

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 2002. The report features the benefits accruing from the Department's "New Partnerships for a New Century," as DOL enlists the support of an ever widening network of partners who share our commitment to bettering the lives of America's workers. From labor and business partners who have cut job related deaths, injuries, and illnesses to half the industry rates at more than 800 Voluntary Protection Program worksites — to States, local government agencies, and faith-based and community organizations that have assisted job seekers to secure new employment and increase their earnings in a tight economy — the Department's partners have multiplied the positive impact of DOL's efforts many times over. Most recently and dramatically, the Commonwealth of Pennsylvania's Bureau of Deep Mine Safety, the U.S. Navy, mining industry officials and workers, and the Department formed a *partnership for life* — and worked together seamlessly to rescue nine miners trapped deep in a Pennsylvania coal mine. These

examples illustrate a small sample of the variety and range of the Department's partnerships — from formal grants to government agencies and newer, not-for-profit organizations, to regulatory compliance assistance agreements with the private sector, to *ad hoc* rescue collaborations — and underscore the results DOL and our partners achieve together on behalf of the Nation's workers.

The FY 2002 Annual Report is divided into four major sections.

The Annual Performance Report reflects both the progress realized and the setbacks encountered in achieving the Department's three strategic goals — *A Prepared Workforce, A Secure Workforce, and Quality Workplaces*. Through statistics, analysis, and the stories of individuals, the Annual Performance Report illustrates the contributions of DOL programs, in collaboration with our many partners, assisting the Nation's workers and their families to achieve their aspirations in the challenging environment of the 21st Century workforce.

DOL has funded an ILO/IPEC project in the Philippines aimed at combating and preventing child labor in the home-based, informal footwear industry. The project's implementing agency, Open Heart, contributes half of the salary costs of teachers for the Early Childhood Development Program, with the goal of preventing children from entering exploitative work. It also provides school supplies, transportation, and uniforms for students. In the Philippines, an estimated 40,000 children work full or part-time in the footwear sector, out of a total workforce of 450,000. The ILO/IPEC project had originally targeted 1,500 children for withdrawal or prevention from work in the footwear industry. By September 2002, however, the project had withdrawn or prevented a total of 3,510 children from exploitative work, and provided them with educational opportunities and other services.



PHOTO: DOL/ILAB

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

The Management and Performance Challenges section of this report summarizes the top 10 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 in detail the challenges the Department is encountering as it seeks further improvement in the delivery of key services to the Department's customers.

A summary of each of the four sections follows:

I. The Annual Performance Report

FY 2002 marks the fourth year that the Department of Labor has reported program results against the goals in its Annual Performance Plan. In addition to the Department's Annual Performance Plan, each DOL agency developed its own Annual Performance Plan. Over 200 performance goals included in these plans have provided a basis for targeting and measuring the accomplishments of DOL programs. Those goals that are key to the accomplishment of DOL's objectives were selected from these agency plans and included in the FY 2002 Departmental Performance Plan, providing a basis for assessing the Department's effectiveness in providing core services to our constituents.

The FY 2002 Annual Report includes descriptions of the Department's strategic goals, the ensuing outcome goals, and a presentation of program results for two measurement years, Fiscal Year 2002 and Program Year 2001. The Department's Employment and Training Administration includes some programs that are forward-funded and follow a program year that begins nine months after the fiscal year for which program funding was received. These goals were included in the FY 2001 Annual Performance Plan and addressed programs funded in the FY 2001, budget for a program year beginning July 1, 2001 and ending June 30, 2002.

The Appendices provide additional details and explanatory materials supporting the program results. Of particular note is Appendix 2, which lists the performance goals included in this report and identifies the time period of measurement and a summary assessment of the results reported for each goal.

Program Performance Overview

Of the 42 performance goals presented in the FY 2002 Annual Performance Report, the Department exceeded or fully achieved 55 percent of its goals, substantially achieved 19 percent, and did not achieve 26 percent. Performance improved somewhat over FY 2001, when the Department fully or substantially achieved a combined total of 67 percent of its goals, as compared to 74 percent for FY 2002. The assessment category of substantially achieved recognizes results that were close to achieving the target (i.e., attained 80 percent or more of the target).

