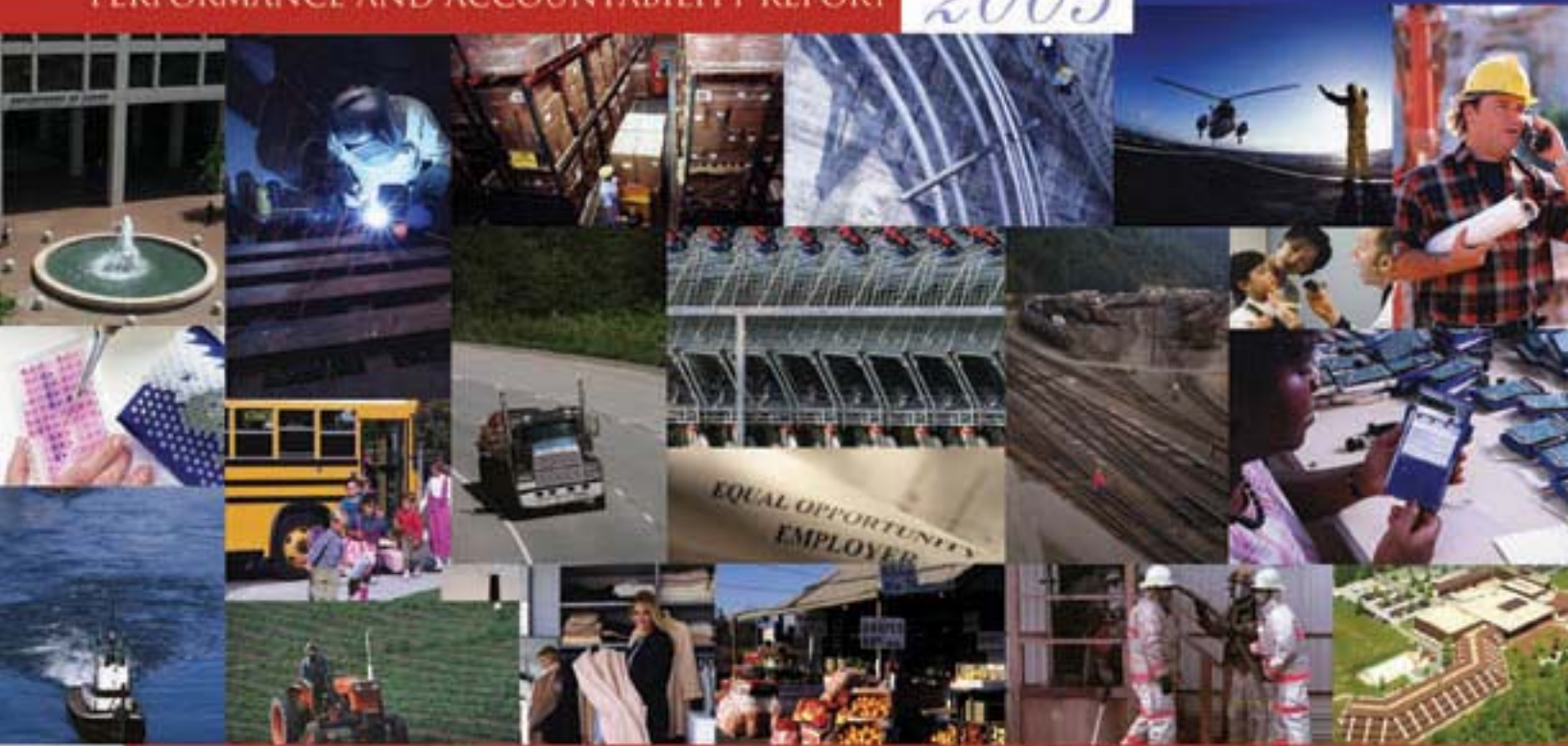


UNITED STATES  
DEPARTMENT OF LABOR



PERFORMANCE AND ACCOUNTABILITY REPORT

2005



THE 21ST CENTURY DEPARTMENT OF LABOR: FOSTERING GROWTH. ENCOURAGING INNOVATION.



**U.S. Department of Labor**  
**FY 2005 Performance and Accountability Report**



# Table of Contents

<b>Secretary’s Message</b> .....	<b>5</b>
<b>Management’s Discussion and Analysis</b> .....	<b>7</b>
Mission, Vision and Organization .....	8
Executive Summary.....	12
Introduction.....	12
Performance Section .....	13
Financial Section.....	20
Major Management Challenges .....	26
The President’s Management Agenda .....	33
The Program Assessment Rating Tool.....	37
<b>Performance Section</b> .....	<b>39</b>
Strategic Goal 1: A Prepared Workforce.....	41
Outcome Goal 1.1 – Increase Employment, Earnings, and Retention .....	43
Outcome Goal 1.2 – Increase Opportunities for Youth Employment.....	62
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy .....	70
Strategic Goal 2: A Secure Workforce .....	75
Outcome Goal 2.1 – Increase Compliance with Worker Protection Laws.....	77
Outcome Goal 2.2 – Protect Worker Benefits.....	83
Strategic Goal 3: Quality Workplaces .....	97
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities.....	99
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces.....	109
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets.....	115
Strategic Goal 4: A Competitive Workforce .....	123
Outcome Goal 4.1 – Build a Demand-Driven Workforce System to Address Worker Shortages and Equip Workers to Adapt to the Competitive Challenges of the 21 <sup>st</sup> Century .....	125
Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden.....	133
<b>Financial Section</b> .....	<b>137</b>
Chief Financial Officer’s Letter.....	138
Independent Auditor’s Report .....	140
2005 Top Management Challenges Facing the Department of Labor Identified by the Office of Inspector General.....	149
Annual Financial Statements .....	157
Principal Financial Statements and Notes.....	159
Required Supplementary Stewardship Information .....	211
Required Supplementary Information.....	234
<b>Appendices</b> .....	<b>247</b>
1. Performance Goal Details.....	248
2. Significant FY 2005 Audits and Evaluations .....	269
3. Improper Payments Information Act Reporting Details.....	294
4. Acronyms.....	304
5. Internet Links.....	306

This report can be found on the Internet at [http://www.dol.gov/\\_sec/media/reports](http://www.dol.gov/_sec/media/reports)

If you have questions or comments regarding this report, contact:

Center for Program Planning and Results  
 U.S. Department of Labor  
 200 Constitution Avenue, NW, Room S-3317  
 Washington, DC 20210  
 202-693-7120

The photographs in this publication were furnished by numerous individuals. All photographs are proprietary and prior permission from the photographer is required for any use or reproduction of the photographs. All references to non-governmental companies or organizations, their services, products or resources in this report are offered for informational purposes and should not be construed as an endorsement by the Department of Labor, of any of the companies or organizations, or their services, products or resources. The Department of Labor does not endorse, takes no responsibility for, and exercises no control over non-governmental organizations' websites mentioned in this report or its views, or contents; nor does it vouch for the accuracy of the information contained on other organizations' websites.

The following companies were contracted to assist preparation of the FY 2005 DOL Performance and Accountability Report:

- Accounting services – Martin and Yarbrough, Joint Venture
- Graphic design – Grafik Industries, Ltd.



## CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®

Presented to the

*Department  
of Labor*

In recognition of your outstanding efforts  
preparing DOL's Performance and  
Accountability Report for the fiscal  
year ended **September 30, 2004.**

*A Certificate of Excellence in Accountability Reporting is presented  
by AGA to federal government agencies whose annual  
Performance and Accountability Reports achieve the  
highest standards demonstrating accountability  
and communicating results.*



  
John H. Hummel, CGFM  
Chair, Certificate of Excellence  
in Accountability Reporting Board

  
Raymond P. Van Daniker, DBA, CPA  
Executive Director, AGA

# Secretary's Message

November 15, 2005



The Fiscal Year 2005 Performance and Accountability Report is the fifth report I have had the pleasure of submitting to the Congress and the American people on behalf of the hardworking and dedicated employees of the Department of Labor. This report is one way we can critically assess our progress in order to set new directions for the future of the programs we implement on behalf of America's workers. Our four strategic goals – *A Prepared Workforce*, *A Secure Workforce*, *Quality Workplaces*, and *A Competitive Workforce* – have provided a clear focus for the program results we have been called upon to deliver to the Nation.

## **President's Management Agenda**

We are proud of the management improvements made in Fiscal Year 2005 under the *President's Management Agenda*, which have helped us to support our program activities in more effective and efficient ways. The Department of Labor has been working diligently and creatively to meet the *President's Management Agenda* commitments in the government-wide initiatives of *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*; and in the agency-specific areas of *Faith-Based and Community Initiatives*, *Real Property*, and *Eliminating Improper Payments*. Not only have our achievements placed us among the best in government – the first Agency to achieve “green” scores in all government-wide initiatives – but the Department has also been awarded the *President's Quality Award* in both *Strategic Management of Human Capital* and *Budget and Performance Integration*.

