

### Program Performance Overview

Of the 36 performance goals presented in the FY 2003 Annual Performance Report (28 program goals plus 8 management goals), the Department achieved 18, substantially achieved 5 and did not achieve 12. One goal (1.1E) was not measured due to the implementation of a new measurement and reporting system. Therefore, the following results discussions are based on the 35 measured goals. The percentage achieved or substantially achieved totals 66 percent. In FY 2002, the Department achieved or substantially achieved 74 percent of its goals. The assessment category of substantially achieved recognizes results that were very close (i.e., 80 percent of targeted year-on-year improvement). A list of all performance goals appears in Appendix 2; it identifies the responsible DOL agency, the goal statement, assessment of results and period of measurement for each goal.

A tally of goals achieved, while providing a quick 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 targets were reached, but also at how observed results compare with historical trends. Several examples from FY 2003 illustrate how the Department uses performance measurement to set goals and to provide feedback on which strategies are working. The first two are success stories; the third indicates changes are in order:

- Performance Goal 1.2A (Workforce Investment Act Youth programs) – Diploma attainment for youth ages 14-18 rose steadily from 34.7 percent in Program Year (PY) 2000 to 54.6 percent in PY 2002 (ending June 30, 2003). Employment retention – youth ages 19-21 still at work in the same job after 6 months – reversed a slight dip from 76.9 percent in PY 2000 to 75.0 percent in PY 2001 with a sharp rise to 80.1 percent this year. The Department achieved these results due to extensive training and technical assistance to previously under-performing States and local workforce investment areas. This training assisted States to tailor their performance-improvement strategies based on their specific needs and deficiencies.
- Performance Goal 2.2D (Pension Benefit Guaranty Corporation) – Just five years ago, beneficiaries of defined benefit plans taken over by PBGC had to wait almost six years for an official determination of their benefits. The wait has been dramatically reduced to just over two years in FY 2003. PBGC achieved this remarkable improvement in the face of soaring workload by working earlier and more closely with plan sponsors and skillfully taking advantage of new technology.
- Performance Goal 2.3B (Trade Adjustment Assistance) – Trends for employment, retention and earnings replacement are down for the second consecutive year. In FY 2001, the employment rate for workers dislocated by trade policy and participating in this program was 66 percent; by FY 2003, the rate dropped to 62 percent. Over the same period, retention dropped from 90 percent to 84 percent and earnings six months after exit dropped from 88 percent of pre-dislocation wages to 75 percent. The Trade Adjustment Assistance program will join the Department's other employment and job training programs in adopting common measures in FY 2004. This will completely align Trade Act Program measures with those for the WIA Dislocated Worker Program, which achieved success in both employment rates and job retention rates for program participants in Program Year (PY) 2002.

Details regarding each of these programs can be found in their respective narratives in the Annual Performance Report section. Other narratives do not tell stories as dramatic as these, but all are informative in demonstrating how we track progress in accomplishing our mission and adjust our strategies accordingly.

DOL's three strategic goals – *A Prepared Workforce*, *A Secure Workforce*, and *Quality Workplaces* – articulate the challenge of helping every American prosper through participation in the workforce. They have served to focus DOL staff on the links between activities and their higher purpose. The table below indicates FY 2003 program performance goal achievement by strategic goal.

Program Performance Goal Achievement (FY 2003)*				
DOL Strategic Goal	Achieved	Substantially Achieved	Not Achieved	Total
<b>Goal 1 – A Prepared Workforce</b>				
Enhance Opportunities for America's Workforce	4	1	5	10
<b>Goal 2 – A Secure Workforce</b>				
Promote the Economic Security of Workers and Families	1	4	3	8
<b>Goal 3 – Quality Workplaces</b>				
Foster Quality Workplaces that are Safe, Healthy and Fair	7	0	2	9
<b>Total</b>	<b>12</b>	<b>5</b>	<b>10</b>	<b>27</b>

\* The eight management goals excluded from this table are discussed in the Departmental Management Goals section. DOL achieved six of them and did not achieve two.