The weak economy again influenced the results reported for some programs. For example, the number of initial claims for Unemployment Insurance benefits increased by 14 percent in FY 2002, extending the time required for States to issue first payments to the claimants, a key performance indicator for the program. New measures, targeting different dimensions of a program's outcomes or significant increases in targeted performance levels, proved overly challenging for the first year in several instances, most notably in the workers' compensation and mine safety and health programs.

Delays in the implementation of new systems to improve the quality of key performance data also affected the reporting of the Department's results for FY 2002. In particular, due to delays in completing the Labor Exchange Performance Measurement System, data assessing the tenure of job applicants placed by the Employment Service will not be reported for FY 2002, as planned, and the results available for veterans seeking jobs will only be available for the first three quarters of FY 2002.

Some of the improvements in the Department's performance for FY 2002 can be attributed to several initiatives introduced under the leadership of DOL's Management Review Board, chaired by the Assistant Secretary for Administration and Management. These initiatives continue to advance progress toward the Department's ultimate objective of achieving a performance-based organization — one that manages its programs by effectively using performance information to achieve planned results.

- The Management Review Board oversees the Department's efforts to advance the President's Management Agenda and guides DOL's performance initiatives. Among the President's Management Agenda initiatives, the integration of performance and budget is a critical step on the path to a performance-based organization. In FY 2004, DOL will present its requests for resources for each program in a *performance budget* format that, for the first time, links funding to results. With this bottom-line focus, the Department's budget is now presented in a *performance context* where key goals that measure program outcomes are the basic building blocks for defining strategies and requesting the resources needed to achieve these outcomes.
- In addition to integrating performance and budget, the Department's Management Review Board is also committed to ensuring the full implementation at DOL of all areas of government-wide reforms targeted by the President's Management Agenda. In its latest scorecard assessing the progress of DOL in implementing the President's Management Agenda, OMB scored DOL highest among all Cabinet agencies. Additional information on the President's Management Agenda and DOL's progress follows the Executive Summary.
- A new organization, the *Center for Program Planning and Results* in the Office of the Assistant Secretary for Administration and Management, has been assigned a leadership role in shaping DOL's performance-based management initiatives. The new Center provides direction and assistance to DOL agencies in casting program strategies, developing metrics for measuring results, formulating data collection strategies and systems, and analyzing and reporting program results.
- Recognizing the fundamental role of program evaluation in examining performance shortfalls, determining the impact of key strategies, and enhancing results, DOL established a centralized fund during FY 2002 for performing evaluations under the oversight of the Center for Program Planning and Results. The 12 evaluations initiated from the first year's resources target major programs with a limited history of evaluations and a need to address key issues. The Department will complete these evaluations during FY 2003 and include the results in next year's Annual Report.
- In addition to providing an institutional focus for performance accountability at the Departmental level, DOL began in FY 2002 to hold all executives and managers personally accountable for the results of their programs through the performance agreements used to evaluate their individual performance.

Andy, who has significant cerebral palsy, works as part of the Price Task Force (PTF) team at Powell's Bookstore in Portland, Oregon. The PTF team enters hundreds of books into the store's inventory system on a daily basis. Andy is only able to move his eyes and his head from side-to-side, and uses an augmentative communication device to speak. The Center on Self-Determination at Oregon Health & Science University, a DOL project grantee, provided training to SE Works, a One-Stop agency, about how to assist Andy and other youth with disabilities to obtain high quality career-path jobs. A number of devices were designed and built to enable Andy to do his job independently, including a head-switch operated conveyor belt, which moves the books under a scanner. Several different agencies leveraged their resources to enable Andy's job to become a reality. Andy's supervisor says, "Andy is just as productive as any other employee here. In addition, by having Andy work here and figuring out how he could do the job with this technology, we have learned how to make the system better for everyone".