## **Skills Competency for a Competitive Workforce – Moving Forward in Job Training Programs**

The best way to create jobs is to encourage the conditions that foster growth, encourage innovation, and help workers invest in new job skills. Maintaining our competitive advantage is achieved by increasing the skill level of America's workforce. To prepare for a lifetime of successful employment, workers must have the ability to continually upgrade their skills and access job training opportunities. The Department is continuing to reform the current job training system in order to arm workers with relevant skills so they can get good jobs. The Department is seeking ways to give States and local communities maximum flexibility while requiring them to set rigorous performance milestones; spend more of their allocated funds on actual worker training; enhance individual choice in creating customized training programs; and strengthen the One-Stop Career Center System.

## **Strategies for Workforce Protections**

Over the past few years, the Department has more effectively targeted our enforcement resources. One of the keys to strengthening worker protection is compliance assistance – so that workers and employers understand their rights and responsibilities. In the safety and health area, our partnerships and alliances with industry, trade associations, unions, and educational institutions are growing and getting stronger.

Last year, when the new Overtime Security Rules went into effect, the Department launched the FairPay Web site (<http://www.dol.gov/fairpay>). The site provides comprehensive information, including on-line training seminars so that all interested parties can understand the new rules.

The Department is also strengthening the protections afforded to members of labor organizations, empowering union members through greater financial transparency and accountability.

## **Retirement Security – Meeting the Challenge**

A key priority of the Department is the security of workers' pensions. The promises that companies have made to their workers and retirees must be kept, and tackling the problem of under-funded pension plans is critical. Working with Congress, the Department is pursuing legislation to ensure the financial health of the single-employer, defined benefit plan system. The Department will continue to provide a wide range of educational and outreach activities to plan sponsors, participants and beneficiaries to help them understand their legal obligations and rights, identify and correct problems early on, and redress inadvertent and intentional violations.



### **Supporting Our Military Service Members Is More Important Than Ever**

The importance of the Department's role in helping veterans and returning service members secure post-service employment opportunities cannot be overstated. The Department of Labor is committed to protecting the employment rights of returning service members, and will assist veterans, reservists, and transitioning service members in finding the jobs or job training opportunities that tap their unique skills and potential.

### **Hurricane Response and Recovery**

The Department, along with many other Federal agencies, is playing a key role in cleanup and recovery efforts in the wake of Hurricanes Katrina and Rita. Even prior to the hurricanes making landfall, the Department was assessing response options and pre-positioning key personnel and resources for the disaster. The Department continues to work with state and local governments, faith-based and community organizations, relief agencies, and directly with impacted individuals to provide emergency jobs, income support, short-term skills development and other vital economic aid to rejuvenate the hurricane-impacted regions and their populations. In addition, the Department is continuing to ensure proper compliance with all applicable wage laws in the contracted cleanup and recovery work, and has funded health and safety training programs – as well as providing on-the-ground health and safety compliance professionals – to minimize injuries and fatalities attributable to this potentially hazardous work.

### **Program Data and Financial Performance**

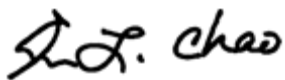
DOL managers routinely use the performance and financial data summarized in this report to improve the quality and cost effectiveness of services to the public. Given its importance for purposes of accountability, it is crucial to have confidence in the validity of this information. Several procedures are used routinely to verify data quality; findings for the current fiscal year are described below.

Performance information presented in this report is complete and reliable as defined by the Office of Management and Budget (OMB) in Circular A-11. The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with OMB Circular A-127, Joint Financial Management Improvement Program (JFMIP) requirements, Federal accounting standards, and the United States Government Standard General Ledger (SGL) at the transaction level. All Department of Labor financial management systems substantially comply with FFMIA.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires the Secretary to report to the President and the Congress on the adequacy of management controls in safeguarding resources. Based on the unqualified opinion, audit results and quarterly and year-end assurances given by the agency officials and other pertinent information, the Department of Labor's accounting systems and internal controls comply with the provisions of the FMFIA.

### **Conclusion**

This Performance and Accountability Report will provide a useful overview of this Department's core missions and a clear assessment of our program and financial results. The employees of the Department are dedicated to keeping the American workforce strong and competitive. We will continue to provide programs and services that keep America's workers safe and healthy on the job, protect workers' retirement security, ensure fair compensation, and maintain the competitiveness of our Nation's workforce in the 21<sup>st</sup> century.



Elaine L. Chao  
Secretary of Labor



## **Management's Discussion and Analysis**

## **Mission, Vision and Organization**

### **Mission**

The Department of Labor promotes the welfare of the job seekers, wage earners, and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other national economic measurements.

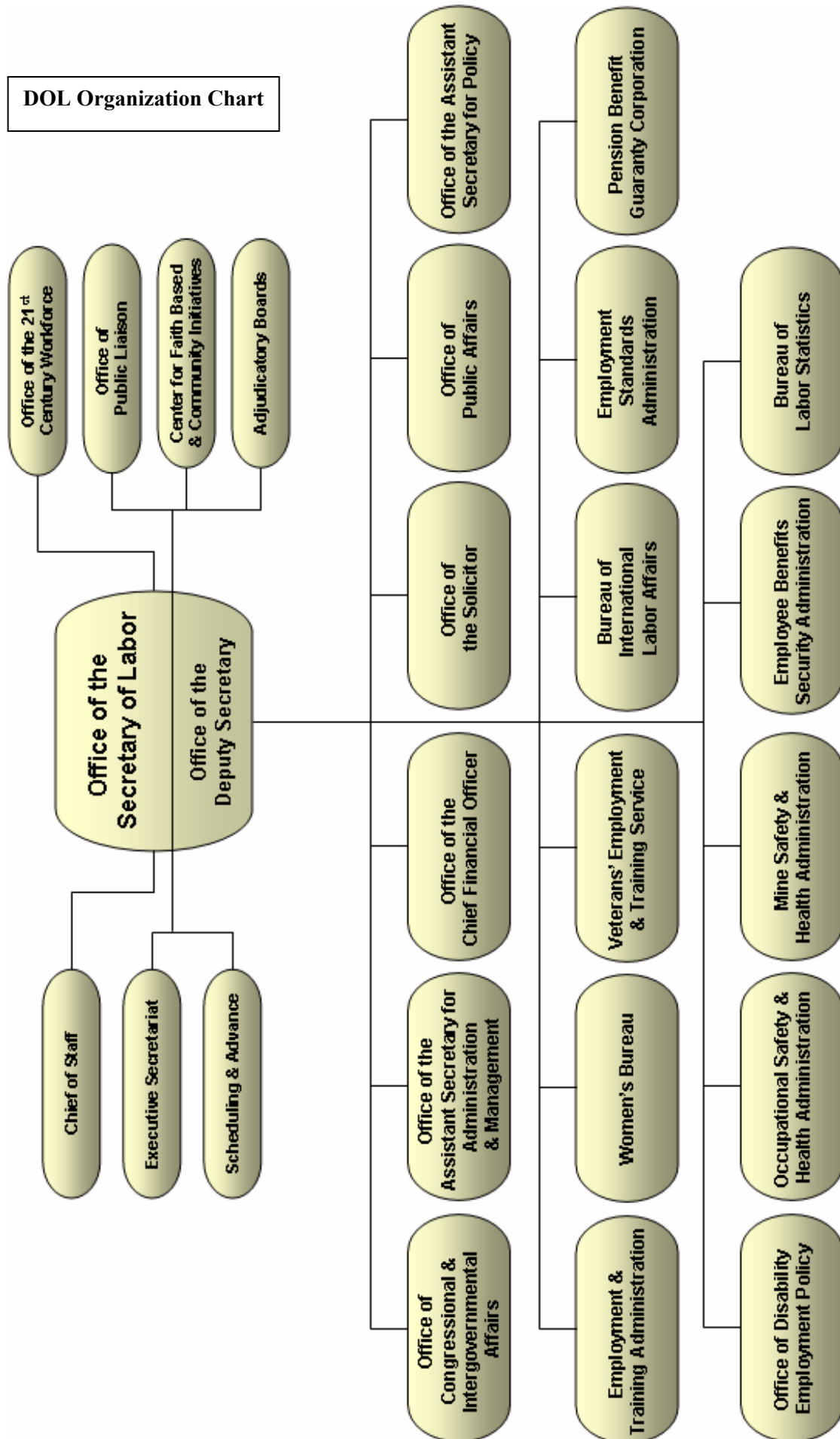
### **Vision**

We will promote the economic well-being of workers and their families; help them share in the American dream through rising wages, pensions, health benefits and expanded economic opportunities; and foster safe and healthful workplaces that are free from discrimination.