The Department's recently published *FY 2003-2008 Strategic Plan* introduced a fourth strategic goal – *A Competitive Workforce* – that augments the existing strategic goals by explicit recognition of the need to evaluate and respond to trends in labor markets so that workers are prepared to fill the jobs of tomorrow. Due to the timing of performance plans, budgets and reports, this goal and its associated outcome and performance goals will not be reported on until FY 2004. The shift in emphasis is already taking place, however, in many programs across the Department.

Costs devoted toward achieving the Department's strategic goals are dominated by the second goal, *A Secure Workforce*, for which net costs in FY 2003 amounted to \$60 billion. Of this amount, \$53.4 billion represents benefit payments to unemployed workers funded primarily through employer-paid insurance taxes. The first goal, *A Prepared Workforce*, required \$7 billion (10 percent of total net costs). The \$7 billion was spent mostly in the form of grants to States and other organizations to offer job training and a host of employment-related services to assist workers to improve their skills and obtain productive, long-term employment. Less than \$1 billion (1 percent) went toward the third goal, *A Quality Workplace*, to fund direct services (such as salaries of Federal employees) aimed at improving safety and health in the workplace.<sup>1</sup>

<sup>1</sup> Net cost data is 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.

## DOL Program Costs (Millions of Dollars)

Goal	FY 2001	FY 2002	FY 2003
<b>Strategic Goal 1: A Prepared Workforce</b>	<b>\$6,346</b>	<b>\$6,934</b>	<b>\$6,923</b>
Outcome Goal 1.1 – Increase Employment, Earnings and Assistance	3,212	3,596	3,433
Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work	2,671	2,829	2,957
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy	463	509	533
<b>Strategic Goal 2: A Secure Workforce</b>	<b>35,189</b>	<b>57,005</b>	<b>59,969</b>
Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws	299	350	273
Outcome Goal 2.2 – Protect Worker Benefits	33,834	54,993	57,718
Outcome Goal 2.3 – Increase Employment and Earnings for Retrained Workers	1,056	1,662	1,978
<b>Strategies Goal 3: Quality Workplaces</b>	<b>885*</b>	<b>949</b>	<b>992</b>
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities	724	781	815
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces	108	117	118
Outcome Goal 3.3 – Reduce Exploitation of Child Labor and Address Core International Labor Standards Issues	45	51**	58**
Costs Not Assigned to Goals	41	48	44
Total (may not be equal to sum of individual goal totals due to rounding)	\$42,460	\$64,936	\$67,928

\* Includes \$8 million for a fourth outcome goal that was discontinued after FY 2001.

\*\* These figures do not match those in the Consolidated Statement of Net Costs by Outcome Goal. For an explanation, see the footnote to the Program Cost section of Outcome Goal 3.3 introduction.

Below is a breakdown, by strategic goal, of performance goal achievement and developments deemed most significant in terms of outcomes.

## Strategic Goal 1 – A Prepared Workforce

Of 10 performance goals measured, DOL achieved four (40 percent), substantially achieved one (10 percent), and did not achieve five (50 percent). One goal was not measured. The total achieved and substantially achieved (50 percent) is below the Department wide average of 63 percent. A close look at the performance indicators for each goal will reveal that most of the goals that were not achieved are tied very closely to the labor market, which continued to suffer from high unemployment in FY 2003. This adversely affected 9 of the 11 programs, most of which have employment, retention, and earnings indicators to measure their performance.

While we were certainly disappointed at not making as much progress as we had planned, there were notable successes in FY 2003 in DOL's effort to prepare America's workforce. For example, the Workforce Investment Act (WIA) Adult program increased employment rates of its participants to 74 percent and retention rates to 84 percent; over 60 percent of Homeless Veterans Reintegration Project participants successfully entered employment; and the diploma attainment rate for 14-18 year old participants in the WIA Youth program (55 percent) was above target, as were employment (67 percent) and retention rates (80 percent) for 19-21 year olds.