PHOTO: SHAWN MOORE

The Department recognizes that transitioning to a fully performance-based organization depends on the availability of reliable and timely information concerning the results of DOL's programs. The challenges to performance measurement vary significantly among DOL's programs, with the data sources and the agencies' level of control over the reporting systems representing the primary factors influencing the reliability and usefulness of the Department's performance information. During FY 2002, the Department achieved further progress in working with third parties that provide critical performance information about DOL's programs. In particular, the Employment and Training Administration pilot tested a verification and validation system to assist its State partners and other grantees to improve the effectiveness of data-driven management decisions and to ensure the accuracy of performance data the States report to the Department. The Department expects to implement the system during FY 2003, enhancing the reliability of the employment and training related information included in next year's report. Other DOL agencies, such as the Occupational Safety and Health Administration, are focusing on identifying new data sources or collection methods to obtain performance data in a more timely manner to improve their managers' ability to effect changes when needed.

DOL Strategic, Outcome, and Performance Goals

DOL's functions are organized around three strategic goals that have provided the focus for the Department's strategic planning and a framework for the annual performance plans. These goals build on our successes and respond to the challenge of helping every American participate and prosper in today's economy. Through these strategic goals and their supporting outcome goals, DOL staff and the American public can see a direct link between the Department's purpose and its activities. The three DOL strategic goals are depicted in the table to the right:

DOL STRATEGIC GOALS	
GOAL 1	A PREPARED WORKFORCE ENHANCE OPPORTUNITIES FOR AMERICA'S WORKFORCE
GOAL 2	A SECURE WORKFORCE PROMOTE THE ECONOMIC SECURITY OF WORKERS AND FAMILIES
GOAL 3	QUALITY WORKPLACES FOSTER QUALITY WORKPLACES THAT ARE SAFE, HEALTHY, AND FAIR

A new strategic plan covering FYs 2003-2008 is currently under development. The plan retains the three current strategic goals and will add a fourth strategic goal, *A Competitive Workforce*. The fourth goal expresses the Secretary's vision that America's workers and employers, with leadership and support from the Department, be positioned to maximize the opportunities afforded by the dynamic changes forecast as the 21st century unfolds.

Performance Highlights by Strategic Goal ¹

Strategic Goal 1, *A Prepared Workforce*, includes 13 performance goals. The Department fully achieved ten (77 percent) of the 13 goals, substantially achieved one (8 percent), and did not meet the remaining two (15 percent) goals. The 85 percent of goals fully and substantially achieved places performance for FY 2002 at approximately the same level as FY 2001, when 86.6 percent of the goals in this area were fully or substantially achieved.

Given the state of the economy during FY 2002, the results for this strategic goal were expected to parallel closely last year's performance. Of particular note, the Department achieved seven of the eight performance indicators under this strategic goal that directly measure improvement in employment, retention, and earnings. These data reflect positively on both the Department's overall effectiveness in assisting workers during an economic downturn and on its performance in the second year of the Workforce Investment Act.

¹ The 34 performance goals under the three strategic goals do not include the departmental management goals. DOL fully achieved three, substantially achieved four, and did not meet one of its eight management goals.

Strategic Goal 2, A Secure Workforce, includes eleven performance goals. DOL fully achieved four (36 percent), substantially achieved two (18 percent), and did not meet five (46 percent) of these goals. With 54 percent of the goals fully and substantially achieved, FY 2002 performance ranks at about the same level as last year, when 53.4 percent of the goals in this area were fully or substantially achieved.

Historically, performance under this strategic goal has presented the most significant challenge for the Department, and DOL continues to focus on strengthening our results in this area. Progress was achieved in gaining compliance with labor standards governing wages and work hours in selected low-wage industries, as results for this goal improved for the first time from unmet to substantially achieved.

The economy adversely affected the accomplishment of the Department's goals that promote the security of the Nation's workers through benefit payments and worker protection statutes. For example, an influx of new claims delayed the timely payment of Unemployment Insurance claims and the processing of pension benefit determinations.

Initiatives currently in process to improve the quality of the goals and measures for a Secure Workforce should yield further improvements during FY 2003.

Strategic Goal 3, Quality Workplaces, includes ten performance goals. The Department fully achieved six (60 percent), substantially achieved one (10 percent), and did not meet the remaining three (30 percent) goals. The 70 percent of goals fully and substantially achieved represents an improvement in performance as compared with FY 2001, when 54.5 percent of the goals comprising this strategic objective were fully achieved and no additional goals were substantially achieved.