### **Organization**

The Department of Labor is organized into component agencies and offices that administer the various statutes and programs for which the Department is responsible. These programs are carried out through a network of regional offices and smaller field, district, and area offices, as well as through grantees and contractors. The largest program agencies, each headed by an Assistant Secretary or Commissioner, are the Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), Pension Benefit Guaranty Corporation (PBGC), Employment Standards Administration (ESA), Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), and Bureau of Labor Statistics (BLS). An organization chart and agency mission statements appear on the following pages.

**DOL Organization Chart**



## **Agency Missions**

### *Bureau of Labor Statistics (BLS)*

To produce, analyze, and disseminate essential and accurate statistical data in the field of labor economics to the American public, the U.S. Congress, other Federal agencies, State and local governments, business, and labor.

### *Employee Benefits Security Administration (EBSA)*

To protect the retirement, health, and other benefits of over 150 million participants and beneficiaries in private sector employee benefit plans.

### *Employment Standards Administration (ESA)*

To protect the welfare and rights of, and generate equal employment opportunity for, American workers by promoting compliance with the various laws that it administers; and to provide the best possible program for income replacement, medical treatment, and rehabilitation for injured Federal workers, longshore workers, and miners.

### *Employment and Training Administration (ETA)*

To contribute to the more efficient functioning of the U.S. labor market by providing high quality job training, employment, labor market information, and income maintenance services primarily through State and local workforce development systems.

### *Bureau of International Labor Affairs (ILAB)*

To carry out the Secretary's international responsibilities, develop Departmental policy and programs relating to international labor activities, and coordinate Departmental international activities involving other U.S. Government agencies, intergovernmental organizations, and non-governmental organizations.

### *Mine Safety and Health Administration (MSHA)*

To protect the safety and health of the Nation's miners by assuring compliance with Federal safety and health standards through inspections and investigations and working cooperatively with the mining industry, labor, and the States to improve training programs aimed at preventing accidents and occupationally-caused diseases.

### *Office of the Assistant Secretary for Administration and Management (OASAM)*

To develop and promulgate policies, standards, procedures, systems, and materials related to the resource and administrative management of the Department and ensure execution of such policies and directives. OASAM provides leadership and policy guidance in support of the President's Management Agenda, including the Department's efforts to achieve "green" scores on the Executive Branch Management Scorecard. In addition, OASAM produces the Department's Strategic Plan and Annual Performance and Accountability Report.

### *Office of the Assistant Secretary for Policy (OASP)*

To provide advice and assistance to the Secretary and Deputy Secretary in a number of areas, including policy development, regulations, program implementation, compliance assistance strategies, program evaluations, research, budget and performance analysis, and legislation.

### *Office of the Chief Financial Officer (OCFO)*

To shape a fiduciary environment where decision makers readily have and actively use high quality financial and performance information to make and implement effective policy, management, stewardship, and program decisions.

### *Office of Congressional and Intergovernmental Affairs (OCIA)*

To provide direction and coordination for congressional and intergovernmental liaison and outreach activities for the Department of Labor. OCIA assists the Secretary, Deputy Secretary, agency heads, and Departmental staff to develop effective programs and strategies to promote the Department's goals and objectives on Capitol Hill as well as among State and local officials.

### *Office of Disability Employment Policy (ODEP)*

To provide leadership to increase employment opportunities for adults and youth with disabilities on both the supply and demand sides of the labor market, by expanding access to training, education, employment supports, assistive technology, integrated employment, entrepreneurial development, and small-business opportunities; and by building

partnerships with employers and State and local agencies to increase awareness of the benefits of hiring people with disabilities, and to facilitate the use of effective strategies related to employment of people with disabilities.

*Office of Inspector General (OIG)*

To serve the American worker and taxpayer by conducting audits, investigations, and evaluations that result in improvements in the effectiveness, efficiency, and economy of Departmental programs and operations; prevent fraud and abuse in DOL programs and labor racketeering in the American workplace; and provide advice to the Secretary and the Congress on how to attain the highest possible program performance.

*Office of Public Affairs (OPA)*

To develop and implement policies and standards governing information and public affairs activities carried out by the Department, including planning and management of comprehensive national and regional public affairs programs and activities in support of the Secretary's goals and Departmental programs and activities. OPA also manages DOL's Internet and Intranet web sites to ensure that content and services are accurate, timely, regularly updated and aligned with the Department's mission and Secretarial goals.

*Occupational Safety and Health Administration (OSHA)*

To assure so far as possible for every working man and woman in the Nation safe and healthful working conditions. This includes such strategies as rulemaking, enforcement, compliance assistance, outreach, and partnerships to enable employers to maintain safe and healthful workplaces.

*Pension Benefit Guaranty Corporation (PBGC)*

To protect retirement-plan participants' pension benefits and support a healthy retirement plan system by encouraging the continuation and maintenance of private pension plans; protecting pension benefits in ongoing plans; providing timely payments of benefits in the case of terminated pension plans; and making the maximum use of resources and maintaining premiums and operating costs at the lowest levels consistent with statutory responsibilities.

*Office of the Solicitor (SOL)*

To ensure that the Nation's labor laws are forcefully and fairly applied in implementing the priority enforcement initiatives of and defending the actions taken by the Department; and to advise agency officials on legal matters, including the development of regulations, standards, and legislation.

*Veterans' Employment and Training Service (VETS)*

To provide veterans and transitioning service members with the resources and services to succeed in the 21<sup>st</sup> century workforce by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans.

*Women's Bureau (WB)*

To improve the status of wage-earning women, improve their working conditions, increase their efficiency, and advance their opportunities for profitable employment.

## Executive Summary

### Introduction

This report, prepared in accordance with the Reports Consolidation Act of 2000, presents the results of the Department of Labor's (DOL) program and financial performance for FY 2005. It is divided into four sections:

- The *Secretary's Message* is a letter from the chief executive that identifies the Department's "bottom line" at the mission level. It includes highlights of achievements for the year and communicates direction and priorities.
- *Management's Discussion and Analysis* (MD&A) introduces the Department's mission, vision and organization, summarizes program and financial performance, and addresses major management challenges. The MD&A also reports on DOL's progress in implementing the President's Management Agenda.
- The *Performance Section* narratives and graphic presentations of program results assess progress in achieving the Department's goals as presented in the Strategic Plan and Performance Budget.
- The *Financial Section* demonstrates our commitment to effective stewardship over the funds DOL receives to carry out the mission of the Department, including compliance with relevant financial management legislation. It includes the *Independent Auditor's Report* – an independent opinion on the Financial Statements provided by the Department's Office of Inspector General (OIG); *Management and Performance Challenges* – a report on the top management issues identified by the OIG and the Department's progress in resolving them; and the *Annual Financial Statements*.

In addition, five *Appendices* supplement the performance and financial sections by providing detailed performance information, summaries of significant audits and evaluations, additional information on improper payments reduction, a list of acronyms and a list of Web sites featuring labor programs and issues.

## Performance Section

FY 2005 marks the seventh year that the Department of Labor has reported program results under the Government Performance and Results Act (GPRA). Program goals that are key to the accomplishment of Departmental strategic and outcome goals as presented in the FY 2003-2008 Strategic Plan<sup>1</sup> were selected for inclusion in the Department's FY 2006 Performance Budget Overview<sup>2</sup>. These performance goals and their indicators provide the basis for assessments of the Department's effectiveness in this section.

This report includes performance goals from two different reporting periods in that Workforce Investment Act (WIA) programs are "forward-funded," meaning that their spending and performance goals are tracked on a cycle that lags the Federal Fiscal Year (FY) by nine months. This period is referred to as a Program Year (PY); such goals being reported on in this document cover July 1, 2004 to June 30, 2005 (PY 2004). PY 2005 goals will appear in the FY 2006 report.

The Department's goal structure has three levels. Strategic goals describe general aims that emerge from the Department's mission. Each of these goals in turn has several outcome goals that define general results DOL agencies can influence. These are long term objectives that in most cases involve more than one DOL agency. Finally, performance goals that support each outcome goal provide program-level clarity of purpose. Each performance goal has associated indicators and targets to measure our impact on a continuous basis.

### Program Performance Overview

DOL's four strategic goals – *A Prepared Workforce*, *A Secure Workforce*, *Quality Workplaces* and *A Competitive Workforce* – express outcomes associated with our mission, vision and theme, and serve to focus Departmental efforts on the links between activities and their higher purpose. The table below indicates FY 2005 program performance goal achievement by strategic goal.