In FY 2004, DOL will implement the common measures for federal employment and job training programs – entered employment rate, retention rate, and earnings increase for adult programs, and entered employment/education attainment of degree or certificate, and literacy and numeracy gains for youth programs. To help maintain our Nation's economic competitiveness in the years to come, DOL will focus on supporting a strong academic foundation for workers, better understanding the needs of business, working with training providers and employers on new curricula and apprenticeship programs, and expanding cooperation with faith-based and community organizations.

#### Strategic Goal 2 – A Secure Workforce

Of eight performance goals, DOL achieved one (12 percent), substantially achieved four (50 percent), and did not achieve three (38 percent). The total achieved and substantially achieved (62 percent) is slightly below the Departmental average. Two of the three goals that were not achieved are associated with employment and training programs similar to those discussed under Strategic Goal 1 that were unable to overcome macroeconomic trends.

Significant achievements of the Department in FY 2003 related to workers' security were a 69 percent corrected violations rate in pension and health benefit civil cases; a dramatic reduction (from 3.3 years to 2.2 years, on average) in processing of benefit determination notifications to participants in pension plans taken over by the Pension Benefit Guaranty Corporation (PBCG); and continued increases in WIA Dislocated Worker employment and retention rates (to 82 percent and 90 percent, respectively).

New strategies for continuing progress in this area include further improvements in compliance assistance, better targeting of enforcement efforts, educational outreach to employees, technical training of State partners (especially on prevention and detection of erroneous payments), and full utilization of One-Stop Career Centers to accelerate re-employment of dislocated workers.

#### Strategic Goal 3 – Quality Workplaces

Of nine performance goals, DOL achieved seven (78 percent) and did not achieve two (22 percent). This is significantly higher than the Department's average for achieved and substantially achieved (66 percent).

Workplaces became safer, healthier and fairer in FY 2003, thanks in part to the Department's programs. A few of the improvements we measured were a reduction in the mine industry injury rate to 4.27 incidents per 200,000 hours worked; reductions in occupational injury and illness rates in all five designated high-hazard industries; a large drop in the incidence of discrimination among federal contractors to just 1.2 percent of those evaluated; and the saving of 79,769 children from exploitative labor in foreign countries.

DOL strategies for further improvement of working conditions for Americans are review of enforcement targeting policies, expansion of preventive practices education efforts, formation of more safety program alliances with businesses, promotion of model recruiting methods, and partnering with employers and trade associations to provide compliance assistance on equal employment opportunity and anti-discrimination issues.

### Reporting Performance Results

The Annual Performance Report presents, by strategic goal, summaries of performance at each level. Each strategic goal section is introduced by an overview of the goal, its component outcome goals, results for FY 2003 and near term outlook/plan highlights. Outcome goal introductions follow a similar format, adding information on net costs. Finally, each individual performance goal is discussed in some detail, including the following:

- A description of the program
- Results and analysis of performance
- Strategies employed
- Management Issues (data quality, management challenges and program evaluations/audits)
- Planned changes based on performance results.

The following appendices provide supporting information:

- Appendix 1 presents the organizational chart for the Department.
- Appendix 2 lists, by performance goal, which DOL agency is responsible for the programs, whether or not the goal was achieved and the measurement period – FY, PY or CY (Calendar Year).
- Appendix 3 provides information about significant evaluations of DOL programs completed by DOL agencies' contractors, DOL's Office of Inspector General (OIG), the U.S. General Accounting Office (GAO), and other organizations during FY 2003.
- Appendix 4 contains detailed supporting information for each performance goal, such as performance indicators, historical results, data sources, and baseline data.
- Appendix 5 is the glossary of acronyms used in this document.
- Appendix 6 is a list of Internet links that provide additional information on selected subjects.