Performance varied significantly between FY 2002 and the prior year in the achievement of outcomes that lead to the strategic goal of Quality Workplaces. The Department realized noteworthy improvements in its programs to foster equal opportunity workplaces and reduce the exploitation of child labor and address core international labor standards issues, but declined in the accomplishment of goals to reduce workplace injuries, illnesses, and fatalities. The Department fully or substantially achieved only 50 percent of the performance goals targeting occupational safety and health in FY 2002, as compared to an 83 percent rate of achievement in FY 2001. The Department has

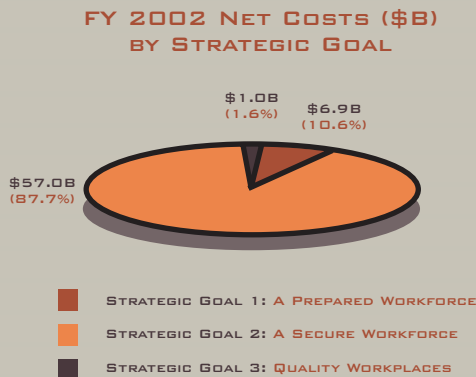
challenged its employees and stakeholders to achieve dramatic improvements in workplace safety and health conditions, especially in the Nation's mines. While DOL did not achieve some of the ambitious new FY 2002 goals, such as reducing fatalities in the mining industry by 15 percent annually below the baseline, the challenges are nonetheless raising performance. For example, the mining industry recorded the lowest number of fatalities in its history in FY 2001 and equaled that performance in FY 2002.

FY 2002 Strategic Goal Results



Program Costs ²

The costs for achieving the Department’s goals vary significantly as illustrated in the graph and table presented on this page. The graph allocates costs by the three strategic goals, depicting that 87.7 percent of the Department’s total FY 2002 net operating costs of \$65 billion supported the accomplishment of a Secure Workforce. The majority of those funds provide benefits to unemployed workers or workers disabled as a result of work-related injuries or illnesses. Of the Department’s FY 2002 costs, 10.7 percent contributed to the goal of a Prepared Workforce, providing 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. Only 1.6 percent of the FY 2002 expenditures contributed to the goal of Quality Workplaces, and the majority of those costs fund the salaries of Federal employees dedicated to improving safety and health in the Nation’s workplaces.



The DOL goal structure hierarchy includes 9 outcome goals that further refine the objectives of the Department’s three strategic goals. The following chart relates DOL FY 2002 program costs to each of the 9 major performance oriented segments of the Department’s mission. An analysis of program cost trends covering the last three fiscal years (FY 1999-2002) is included as part of each Outcome Goal description within the Performance Report following the Executive Summary. ³

DOL PROGRAM COSTS AND PERCENTAGE OF COSTS BY OUTCOME GOAL		
OUTCOME GOAL	COSTS (THOUSANDS OF DOLLARS)	PERCENT
STRATEGIC GOAL 1: A PREPARED WORKFORCE:		
INCREASE EMPLOYMENT, EARNINGS, AND ASSISTANCE	3,596,263	5.5%
INCREASE THE NUMBER OF YOUTH MAKING A SUCCESSFUL TRANSITION TO WORK	2,828,666	4.3%
IMPROVE THE EFFECTIVENESS OF INFORMATION AND ANALYSIS ON THE U.S. ECONOMY	509,223	0.8%
STRATEGIC GOAL 2: A SECURE WORKFORCE		
INCREASE COMPLIANCE WITH WORKER PROTECTION LAWS	349,846	0.5%
PROTECT WORKER BENEFITS	54,993,328	84.6%
INCREASE EMPLOYMENT AND EARNINGS FOR RETAINED WORKERS	1,661,875	2.6%
STRATEGIC GOAL 3: QUALITY WORKPLACES		
REDUCE WORKPLACE INJURIES, ILLNESSES, AND FATALITIES	781,058	1.2%
FOSTER EQUAL OPPORTUNITY WORKPLACES	116,673	0.2%
REDUCE EXPLOITATION OF CHILD LABOR AND ADDRESS CORE INTERNATIONAL LABOR STANDARDS ISSUES	106,096	0.2%
COSTS NOT ASSIGNED TO GOALS	48,024	0.1%
TOTALS	\$64,991,052	100%

² 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.