Of the 25 performance goals on which DOL is reporting in FY 2005, the Department achieved nine, substantially achieved<sup>3</sup> six and did not achieve ten. The percentage achieved or substantially achieved totals 60 percent – comparable to the FY 2004 average of 63 percent (19 of the 30 performance goals supporting DOL strategic goals).

DOL Strategic Goal	Achieved	Substantially Achieved	Not Achieved	Total
Goal 1 – A Prepared Workforce <i>Enhance Opportunities for America's Workforce</i>	4	1	4	9
Goal 2 – A Secure Workforce <i>Promote the Economic Security of Workers and Families</i>	2	3	1	6
Goal 3 – Quality Workplaces <i>Foster Quality Workplaces that are Safe, Healthy and Fair</i>	2	1	3	6
Goal 4 – A Competitive Workforce <i>Maintain Competitiveness in the 21<sup>st</sup> Century Economy</i>	1	1	2	4
<b>Total</b>	<b>9</b>	<b>6</b>	<b>10</b>	<b>25</b>

Below is a breakdown, by strategic goal, of FY 2005 achievements and significant developments. A tally of goals achieved, while providing an indication of whether DOL is on schedule with its plan, does not convey any actual performance information. To understand what was achieved in terms of benefits to the public, it is necessary to look not just at whether targets were reached but also at whether observed results indicate positive program impacts. The following summaries focus on significant trends and their implications. Tables present the goal number, responsible agency, goal statement, and result for each performance goal being reported on in this document. The first two digits

<sup>1</sup> [http://www.dol.gov/\\_sec/stratplan/main.htm](http://www.dol.gov/_sec/stratplan/main.htm)

<sup>2</sup> [http://www.dol.gov/\\_sec/Budget2006/overview-pb.htm#app1](http://www.dol.gov/_sec/Budget2006/overview-pb.htm#app1)

<sup>3</sup> The assessment category of substantially achieved recognizes results that were very close, which is defined as 80 percent of targeted year-on-year improvement.



of each goal number indicate the funding year. In this report, all “04” goals are reporting on the Program Year period defined above.

**Strategic Goal 1 – A Prepared Workforce**

As indicated in the Program Performance Goal Achievement table above, DOL had nine performance goals under this strategic goal in FY 2005, of which five were achieved or substantially achieved (56 percent) – slightly below the Department wide average. However, the percentage of goals achieved understates progress, since at the indicator level, 37 of 41 targets were reached (90 percent). Entered employment, retention, education and earnings change, job training common measures tracked in most of the programs supporting this goal, improved over prior year results in every case. Although improving economic conditions helped, DOL had a significant role in facilitating more integrated employment and training service delivery by State Workforce Agency partners and encouraging them to focus on high growth occupations and industries in placement and training services. In addition, Office of Disability Employment Policy pilot programs exceeded expectations for identifying effective practices, and the Bureau of Labor Statistics improved its accuracy over FY 2004 results.

Budget structures for Workforce Investment Act employment and training programs continue to inhibit program performance by duplicating services and necessitating excessive expenditure on administration. DOL has proposed legislation to consolidate several funding streams. Another noteworthy challenge is the Job Corps program’s review of asset management practices for its residential training centers, which the Office of Inspector General has suggested could be a source of improved efficiency.

Goal # Agency	Performance Goal	Result
04-1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.	Achieved
04-1.1B ETA	Improve the outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	Not Achieved
04-1.1C ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program.	Not Achieved
04-1.1D VETS	Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ services.	Achieved
05-1.1A ETA	Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21 <sup>st</sup> Century.	Achieved
05-1.1B ODEP	Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing testing, and disseminating effective practices.	Achieved
04-1.2A ETA	Increase placements and educational attainments of youth served through the WIA youth program.	Not Achieved
04-1.2B ETA	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.	Not Achieved
05-1.3A BLS	Improve information available to decision-makers on labor market conditions, and price and productivity changes.	Substantially Achieved

**Strategic Goal 2 – A Secure Workforce**

Of six performance goals, DOL achieved or substantially achieved five (83 percent) – well above the Departmental average of 60 percent. Worker protection targets for processing timeliness, compliance with wage and hour regulations and union report transparency were all reached or substantially reached. In the worker benefits outcome goal, results were better than they appear. Unemployment Insurance (UI) system performance was very good, thanks in part to improving economic conditions. The Federal workers’ compensation program results for return to work, reducing program expenses and customer service met expectations, overall. DOL’s Employee Benefit Security Administration’s (EBSA) enforcement efforts were successful by all measures. The Pension Benefit Guaranty

Corporation (PBGC), while improving satisfaction of plan participants, slipped a bit in the judgment of its practitioner (employer) customers.

The most significant concerns in this area are focused on solvency of the large trust funds for unemployment and pension benefits and integrity of payments to millions of beneficiaries annually by the UI system. To improve UI financial integrity, DOL is establishing processes for improving education of beneficiaries and assessments of their needs for reemployment services and continued eligibility. To improve defined benefit plan security, DOL included in the President's FY 2006 Budget to Congress a proposal to strengthen plan funding rules, improve transparency, and reform the premium structure for insurance provided by PBGC.

Goal # Agency	Performance Goal	Result
05-2.1A ESA	American workplaces legally employ and compensate workers.	Achieved
05-2.1B ESA	Ensure union financial integrity, democracy and transparency.	Substantially Achieved
05-2.2A ETA	Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up unemployment tax accounts promptly for new employers.	Substantially Achieved
05-2.2B ESA	Minimize the impact of work-related injuries.	Substantially Achieved
05-2.2C EBSA	Secure pension, health and welfare benefits.	Achieved
05-2.2D PBGC	Improve service to pension plan customers.	Not Achieved

### Strategic Goal 3 – Quality Workplaces

DOL achieved or substantially achieved three of six performance goals (50 percent), which is below the Departmental average of 60 percent. Progress was made in workplace safety and health; fatalities were slightly more frequent but overall injury and illness incidence rates continued to fall, in part due to partnerships with employers and employees and better enforcement targeting. Dramatic, and in some cases record lows, in mine industry injury and fatality rates can be attributed in part to DOL strategies addressing the human factors that impact safety and health decisions of mine operators and miners. Illegal discrimination by contractors remained very rare, and veterans' cases were resolved timely despite increased volume and complexity of complaints due to reserve mobilizations connected with the war in Iraq. Finally, DOL-funded international labor programs continued to demonstrate success by, for example, removing thousands of children from exploitive work and improving work conditions for the vast majority of those targeted for assistance.

A current DOL occupational safety and health challenge is obtaining timely outcome data. The latest available data on non-mining occupational injuries and illnesses are two years old. Mine safety challenges include developing strategies to reduce risks associated with the influx of inexperienced workers that accompanies growth in coal production. Reemployment issues for armed service members continue to emerge with continuation of the war in Iraq. Beginning in FY 2006, the Veterans' Employment and Training Service will monitor Guard and Reserve mobilization and demobilization figures to anticipate needs.

Goal # Agency	Performance Goal	Result
05-3.1A OSHA MSHA	OSHA: Reduce work-related fatalities. Target not reached MSHA: Reduce work-related fatalities. Target reached	Not Achieved

Goal # Agency	Performance Goal	Result
05-3.1B OSHA MSHA	OSHA: Reduce work-related injuries and illnesses. Target reached MSHA: Reduce work-related injuries and illnesses. Targets not reached	Not Achieved
05-3.2A ESA	Federal contractors achieve equal opportunity workplaces.	Achieved
05-3.2B VETS	Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.	Not Achieved
05-3.3A ILAB	Contribute to the elimination of the worst forms of child labor internationally.	Substantially Achieved
05-3.3B ILAB	Improve living standards and conditions of work internationally.	Achieved

**Strategic Goal 4 – A Competitive Workforce**

Of four performance goals, DOL achieved one and substantially achieved one (50 percent) – below the Departmental average of 60 percent. Nevertheless, more indicator targets were reached than not reached (14 vs. 4), and significant progress was made in making America's workforce more competitive by a number of measures. Workforce Information job listings, resume searches and Occupational Information Network resource quality and traffic all posted impressive increases. Foreign Labor Certification (FLC) processing improved over FY 2004 and Trade Adjustment Assistance (TAA) continued to improve participants' employment, retention and earnings. Child labor regulations were updated to eliminate confusion, and DOL proposed a rule to allow financial institutions to distribute the assets of abandoned individual pension plans to participants and beneficiaries. Significant improvement efforts under way include Workforce Information integration of services in programs funded by the Workforce Investment Act and the Wagner-Peyser/VETS-funded employment services; FLC fraud detection/prevention and backlog elimination; and TAA data quality initiatives.