## II. Financial Performance Report

Sound financial management provides the foundation of the President's Management Agenda to attain fundamental changes in the effectiveness and efficiency of government. In keeping with the President's goals, the Department of Labor continued its outstanding performance in financial management during FY 2003. All financial systems at the Department maintained substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). Thus, DOL financial systems support full disclosure of the costs of the Department's programs and activities. In addition, the Department continued to comply with the Federal Managers' Financial Integrity Act (FMFIA), indicating that the Department's accounting systems and internal controls were sufficient to safeguard the resources entrusted to the Department. No material weaknesses were found in the audit of the Department's FY 2003 financial statements. However, in their report on compliance with FFMIA, the Office of Inspector General concluded that DOL substantially complied with the requirements of the Act except for compliance with the Managerial Cost Accounting Standard.

The Department of Labor has made a significant commitment to reducing the number and amount of erroneous payments made by Agency programs and activities and detecting and recovering those that have occurred. The Unemployment Insurance (UI) Program paid approximately 165 million claims in FY 2003, totaling nearly \$42.3 billion. Management estimates that about \$4 billion of this total were over or under paid for various reasons, and that only \$2.2 billion of these are detectable and recoverable in a cost

effective manner. The UI program currently detects about 56 percent of these detectable erroneous payments, and projects that the percentage of overpaid claims detected and established for recovery will increase by 3 percent in fiscal year 2004. This projected improvement will result from increased use of the Benefit Accuracy Measurement data, increased program risk assessments, and overall improvements in program integrity such as greater use of the New Hire cross-match to detect claimants that have returned to work but still claim UI benefits. The Unemployment Insurance Program continues to develop work plans to improve program integrity and reduce overpayments by developing and implementing a new operational definition of UI overpayments and promoting the use of data exchange with other Federal entities.

The Office of the Chief Financial Officer (OCFO) plans to perform an annual review of all Agency programs and activities susceptible to erroneous payments. Risk assessments, internal control reviews, and detailed data analysis techniques will assist in the detection of payment errors. The OCFO will work with Program Agencies to identify a plan of action to reduce improper payments, perform ongoing monitoring techniques and conduct recovery audit activities.

### III. Audit Report and Financial Statements

For the seventh consecutive year, the Department's Office of Inspector General issued an unqualified or "clean" audit opinion on DOL's annual financial statements. This independent assessment provides assurance that the money managed by the Department is accounted for properly.

The principal financial statements in this report summarize DOL'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 fiscal years 2003 and 2002. Highlights of the financial information presented in the principal financial statements are shown below:

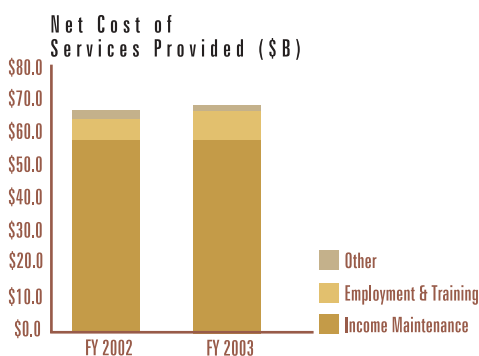
#### Net Cost of Operations

The total net cost of DOL operations in FY 2003 was \$67.9 billion, a four percent increase over the prior year. The continued economic downturn during FY 2003 caused a \$2.5 billion increase in unemployment claims, increasing DOL operating costs during the year. As seen in the chart below, income maintenance — unemployment checks paid to individuals who are laid off or out of work and seeking employment — comprise the major portion of DOL costs. Income maintenance also includes payments to individuals who qualify for disability payments 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. The \$2 billion in "Other" funds programs to protect worker safety, health, and employment standards; to safeguard pension and health plan benefits; to provide statistical information; and to support departmental management and infrastructure.

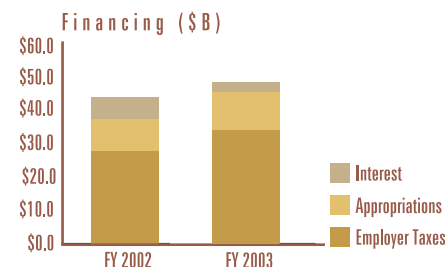
#### Financing

DOL's operations are funded by Unemployment Program employer taxes, appropriations received, and investment interest earned from various trust funds.