³ The number of Outcome Goals changed from ten to nine in FY 2002. Accordingly, net costs by outcome goal for FY 1999, FY 2000, and FY 2001 as reflected in the financial statements for these years, have been realigned to provide consistency in the placement of costs for this analysis.

Reporting Performance Results

In this report, performance data and supporting information are presented by strategic goal, following the sequence in the Department's FY 2002 Annual Performance Plan. Each DOL Strategic Goal serves as a category for presenting performance results. Under each Strategic Goal, outcome goals that segment the larger objective of the Strategic Goal into more specific objectives are discussed. This information provides a non-technical orientation on how DOL serves the public in each major area of the overall DOL mission, and serves as an introduction to the detailed performance information that follows.

Following each outcome goal, separate reports of results for individual performance goals provide the following information:

- A report and analysis of performance results against the goal.
- A description of the program being evaluated.
- Highlights of key strategies employed toward achieving the goal.
- A capsule summary of any planned changes in the program and performance measures in the Department's FY 2003 or 2004 Annual Performance Plans, based on performance results.
- Summary comments on any evaluations relevant to the performance goal that were conducted during the year.

Appendices

The following appendices provide supporting information for the performance results presented in the body of the report.

Appendix 1 presents the organizational chart for the Department.

Appendix 2 lists each performance goal and identifies whether or not the goal has been achieved. This section includes performance goals that were eliminated or revised subsequent to the release of the FY 2002 Annual Performance Plan. The Appendix also lists the measurement period for the performance data addressed in the performance goals.

Appendix 3 includes a listing of significant evaluations of DOL programs conducted by the General Accounting Office (GAO), OIG, and other organizations during FY 2002.

Appendix 4 contains supporting information for each performance goal including the performance indicator, source of data, baseline data, and any comments pertinent to data collection.

Appendix 5 is the glossary of acronyms used in this document.

Appendix 6 is a list of Department Internet links.

II. The 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 2002. All financial systems at the Department maintained substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), assuring that the 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 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.

III. Audit Report and Principal Financial Statements

For the sixth 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 2002 and 2001. Highlights of the financial information presented in the principal statements are shown below:

Net Cost of Operations

The total net cost of DOL operations in FY 2002 was \$65.0 billion, a 53 percent increase over the prior year. The economic downturn during FY 2002 caused a \$22.4 billion increase in unemployment claims, significantly 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.

**NET COST OF SERVICES PROVIDED (\$B)
FY 2002 vs. FY 2001**

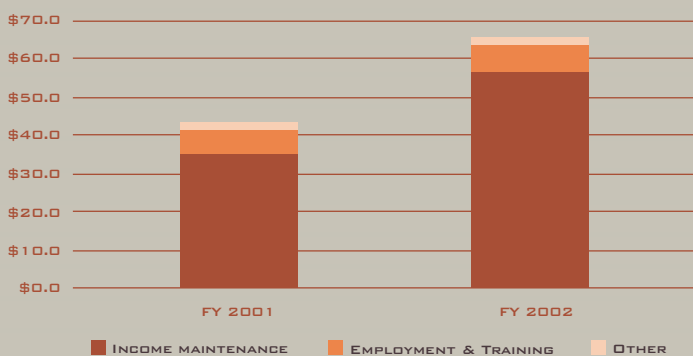


FIGURE 1. THE TOTAL NET COST OF DOL OPERATIONS WAS \$65.0 BILLION AND \$42.5 BILLION IN FY 2002 AND FY 2001, RESPECTIVELY.

Financing

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

**FUNDING FOR SERVICES PROVIDED (\$B)
FY 2002 vs. FY 2001**

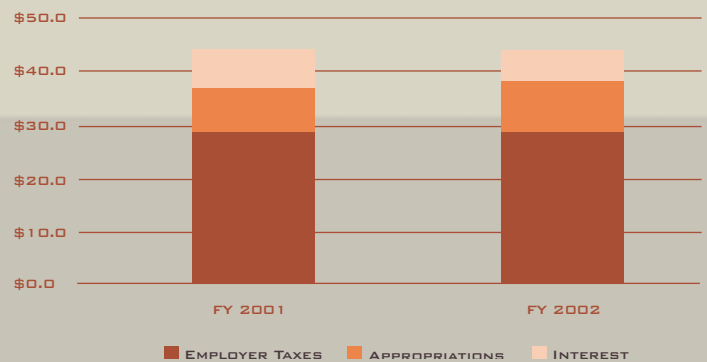


FIGURE 2. IN ADDITION TO EMPLOYER TAXES, APPROPRIATIONS, AND INTEREST, OTHER SOURCES OF FINANCING ACCOUNT FOR APPROXIMATELY ONE-HALF PERCENT OF EACH YEAR'S FUNDING.