Goal # Agency	Performance Goal	Result
04-4.1A ETA	Build a demand-driven workforce system by increasing accessibility to workforce information.	Substantially Achieved
04-4.1B ETA	Assist employers in meeting their workforce needs by providing them with expeditious determinations on their applications to hire foreign workers.	Not Achieved
05-4.1B ETA	Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.	Not Achieved
05-4.2A OASP	Maximize regulatory flexibility and benefits and promote flexible workplace programs.	Achieved

The next table lists Program Year 2005 goals (July 1, 2005 – June 30, 2006) for which results will be reported in the FY 2006 Performance and Accountability Report.

Goal# Agency	Performance Goal
05-1.1A ETA	Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act adult program.
05-1.1B ETA	Improve the outcomes for job seekers and employers who receive public labor exchange services.
05-1.1C ETA	Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act dislocated worker program.

Goal# Agency	Performance Goal
05-1.1D VETS	Increase the employment outcomes for veterans who receive One Stop Career Center services and veterans' program services.
05-1.2A ETA	Increase placements and educational attainments of youth served through the WIA youth program.
05-1.2B ETA	Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education.
05-4.1A ETA	Build a demand driven workforce.
05-4.1B ETA	Increase accessibility to workforce information.

Costs<sup>4</sup> devoted toward achieving the Department's strategic goals (see table below) are dominated by the second goal, *A Secure Workforce*, for which net costs in FY 2005 amounted to \$40.811 billion – 82 percent of the total, \$49.912 billion. Ninety two percent (\$37.7 billion) of net costs associated with Strategic Goal 2 were for benefit payments to unemployed workers or workers disabled as a result of work-related injuries or illnesses. The first goal, *A Prepared Workforce*, required \$6.865 billion (14 percent), mostly grants to States and other organizations for job training and a host of employment-related services. Approximately \$1.062 billion (2 percent) went toward the third goal, *Quality Workplaces*, to fund direct services (such as salaries of Federal employees) aimed at improving safety and health in the workplace. The fourth goal, *A Competitive Workforce*, accounted for \$1.163 billion, two percent of the total, which went toward programs aimed at building a demand-driven workforce system.

DOL Program Net Costs (Millions of Dollars)			
Goal	FY 2003	FY 2004	FY 2005
<b>Strategic Goal 1: A Prepared Workforce</b>	<b>\$6923</b>	<b>\$8654</b>	<b>\$6865</b>
Outcome Goal 1.1 – Increase Employment, Earnings, and Assistance	\$3433	\$5412	\$3874
Performance Goal 04-1.1A (WIA adult)	–	–	922
Performance Goal 04-1.1B (One-Stop employment services)	–	–	725
Performance Goal 04-1.1C (WIA dislocated worker)	–	–	1455
Performance Goal 04-1.1D (VETS employment services)	–	–	196
Performance Goal 05-1.1A (Apprenticeship)	–	–	23
Performance Goal 05-1.1B (ODEP)	–	–	52
Other (Senior Community Service Employment Program, Indian and Native American Adult Programs, National Farmworker Jobs Program, Work Incentive Grants, etc.)	–	–	503
Outcome Goal 1.2 – Increase the Number of Youth Making A Successful Transition to Work	\$2957	\$2703	\$2455
Performance Goal 04-1.2A (WIA youth)	–	–	987
Performance Goal 04-1.2B (Job Corps)	–	–	1313
Other (Youth Offender Reintegration, Indian and Native American Youth Programs, etc.)	–	–	155
Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy	\$533	\$539	\$536
Performance Goal 05-1.3A (BLS)	–	–	536

<sup>4</sup> Net cost data are presented. *Net Cost* reflects the *full cost* of each program as assigned by DOL entities to the Department's outcome goals *less* any exchange revenue earned. *Full cost* consists of (a) both direct and indirect costs, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities.

<b>DOL Program Net Costs (Millions of Dollars)</b>			
<b>Goal</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Strategic Goal 2: A Secure Workforce</b>	<b>\$59,969</b>	<b>\$46,957</b>	<b>\$40,811</b>
Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws	\$273	\$296	\$277
Performance Goal 05-2.1A (Wage and Hour)	–	–	214
Performance Goal 05-2.1B (Labor-Management Standards)	–	–	63
Outcome Goal 2.2 – Protect Worker Benefits <sup>5</sup>	\$57,718	\$46,661	\$40,534
Performance Goal 05-2.2A (Unemployment Insurance)	–	–	34,243
Performance Goal 05-2.2B (Workers' compensation)	–	–	6131
Performance Goal 05-2.2C (EBSA)	–	–	160
Outcome Goal 2.3 – Increase Employment and Earnings for Retrained Workers	\$1978	–	–
<b>Strategic Goal 3: Quality Workplaces</b>	<b>\$991</b>	<b>\$1021</b>	<b>\$1062</b>
Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities	\$815	\$812	\$823
Outcome Goal 3.2 – Foster Equal Opportunity Workplaces	\$118	\$112	\$115
Performance Goal 05-3.2A (Federal Contractor Compliance)	–	–	99
Performance Goal 05-3.2B (USERRA)	–	–	16
Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets	\$58	\$97	\$124
Performance Goal 05-3.3A (Child Labor)	–	–	74
Performance Goal 05-3.3B (International Labor Standards)	–	–	43
Other (Other ILAB programs)	–	–	7
<b>Strategic Goal 4: A Competitive Workforce</b>	<b>–</b>	<b>\$6</b>	<b>\$1163</b>
Outcome Goal 4.1 – Build a Demand-Driven Workforce System to Address Worker Shortages and Equip Workers to Adapt to the Competitive Challenges of the 21 <sup>st</sup> Century	–	–	\$1163
Performance Goal 04-4.1A (Workforce Information)	–	–	106
Performance Goal 05-4.1A (Foreign Labor Certification)	–	–	60
Performance Goal 05-4.1B (Trade Adjustment Assistance)	–	–	846
Other (Transition Assistance Program, Pilots, Demonstrations, Research & Evaluations, and H-1B Technical Skills Training)	–	–	151
Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden <sup>6</sup>	–	\$6	–
Costs Not Assigned to Goals	<b>\$44</b>	<b>\$38</b>	<b>\$11</b>
Total <sup>7</sup> (may not be equal to sum of individual goal totals due to rounding)	<b>\$67,927</b>	<b>\$56,676</b>	<b>\$49,912</b>

Charts that display net costs from FY 1999-FY 2005 to illustrate trends are provided in each outcome goal summary; brief explanations of significant changes since FY 2004 are provided, as well. This is the first year for which DOL has had the capability of reporting costs at the performance goal level – thanks to more sophisticated cost models in

<sup>5</sup> Costs for Performance Goal 05-2.2D (PBGC) are not included because the corporation's financial statements are separate from those of the Department and are not included in this document.

<sup>6</sup> Costs associated with this goal in FY 2004 were allocated to program performance goals in FY 2005. See the explanation in the Outcome Goal 4.2 narrative under Net Cost of Programs.

<sup>7</sup> The total net costs for FY 2005 included in this table are \$452 million less than the total net costs included in the Consolidated Statements of Net Cost as certain costs in this table are presented on a program year basis vs. a fiscal year basis in the Consolidated Statements of Net Cost.

our managerial cost accounting system, Cost Analysis Manager (CAM), that describe relationships between resources, activities, outputs and performance goals.

### **Reporting Performance Results**

The Performance Section 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 2005 and near term plans for improvement. Each outcome goal section similarly begins with a summary of results, adds net cost information and highlights and concludes with a brief discussion of future plans. Finally, within each outcome goal section are individual performance goal narratives that present results, describe the program and its operating environment, analyze performance and disclose management issues such as data quality and studies of program cost-effectiveness. Appendix 1 contains performance goal histories and Appendix 2 summarizes significant audits and evaluations of DOL programs completed during FY 2005 that have implications for performance goals.

Performance measurement is inherently difficult, especially for a large, diverse organization like DOL that works to accomplish its mission indirectly – in partnership and by assisting others. The Department seeks continuous improvement in its selection of indicators and in policies and procedures for collecting and reporting program performance data so that managers and other decision makers can rely on them. However, each program must consider the costs and benefits of gathering and managing such information. Changes take time to implement and reporting requirements can impose considerable burdens on staff, partners, beneficiaries and regulated entities. Timeliness is another important consideration in utility of performance data; most programs use real-time, monthly and quarterly reporting systems and estimate/reconcile annual totals or averages.

New indicators often lack data needed to establish targets. For such indicators, the first year's target may be to establish a baseline, and thus the Department gives the program a positive rating for gathering the data as planned and establishing targets for the subsequent year.