#### Financial Position

Over 99 percent of DOL's investments are Unemployment Trust Fund investments. DOL total assets decreased from \$85.6 billion at the end of FY 2002 to \$64.8 billion at the end of FY 2003 — primarily due to the use of Trust Fund assets for unemployment claims. Seventy five percent of DOL assets are invested in U.S. Government securities, compared to 80 percent in FY 2002. Liabilities totaled \$13.9 billion and \$14.3 billion at the end of FY 2003 and FY 2002 respectively, leaving a difference, or net position, of \$50.9 billion and \$71.3 billion at the end of each year.



#### 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 financial position and results of operations of DOL. While the statements have been prepared from the books and records of DOL in accordance with formats prescribed by the Office of Management and Budget (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.

#### IV. Management and Performance Challenges

In October (immediately following the end of FY 2003), DOL's Inspector General identified the nine most serious management challenges facing the Department. Each issue is discussed briefly below, along with Departmental management's responses. Complete statements are in the section immediately preceding the Appendices.

##### Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding

Enhancing the integrity and solvency of the Unemployment Insurance (UI) system is a challenge to DOL given the program's scope and vulnerabilities. The UI program paid over \$53 billion in income maintenance benefits to workers during FY 2003. These benefits were financed by employer taxes and paid out by states under a Federal framework. Among the OIG's continued concerns about the UI program are its financial stability and susceptibility to fraud schemes involving identity theft.

The Department is encouraging and funding states to use Social Security Administration data on-line to prevent overpayments due to misused social security numbers, and to conduct cross-matches of benefit payments against the New Hire database.

##### Integrity of Foreign Labor Certification Programs

The OIG is concerned about demonstrated fraud against DOL labor certification programs and the integrity of the foreign labor certification process itself. The abuse of labor certification programs may result in economic hardship for American workers or the abuse of foreign workers, and the admission of aliens by fraudulent means invites possible national security risks.



ETA has held several meetings with OIG, the United States Citizenship and Immigration Services (CIS), and the Office of the US Attorney General, who provided ETA with suggestions of data and processes that could be included in the new system to enhance fraud detection. Virtually all of the recommendations were accepted and are being implemented.

#### Financial and Performance Accountability

In order to manage DOL programs for results and fully integrate budget and performance as envisioned by the President's Management Agenda (PMA), the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, and quality performance data. In addition, the Department is challenged to obtain quality information from audits conducted under the Single Audit Act, which cover over 90 percent of the Department's expenditures, and to strengthen internal controls on the FECA program.

The Department is aggressively addressing these high priority issues. The Office of the Chief Financial Officer (OCFO) has begun acquisition of a new core financial system that meets the 21st century needs of the Department's financial and program managers. Additionally, the OCFO has made significant progress in implementing a strategic plan to use managerial cost accounting to integrate cost and performance information. This initiative will provide decision support to senior executives, meet the daily operational needs of program managers, and improve the transparency of financial and performance reporting. With respect to quality performance data, ETA has launched a data validation initiative to ensure the accuracy of performance data and other program information collected from states and grantees. ETA implemented a data validation initiative for the Unemployment Insurance (UI) programs in July 2003 for quarterly UI reports. The Department shares the OIG's concerns about the adequacy of Single Audit Act (SAA) coverage of the Department's programs. In FY 2004 and beyond, through the implementation of the Improper Payments Act, the OCFO will establish increased quality controls over all DOL payments, including those covered by the SAA.

#### Information Technology and Electronic Government

The Department will be challenged to prevent unauthorized access to its systems and networks in an expanding electronic government environment. Likewise, DOL must take care to adequately plan and manage IT system initiatives that use new technologies as it strives to deliver high quality services to the public.