Financial Position

Over 99 percent of DOL's total investments are Unemployment Trust Fund investments. DOL total assets decreased from \$106.7 billion at the end of FY 2001 to \$85.6 billion in FY 2002 – primarily due to the use of Trust Fund assets for unemployment claims. Eighty percent of DOL assets are invested in U. S. Government securities, compared to 84 percent in FY 2001. Liabilities totaled \$14.3 billion and \$13.4 billion at the end of FY 2002 and FY 2001, respectively, leaving a difference, or net position, of \$71.3 billion and \$93.4 billion at the end of each year.

Limitations on the Principal Financial Statements

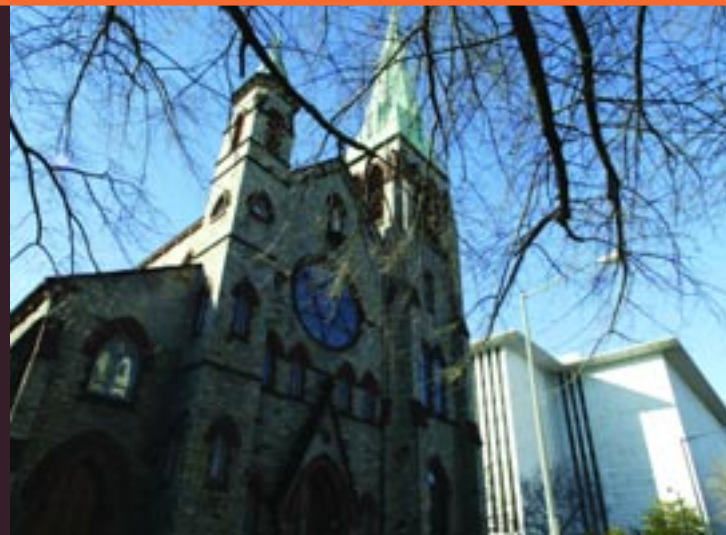
As required by the Government Management Reform Act of 1994 (31 U.S.C. 3515(b)), the principal financial statements report the financial position and results of operations of DOL. While the statements have been prepared from the books and records of DOL in accordance with formats prescribed by the Office 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 for 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. The Management and Performance Challenges

The Office of Inspector General (OIG) has identified the following areas to present the most serious management and performance challenges facing the Department of Labor:

- Grant Accountability, Performance, and Effectiveness
- WIA Program Implementation
- Financial Performance
- Accountability: Budget and Performance Integration
- Security of Pension Assets
- Protection of Worker Benefit Funds
- Information Technology and Electronic Government
- Integrity of Foreign Labor Certification Programs
- Human Capital Management
- Effectiveness of Mine Safety and Health Programs

The University United Methodist Church Family Resource Center (FRC) in Las Vegas, Nevada didn't believe it could be eligible to receive Federal funding even though it had been providing quality job training to unemployed and dislocated workers for several years. FRC had looked into Federal funding before, but the process was too overwhelming. However, through an innovative and simplified micro-grant, designed by the Department's Employment and Training Administration and Center for Faith-Based and Community Initiatives, FRC's Back to Work Program is working with the local One-Stop Career Center. Since FRC has spent several years developing relationships in Las Vegas' poorest communities, the partnership will enhance DOL's ability to reach the hardest-to-serve populations.



INNER CITY CHURCHES CAN BE RELIABLE PARTNERS FOR REACHING THE NATION'S POOREST COMMUNITIES.

PHOTO: SHAWN MOORE

The Department has achieved significant progress during the past year in overcoming the top management challenges identified by the Inspector General in January 2002, and the President's Management Agenda Scorecard and the Inspector General's January 2003 statement on the top management issues offer clear recognition of DOL's accomplishments. By the end of FY 2002, the Department's status ratings had improved to *Yellow* for four of the five items on the President's Management Agenda Scorecard, and progress for the same items was rated as *Green*, placing the Department as the highest-rated Cabinet department. The Inspector General's January 2003 statement removed one of the prior year's challenges and indicated substantial progress for others.