The Office of Inspector General assesses the internal controls of DOL agencies – systems used to validate, verify and record data submitted by field staff and partners (e.g., grantees). These systems are identified as Data Sources in Appendix 1 at the bottom of each performance goal history. Material inadequacies, if any, are disclosed in this report in the Secretary's Message. Lack of findings does not imply that data are factual; we can only infer that current practices and data are acceptable given available knowledge and resources. In other words, unless noted otherwise, performance data in this report should be considered sufficiently accurate and timely.





## Financial Section

### Financial Performance Report

At the end of FY 2004, the Department received green on the President’s Management Agenda (PMA) scorecard for financial management. Since then, the Office of the Chief Financial Officer (OCFO) under the direction of the Secretary has devoted significant resources to secure its achievement of excellence in financial management in the Federal Government. Successes include updating the Department’s Cost Accounting Manager (CAM) models for all participating agencies, providing accurate and timely financial statements on a quarterly basis, migrating the Department’s payroll function to the National Finance Center, and beginning the implementation of a new core financial management system. While working on these key initiatives, the OCFO anticipated the new requirements related to internal controls by preparing and submitting an implementation plan to the Office of Management and Budget (OMB). As in previous years, the Department’s financial systems remained in substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), ensuring 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), a sign that the Department’s accounting systems and internal controls were sufficient to safeguard its resources. Further, no material weaknesses were found in the audit of the Department’s financial statements for the fiscal year ended 2005.

#### Financial Management Scorecard (as of 9/30/05)

<p>Current Status</p> 	<ul style="list-style-type: none"> <li>• Received ninth consecutive unqualified and timely audit opinion on annual financial statements; no material auditor-reported internal control weaknesses.</li> <li>• Produced accurate and timely financial information that is used by management to drive results in key areas of operations.</li> <li>• Integrated financial and performance management systems to support day-to-day operations.</li> <li>• Met FFMIA requirements.</li> </ul>
<p>Continued Progress</p> 	<p><i>To Implement a New Core Financial Management Information System:</i></p> <ul style="list-style-type: none"> <li>• Select Center of Excellence</li> </ul> <p><i>To Integrate Financial Data into Management:</i></p> <ul style="list-style-type: none"> <li>• Complete design of working capital fund model.</li> <li>• Continue efforts to automate non-financial data.</li> <li>• Revise CAM models to support Budget and Performance Integration (BPI) efforts.</li> </ul> <p><i>To Implement OMB A-123 revisions</i></p> <ul style="list-style-type: none"> <li>• Assess, test, and report on the adequacy of the Department’s internal controls.</li> </ul>

For the ninth consecutive year, the Department received an unqualified opinion on its consolidated financial statements. During FY 2005, the OCFO provided timely quarterly audited financial statements to OMB, 21 days after the end of each quarter.

The Department successfully implemented CAM, its managerial cost accounting system. CAM supports decision-making by providing program managers with cost of outputs and activities to better understand the cost of programs from an operational perspective. CAM information will be used to support Departmental initiatives related to Budget and Performance Integration and OMB PART efficiency measures.

The Department continues to work on the implementation of a new core financial management information system that will provide readily available, transparent data to managers and decision-makers for use on a day-to-day basis. This JFMIP-compliant COTS package will make available timely, accurate, and reliable financial information, and will provide the tools to conduct sophisticated financial analyses to better manage program resources. This will result in an increased use of integrated financial and performance information that will empower superior decision making through better business intelligence. When fully implemented, the new system will be a strategic asset for the Department allowing managers to create customized reports online at their desktops to meet their management needs in real time. The Department’s new core financial management system will be hosted by a Center of Excellence (CoE). The CoE is scheduled to be selected in FY 2006.



The Department is committed to implementing the requirements outlined in the revised OMB's Circular A-123, Management's Responsibility for Internal Control over Financial Reporting. Strong internal controls already exist in the Department as evidenced by numerous clean audit opinions and no material weaknesses. OCFO continues to administer a Quarterly Financial Management Certification program, which requires managers at all levels to attest to the adequacy of program controls. OCFO will continue to work with program agencies to ensure effective management controls over program resources, financial systems and reporting. The Department has developed an implementation plan to establish an oversight committee consisting of representatives from the financial, administrative and information systems communities. OCFO will build upon existing processes to meet the requirements of A-123. The result of these efforts will support the Secretary's annual FMFIA certification in the Performance and Accountability Report. Internal controls improve transparency to the public ensuring that resources are being wisely used to bring results that support the Department's strategic goals – *A Prepared Workforce, A Secure Workforce, Quality Workplaces, and A Competitive Workforce.*

## Financial Statement Presentation

We are proud to report our ninth consecutive unqualified audit opinion issued by the Department's Office of Inspector General (OIG). Annually, we are challenged with improving and maintaining financial management practices and policies. This independent assessment provides assurance that the money entrusted to the Department's stewardship is accounted for properly.

The principal financial statements summarize the Department's financial position, net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources and disposition of custodial revenues for FY 2005 and FY 2004. Highlights of the financial information presented in the principal financial statements are shown below:

### Financial Position

The Department's Balance Sheet presents its financial position through the identification of agency assets, liabilities and net position. Total assets increased from \$62.4 billion at the end of FY 2004 to \$71.5 billion in FY 2005 primarily due to the increase in unemployment taxes. Seventy seven percent of assets are invested in U.S. Government securities, compared to 73 percent in FY 2004. Liabilities totaled \$20 billion and \$15 billion at the end of FY 2005 and FY 2004 respectively, leaving a difference, or net position, of \$51.4 billion and \$47.4 billion at the end of each year.

Balance Sheet (in thousands)	
Fund Balance with Treasury	\$ 9,219,660
Investments	\$54,952,644
Accounts Receivable	\$ 5,034,288

### Net Cost of Operations

Crosscutting Programs (in thousands)	
Income Maintenance	\$42,236,284
Employment and Training	\$ 6,009,384
Labor, Employment and Pension Standards	\$ 714,351
Worker safety and health	\$ 794,420
Statistics	\$ 525,011

The total net cost of operations in FY 2005 was \$50.4 billion, an 11 percent decrease from the prior year. This decrease in program costs is mainly attributable to a decrease in unemployment claims during the fiscal year.

Income Maintenance programs continue to comprise the major portion of costs. These programs include costs such as unemployment benefits paid to individuals who are laid off or out

of work and seeking employment as well as payments to individuals who qualify for disability benefits due to injury or illness suffered on the job.

Employment and training programs comprise the second largest cost. These programs are designed to help individuals deal with the loss of a job, research new opportunities, find training to acquire different skills, start a new job, or make long-term career plans.

**Financing**

The Statement of Financing reconciles the net cost of operations with the obligation of budgetary resources. The Department’s operations are funded primarily by Unemployment Insurance (UI) program employer taxes, appropriations received, and investment interest earned from various trust funds.

**Statement of Budgetary Resources**



This statement reports the amount of resources received to effectively carry out the activities of the Department as well as the status of these resources at the end of the fiscal year. The Department had direct obligations of \$51.3 billion in FY 2005, a decrease of \$10.3 billion from FY 2004.

**Limitations on the Principal Financial Statements**

As required by the Government Management Reform Act of 1994 (31 U.S.C. 3515 (b)), the principal financial statements report the Department’s financial position and results of operations. While the statements have been prepared from the Department’s books and records, in accordance with formats prescribed by OMB, the statements differ from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity, and that liabilities reported in the financial statements cannot be liquidated without legislation providing resources to do so.

**IPIA Compliance**

**Eliminating Improper Payments (as of 9/30/05)**

<p>Current Status</p> 	<ul style="list-style-type: none"> <li>• Corrective action plan in place with OMB approved targets</li> <li>• Evidence that improper payment reduction targets are being met.</li> <li>• Recovery targets in place and evidence that targets are being met.</li> </ul>
<p>Continued Progress</p> 	<ul style="list-style-type: none"> <li>• Work with OMB on WIA and FECA measurement and reporting requirements based on FY 2005 results.</li> <li>• Continue to roll-out the National Database for New Hires cross-match across multiple States for the Unemployment Insurance program.</li> </ul>

Over the past several years, identifying and reducing improper payments has been a major financial management focus of the Federal Government. A PMA key component is to improve agency financial performance through reductions in improper payments. OMB originally provided Section 57 of Circular A-11 as guidance for Federal agencies to identify and reduce improper payments for selected programs.<sup>8</sup> The Improper Payments Information Act of 2002 (IPIA) broadened the original erroneous payment reporting requirements to programs and activities beyond those originally listed in Circular A-11.

IPIA defines improper payments as those payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient. IPIA requires a Federal agency to identify all of its programs that are risk susceptible to improper payments. It also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets. The act also requires the agency to report annually on the extent of its improper payments and the actions taken to increase the accuracy of payments.