DOL has made significant strides in the effectiveness of its Cyber Security Program, resulting in the proactive use of program management tools such as Plans of Action and Milestones and an enhanced risk assessment methodology that includes both qualitative and quantitative risk evaluations. The Department's Office of the Chief Information Officer (OCIO) is implementing a comprehensive project management structure employing a rigorous system developmental life-cycle management process that includes appropriate checks and balances to ensure projects are being executed according to plan, performance, and budget.

#### Security of Pension Assets

DOL administers and enforces Title I of the Employee Retirement Income Security Act of 1974 (ERISA), which aims to protect the interests of participants in about 730,000 private pension plans and millions of health and welfare plans. These pension plans hold over \$4 trillion in assets and cover more than 45 million workers. Enhancing their security will involve expanding existing safeguards and enforcing pension protections.

In February 2003, the Employee Benefit Security Administration (EBSA) initiated its second nationwide review to assess the quality of employee benefit plan audits. This should be completed in early 2004. Enforcement efforts include continued targeting of criminal cases using successful means such as analyzing computer data and gathering information through civil investigations and other less formal methods. Also, DOL is promoting early detection and prevention of criminal behavior by aggressive outreach and education campaigns that show consumers how to “police” their own benefit plans.

#### Workforce Investment Act Reauthorization

WIA needs improvement in areas such as the eligible training provider system, sequence of services, financial reporting, and youth and dislocated workers activities.

The Department notes that several provisions to the Workforce Investment Act reauthorization bills before Congress should help increase training provider participation and address the sequencing of service issue. A feature of the proposed WIA reauthorization is consolidation of funding streams for the WIA Dislocated Worker, Adult, and Employment Service into a single formula grant. Until WIA reauthorization is complete, DOL contends that policy changes to eligibility requirements for the Dislocated Worker program are inappropriate, and should be issued after final legislation is enacted. DOL does not concur with the OIG recommendation to allow summer youth employment as a stand-alone activity for particular participants because it is contrary to the original legislative intent to move youth programming to a comprehensive youth development approach.

#### Grant Accountability, Performance, and Effectiveness

The Department is challenged to provide accountability for the costs and results in excess of \$10 billion in grants it awards each year, mostly for employment and training activities. Direct Federal oversight of grants of this type is difficult because a large share of the funding is passed down through the states to subgrantees and contractors.

ETA has recently introduced the Grants e-management System (GEMS) to provide Federal Project Officers workload information to track activities throughout the life cycle of each grant. Additionally, DOL has developed a standardized risk assessment for use in overseeing grants administered by ETA that will be used to assign a risk level to each grant, identify “at risk” grants, and assist in prioritization of oversight activities over the coming quarter.

#### Effectiveness of Mine Safety and Health Programs

While mine fatalities were once again at record lows, MSHA recognizes the need to address lowering the permissible exposure limits for asbestos, using a more effective method to analyze fiber samples that may contain asbestos, and to address take-home contamination from asbestos.

MSHA intends to issue a proposed rule by May 2004 that will address lowering the Permissible Exposure Limit for asbestos to a more protective level. MSHA is also currently assessing the best means to address the issues of fiber sample analysis and take-home asbestos contamination.

#### Addressing Issues that Require Joint Action with Other Federal Entities

Issues requiring intergovernmental action include: Internal Revenue Service (IRS) overcharges to the Unemployment Trust Fund (UTF); inadequate guidance concerning pension plans that underpay participants; the insufficiency of the Black Lung Disability Trust Fund; and strategic management of human capital.













ETA's target to execute a Memorandum of Agreement with the IRS for ensuring consistent application of the new cost-allocation methodology for the UTF is January 9, 2004. DOL forwarded a copy of the OIG report and supporting work papers on the pension issue to the IRS for its review and comments and is currently awaiting IRS' response. Proposed legislation restructuring the Black Lung fund's indebtedness and extending the current excise tax rates until the debt is repaid was revised and is pending transmittal to Congress. Finally, DOL is implementing new flexibilities that have been made available by the Office of Personnel Management (OPM) to maximize our ability to attract and retain qualified employees.