The Department anticipates that the results of initiatives to address several management issues during FY 2003 and a reassessment of other issues should enable the Inspector General to report even further progress in January 2004. In this regard, as referenced by the Inspector General's statement, many concerns first raised last year about the effectiveness of mine safety and health programs have been fully addressed during FY 2002, and efforts are underway to revise regulations as necessary to resolve all of the remaining mine safety concerns. The expected completion during FY 2003 of a program that will enable States to validate the quality of their performance data before reporting the results of their job training programs to DOL should resolve the Department's data quality issues. The Inspector General's statement also repeats some challenges, particularly in the information technology arena, that DOL has comprehensively addressed in prior years; a reassessment of the responses should allow the Inspector General to close these issues or provide specific guidance to the Department about the additional measures required.

Where a sustained effort is required by DOL over several years to address a management issue that impacts a core program or management priority, performance goals and strategies are targeted in the Department's Annual Performance Plan. For example, the Department's Plan incorporates goals to address the human capital management issues faced by DOL as well as to improve the results of the job training programs identified in the Inspector General's statement.

Several issues require legislative action or otherwise fall outside of the Department's jurisdiction, as explained in management's response. To improve the clarity of presentation, the Department requests that the Inspector General segregate such items in future years' statements of management issues, directing the recommendations to officials in a position to complete the required actions.

The President’s Management Agenda

The Department continues to heed the call of President George W. Bush that “*Government should be results-oriented — guided not by process but guided by performance.*”

OMB issued its FY 2001 baseline scores measuring the implementation of the President’s Management Agenda with the release of the President’s FY 2003 budget. DOL received *Yellow* baseline ratings on *Strategic Management of Human Capital* and *E-Government* – and *Red* baseline scores for *Competitive Sourcing*, *Financial Management*, and *Budget/Performance Integration*. Even with three *Red* scores, DOL’s scores led all Cabinet agencies.

On a quarterly basis, OMB has continued to rate the government’s progress in implementing the President’s Management Agenda – and DOL continues to lead the way. As of the fiscal year-end on September 30, 2002, DOL received a *Yellow* baseline rating for *Human Capital* with a *Green* progress score. For *Competitive Sourcing*, DOL received a *Red* baseline score with a *Yellow* progress rating. For *Financial Management*, DOL received a *Yellow* status score with a *Green* rating for Progress – the exact same scores for both *E-Government* and *Budget and Performance Integration*.

The Department’s ongoing implementation of the President’s Management Agenda is being accomplished through several DOL-wide initiatives. Some recent highlights include:

- **Improved 2002 Fair Act Inventory:** DOL exceeded its FY 2002 competitive sourcing goal;
- **Establishment of Program Planning and Results Center:** DOL established this new Center to better focus its agencies on program performance and strategic planning;
- **DOL President’s Management Agenda (PMA) Scorecard:** Consistent with OMB’s quarterly scorecard, DOL established agency-level scorecards to track implementation of the five government-wide PMA components;
- **FY 2004 Integrated Performance Budget:** On September 9, 2002, DOL submitted its first-ever integrated budget highlighting required resources and performance goals that our agencies intend to meet;
- **2002 President’s Quality Award:** DOL was recognized for Strategic Management of Human Capital — one of only seven organizations recognized for the Award;
- **MBA Outreach Program:** Secretary Chao launched this initiative to recruit employees with the key management skills needed in the increasingly challenging world of public administration;
- **Performance Institute and Government Executive Magazine Awards:** DOL received these awards in recognition of its Electronic Government efforts;
- **Certificate of Excellence in Accountability Reporting (CEAR):** The Association of Government Accountants recognized DOL for superior financial and accountability reporting for last year’s Annual Report. ■

	CURRENT STATUS	PROGRESS
HUMAN CAPITAL		
COMPETITIVE SOURCING		
FINANCIAL PERFORMANCE		
E-GOVERNMENT		
BUDGET & PERFORMANCE INTEGRATION		