<sup>8</sup> Section 57 identified Unemployment Insurance (UI), Federal Employees’ Compensation Act (FECA) and Workforce Investment Act (WIA) as programs required to report annual erroneous payments.

To coordinate and facilitate the Department's efforts under IPIA, the Chief Financial Officer (CFO) is the Erroneous Payment Reduction Coordinator for the Department. OCFO worked with program offices to develop a coordinated strategy to perform annual reviews for all programs and activities susceptible to improper payments. This cooperative effort included developing actions to reduce improper payments, identifying and conducting ongoing monitoring techniques, and establishing appropriate corrective action initiatives.

### ***Methodology***

Due to the inherent differences in managing and accounting for funds in a benefit versus a grant program, the Department conducted its FY 2005 risk assessment using different methodologies to assess their improper payment risk. Per OMB guidance, all Section 57 programs are deemed to be high risk irrespective of the determined improper payment error rate. The Department has two Section 57 benefit programs, Unemployment Insurance (UI) and Federal Employees' Compensation Act (FECA). It also has one Section 57 grant program, Workforce Investment Act (WIA).

FY 2005 benefit programs with FY 2004 outlays totaling less than \$200 million were deemed to be low risk, unless a known weakness existed in the program management based on reports issued by oversight agencies such as the Department's Inspector General (IG) and/or the U.S. Government Accountability Office (GAO). Hence, these benefit programs were not statistically sampled. For benefit programs with outlays greater than \$200 million, the Department conducted sampling to determine their improper payment rates. This sampling included FECA, UI, Black Lung Disability Trust Fund, and Energy Employees Occupational Illness Compensation Fund. UI was the only program determined to be susceptible to risk<sup>9</sup> as a result of this approach. However, the Department is also reporting on FECA's improper payment rate since it is a Section 57 designated program.

As mentioned earlier, the Department used a separate methodology to assess the risk of improper payments in grant programs except for Job Corps which was sampled. The Department analyzed all FY 2003 Single Audit Reports<sup>10</sup> to identify questioned costs, which were used as a proxy for improper payments, and to estimate an approximate risk for each of the Department's grant programs. The improper payment rate was determined by calculating the projected questioned costs and dividing this total projection by the corresponding outlays.<sup>11</sup> All error rates were determined to be well below the 2.5 percent threshold; therefore, no grant programs were determined to be susceptible to risk as a result of this approach. However, like FECA, the Department is reporting on WIA's improper payment rate since it is a Section 57 designated program, even though its improper payment rate is well below the 2.5 percent threshold.

### ***Challenges for IPIA Compliance***

Like many other Federal agencies, the Department faces challenges in meeting its improper payment reduction and recovery targets, particularly with programs that are sensitive to the U.S. economy fluctuations, such as the UI program. Furthermore, meeting improper payment reduction and recovery targets of programs, such as UI and WIA, are contingent upon the cooperation and support of State agencies and other outside stakeholders who are intricately involved in the day-to-day management of these programs' activities.

### ***Accomplishments and Plans for the Future***

In FY 2005, the Department conducted the required risk assessment. It also established reduction and recovery targets and developed corrective action plans for those programs for which it is required to report. Furthermore, the Department met its reduction and recovery improper payment targets set in FY 2004.

In addition to implementing its corrective action plans, the Department also conducted pilot programs within the UI and WIA programs in an effort to identify new ways to detect and reduce these programs' improper payments. During FY 2005, OCFO and the Employment and Training Administration (ETA) initiated the UI National Directory

<sup>9</sup> OMB Implementation Guidance, M-03-13 defines programs to be susceptible to risk if the improper payment rate exceeds 2.5 percent and the amount of overpayment exceeds \$10 million.

<sup>10</sup> The Single Audit Act of 1996 provides for consolidated financial and single audits of State, local, non-profit entities, and Indian tribes administering programs with Federal funds. The most recent year available for Single Audit Reports is 2003.

<sup>11</sup> In the case of the WIA program, the projection was based on the WIA-specific questioned costs. For the non-WIA grant programs, the projection was made for all programs as an aggregate. The improper payment rate was determined by dividing this aggregate projection of questioned costs by the total outlays for all non-WIA grant programs.

of New Hires (NDNH) pilot across three states to determine how a cross-match between NDNH<sup>12</sup> and State UI claimant data would help identify and reduce improper payments. The result of this pilot clearly indicated that a substantial amount of additional overpayments could be detected using NDNH. As a result of these positive experiences and the overall success of the pilot, many states have expressed interest in implementing the NDNH cross-match. ETA is already moving ahead with the implementation of the NDNH cross-match with five states (Utah, Virginia, Texas, Connecticut, and Washington). An additional 24 states have expressed interest in the use of NDNH by the end of FY 2006. The ultimate goal is for all states to use NDNH to detect and reduce the occurrence of Benefit Year Ending (BYE)<sup>13</sup> overpayments. The WIA pilot entailed gathering and analyzing data using the Department's single audits for FY 2002 and FY 2003 that identified WIA grant funds. The results indicate that questioned costs identified in the audits are less than one percent of WIA expenditures. The analysis also confirmed that the most efficient means to gather data regarding Federal grant programs is to use the existing infrastructure provided by the Single Audit Act. The Department used the single audits for the first time to estimate error rates for all grant programs except for Job Corps.

**Other Significant Information**

***Audit Follow up***

The Inspector General Act Amendments of 1988 require Federal agencies to provide the status of their audit resolutions for all audit reports with recommendations open for more than one year. The Department's management and auditors agree that some of Labor's corrective action plans will take several years to complete. As of September 30, 2005, 183 audit reports have been open for over one year. The total monetary value of open audit findings is \$65.2 million, which covers 936 separate recommendations.

Departmental agencies and the OIG jointly manage and update the audit tracking system where the current status of each open audit finding is maintained. Final closure of the audit finding is determined solely by the reviewing OIG officials. Due to the complexity of implementing some of the audit resolutions, many of these decisions take years before being rendered and the audit finding is closed.

The most significant of the non-monetary open audit findings are discussed in this report. A listing of all open audits is available upon request from the Department's OCFO.

<b>FY 2005 OIG Audit Recommendations Greater than One Year (amounts in thousands)</b>	
Affected accounts in 183 audit findings with 936 recommendations	\$ 65,236
• 42 open recommendations under administrative law or Federal appeal	\$ 3,302
• Funds put to better use	\$ 5,669
• Referred/in the process of being referred to Department of the Treasury	\$ 2,726
Balance of open audit findings	\$ 53,539

***Debt Management***

The Debt Collection Improvement Act of 1996 (DCIA) designated the Department of the Treasury as the central agency for collection of Federal debts over 180 days delinquent. The Department cross services all delinquent debts in accordance with this statute. Debt management accounts for a relatively small part of our financial management activity. The majority of debts managed by the Department relate to the assessment of fines and penalties in our enforcement programs. During FY 2005, the Department referred \$67.7 million, which represents 70 percent of all eligible delinquent debt, to Treasury for collection. The Department continues to monitor and aggressively pursue its debt greater than 180 days old.

***User Charges - Policy Review***

In accordance with the Chief Financial Officers Act of 1990 (CFO Act) and OMB Circular A-25, department-wide guidance has been developed to establish policies, procedures, and responsibility for implementing and managing user charges within the Department. The guidance includes the biennial review requirements of the CFO Act.

<sup>12</sup> NDNH is a nationally consolidated database that contains employment and UI information on the nation's workforce and is maintained by the Department of Health and Human Services (HHS).

<sup>13</sup> BYE violations are defined as individuals who return to work and continue to claim and receive UI benefits.

**Prompt Payment Act**

The Department works effortlessly to meet guidance and regulations outline in the Prompt Payment Act. The Prompt Payment Act requires Executive agencies to pay commercial obligations within discreet time periods and to pay interest penalties when those time constraints are not met.

In FY 2005, of approximately \$1.9 billion in gross payments, \$481,430 was paid in interest fees and penalties. Additionally, during FY 2005, there were over 69,000 payments made to vendors and travelers. Of this amount, 2,773 invoices were paid late, resulting in only 4% of the total payments incurring interest penalties.

**Electronic Fund Transfer (EFT)**

The Department has worked aggressively with its agencies during this fiscal year to increase the number of vendors receiving payments electronically. As the chart below displays, this cooperative effort resulted in improved results across the board. The low rates for ESA programs are due to the low EFT participation and the heavy volume within its medical and benefits programs.