**The President's Management Agenda (PMA)** continues to guide improvements to the Department's business practices through implementation of processes designed to create a government that is:

- Citizen-centered, not bureaucracy-centered;
- Results oriented, not output oriented; and
- Market based, actively promoting rather than stifling innovation through competition.

The agenda includes five government-wide initiatives: Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanding Electronic Government, and Budget and Performance Integration. DOL is also one of the departments selected to participate in the Faith-Based and Community Initiatives. The Administration regularly assesses all federal agencies' implementation of the PMA, issuing an Executive Branch Management Scorecard rating of green, yellow or red for both status and progress on each initiative. The version covering the period ending September 30, 2003 rated DOL status yellow on five of the six and red on the remaining initiative (unchanged from FY 2002). Progress scores were five green and one yellow (also unchanged from FY 2002). This performance places DOL among the best Cabinet agencies in overall implementation of the PMA. The breakdown by initiative is indicated in the table below.

Status scores, particularly on Competitive Sourcing, may be misleading to those unfamiliar with the very high standards established by the Administration for this scorecard. DOL had to earn several consecutive green progress scores to move Financial Performance and Budget and Performance Integration status to yellow from their initial (FY 2001) red baselines. Currently, only three federal agencies have green status on any initiative. None of these are in Competitive Sourcing; in fact, less than half of the agencies have achieved yellow status in that area. Highlights of progress in FY 2003 on all six initiatives are listed below.

	Current Status	Progress
Human Capital	 Yellow	 Green
Competitive Sourcing	 Red	 Yellow
Financial Performance	 Yellow	 Green
E-Government	 Yellow	 Green
Budget & Performance Integration	 Yellow	 Green
Faith Based and Community Initiatives	 Yellow	 Green

#### Strategic Management of Human Capital

The Department developed competencies for 9 more mission-critical occupations and developed/selected tools for workforce skills assessment based upon competencies.

#### Competitive Sourcing

DOL directly converted to contract the commercial work performed by the equivalent of 168 full time employees (FTE).

#### Improved Financial Performance

DOL met accelerated timeframes for submission of quarterly and annual consolidated financial statements and launched an ambitious managerial cost accounting implementation project that included training over 130 DOL program and financial managers.

#### Expanding Electronic Government (E-government)

Forty-four percent of DOL's IT systems have been certified and accredited, and successfully meet OMB IT security performance measures. An additional 40 percent of DOL's IT systems are operating under interim authority to operate and are on track for obtaining certification. The Department is on track to obtain full operation authority for 90 percent of its IT systems before our July 2004 goal.

#### Budget and Performance Integration

The Department's FY 2005 budget submission to OMB in September improved (over the pilot Performance Budget for FY 2004) our presentation of the relationship between resources and results and the precision of allocation of budget costs to performance goals.

#### Faith Based and Community Initiatives

During FY 2003, the Department published two new regulations that will restore the religious hiring rights of faith based organizations that contract with the Federal government and make it possible for individuals to use ETA-funded training vouchers at religion-sponsored institutions. In addition, ETA, VETS, ODEP and ILAB have each launched pilot initiatives that provide opportunities for faith based and community organizations to partner with DOL programs.

DOL has demonstrated its commitment to the PMA as a means of delivering the highest quality services to America's workers at the most reasonable cost. The Department uses the PMA initiatives to manage all of its programs and conducts internal quarterly score-

card ratings of its component agencies' progress and status. Strategies for reaching our ambitious targets include succession planning for executives (including a new MBA Fellows program) and targeted recruitment of highly skilled workers; increasing the pace and quality of public/private competitions; completion of the Cost Analysis Manager system (to provide more useful cost information to program managers); greater focus of Information Technology spending on Departmental priorities; and more consistent and comprehensive use of performance information (including the Administration's Program Assessment Rating Tool, or PART) in budget proposals. The department is working to achieve these goals by July 1, 2004.