DOL EFT Payments					
	FY01	FY02	FY03	FY04	FY05
Administrative Vendors	69%	74%	96%	78%	86%
Travel & Miscellaneous	99%	99%	99%	99%	99%
Salary & Awards	96%	98%	99%	99%	99%
ESA Programs	26%	28%	53%	44%	46%
Total	38%	39%	65%	53%	57%

Source: DOL DOLARS and Payroll System EFT reports.

## Major Management Challenges

The table below lists management challenges the Department considers most important in terms of their impact on the accomplishment of goals in this report and their impact on the American workplace and taxpayers, overall.

Management challenges for Goal 1, *A Prepared Workforce*, pertain to managing employment and training programs, foreign labor certification, and safeguarding real property. The GAO identified the management of employment and training programs as one of the three major challenges remaining for the Department in 2005. The Department’s OIG identified the foreign labor certification and the management of real property challenges for this goal.

Management challenges for Goal 2, *A Secure Workforce*, include reducing overpayments (improper payments) of unemployment insurance and safeguarding funds for Employee Benefit Plan Assets and unemployment insurance and real property. These challenges are well documented and were identified by the OIG, the GAO, and the Department.

For Goal 3, *Quality Workplaces*, the GAO identified a challenge to fostering safe workplaces that the Department recognizes as important.

The achievement of all the Department’s goals is influenced by the successful management of its procurement operations, its information technology capabilities, and its data quality. These challenges have been identified by the Department’s OIG and are included in the table, as well.

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

- Reducing Improper Payments
- Foreign Labor Certification
- Security of Employee Benefit Plan Assets
- Manage Employment and Training Programs to meet the Demands for the Workforce of the 21st Century
- Procurement System Concerns
- Foster Safe Workplaces
- Real Property
- Information Technology Systems
- Data Quality
- Safeguarding Unemployment Insurance

Summaries of the issue, actions taken and those remaining are presented for each item. More information on many of them may be found elsewhere in this report in discussions of program performance or in the Financial Section. The Department aggressively pursues corrective action for all significant challenges, whether identified by the OIG, the GAO, OCFO or other sources within the Department.

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Reducing Improper Payments</i>		
Improper payments are payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient.	Reducing improper payments is a Departmental initiative under the President’s Management Agenda.	
<b>Unemployment Insurance</b> (UI) made up most of DOL’s \$ 3.9 billion in improper payments in FY 2004. Reducing UI improper payments impacts Goal 05-2.2A, <i>Make timely and accurate benefit payments to unemployed workers.</i>	DOL proposed legislative changes to prevent and recover overpayments of Unemployment Insurance benefits, saving an estimated \$4.7 billion over 10 years	Focus Departmental efforts to detect, prevent, and recover improper payments so that taxpayers can be assured that their dollars are spent as intended: FY 2006



Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
	<p>Formed partnerships with States, other Federal agencies and the OCFO to prevent UI fraud and abuse</p> <p>Facilitated and funded State access to the National Directory of New Hires to identify individuals claiming benefits after returning to work (the number one cause of UI overpayments).</p> <p>Awarded grants to 21 States to conduct in-person claimant interviews in One-Stop Career Centers to assess beneficiaries' need for reemployment services and their continued eligibility</p> <p>Issued a State-level Detection of Over-Payments Core Measure in States' performance budget plans, giving States an additional incentive to prevent and detect UI overpayments</p>	<p>Facilitate States' use of the National Directory of New Hires and issue report on use of the directory: ongoing</p> <p>Collect information on results of grants to conduct in-person claimant interviews: May 2006</p> <p>Implement beneficiary eligibility reviews in One-Stop Career Centers that are projected to save up to \$225 million annually</p>
<p><b>The Federal Employees' Compensation Act</b> provides income replacement and medical cost protection to covered Federal civilian and Postal Service employees injured on the job, and to employees with work-related diseases (and their beneficiaries). Cases were found without current medical information on file, resulting in payments to claimants who were no longer disabled. Without adequate controls over the processing of medical bill payments, amounts paid are not always calculated in accordance with fee schedules. Impacts Goal 05-2.2C, <i>Minimize the impact of work-related injuries.</i></p>	<p>Rolled-out a new case management and benefit payment system (Integrated Federal Employee Compensation System) that automatically tracks the due dates of medical evaluations</p>	<p>Full functionality of Integrated Federal Employee Compensation System: March 31, 2006</p>
<i>Foreign Labor Certification</i>		
<p>Labor's OIG investigations revealed that corrupt employers, labor brokers, and lawyers file fraudulent applications. Problems with integrity of the labor certification process and fraud may result in economic hardship for American workers, the abuse of foreign workers, and may have national security implications when applications are not adequately screened before being certified. This management challenge impacts Outcome Goal 1.1, <i>Increase Employment, Retention and Earnings.</i></p>	<p>Amended regulations governing the filing and processing of labor certification applications for the permanent employment of aliens to implement a new system for filing and processing such applications. The system allows for electronic filing of some applications and requires employers to conduct recruitment before filing their applications. The rule applies to labor certification applications for the permanent employment of aliens filed on or after that date.</p> <p>Developed a module for the permanent application processing system that validates applicant information and highlights signs of risk or fraud.</p>	<p>Change the current regulation to: 1) eliminate the current practice of allowing the substitution of alien beneficiaries on applications and approved labor certifications; 2) implement a 45-day deadline to file approved permanent labor certifications in support of a petition with Homeland Security; 3) prohibit the sale, barter, or purchase of permanent labor certifications or applications, as well as related payments; and 4) provide enforcement mechanisms to protect program integrity, including debarment with appeal rights: FY 2006</p>



Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Security of Employee Benefit Plan Assets</i>		
<p>The Pension Benefit Guaranty Corporation (PBGC) encourages continuation and maintenance of voluntary private defined benefit pension plans, provides timely and uninterrupted payment of benefits and is self-financing. PBCG experienced a substantially increased workload in FY 2005.</p>	<p>PBGC implemented performance plans, performance-based and fixed price contracts; sought to use technology to improve customer service and leverage resources; implemented a new investment policy and strong internal controls environment; and improved risk management.</p>	<p>Work with DOL/EBSA and IRS to implement electronic processing of information about private pension plans: FY 2006</p>
<p>DOL safeguards approximately 730,000 private pension plans and 6 million health and welfare plans by ensuring that annual audits of large employee benefit plans meet requirements. These pension plans hold over \$4.5 trillion in assets and cover more than 150 million American workers. Areas of concern include ensuring security of employee benefit plan assets, pension plan fraud, cash balance plans, and corrupt multiple employer welfare arrangements.</p>	<p>The Administration proposed pension reform to streamline, simplify and strengthen regulations.</p> <p><u>Security of Employee Benefit Plan Assets</u></p> <ul style="list-style-type: none"> <li>- Inspected operations of CPAs performing significant numbers of plan audits and, with the American Institute of Certified Public Accountants (AICPA), created the Employee Benefit Plan Audit Quality Center</li> <li>- Referred deficient audit work to State boards of accountancy or the AICPA's Professional Ethics Division</li> </ul>	<p>Implement CPA firm inspection program, augment reporting compliance cases with audit work paper reviews, refer deficient audit work for disciplinary action, and, with professional organizations, develop accounting and auditing guidance: FY 2006</p>
	<p><u>Pension Plan Fraud</u></p> <ul style="list-style-type: none"> <li>- 69 indictments were returned as a result of criminal investigations (as of the third quarter of FY 2005)</li> <li>- DOL entered convictions or pleas in 43 cases and recovered over \$2.5 million.</li> </ul>	<p>Make criminal enforcement a top priority: FY 2006</p>
	<p><u>Cash Balance Plans</u></p> <ul style="list-style-type: none"> <li>- Confer with the IRS concerning guidance on calculations for benefits from cash balance pension plans.</li> </ul>	<p>Continue to confer with the IRS concerning guidance on calculations for benefits from cash balance pension plans: FY 2006</p>
	<p><u>Corrupt Multiple Employer Welfare Arrangements</u></p> <ul style="list-style-type: none"> <li>- From 1995 to Q3 FY 2005, initiated 670 civil and 134 criminal investigations</li> <li>- Obtained monetary results of over \$162 million</li> <li>- Filed 75 civil complaints</li> <li>- Indicted 112 individuals with 76 convictions resulting in prison terms</li> </ul>	<p>Place a top priority on stopping abusive practices: FY 2006</p> <p>Work closely with Department of Justice to prosecute these complex financial, white-collar crimes and include these as an emerging area of health care fraud: FY 2006</p>
	<i>Manage Employment and Training Programs to meet the Demands for the Workforce of the 21st Century</i>	
<p>The goal of the Workforce Investment Act of 1998 (WIA) is to increase employment, retention, and earnings of</p>	<p>Implemented requirements for WIA Standardized Record Data to facilitate reporting across DOL employment and</p>	<p>President's FY 2006 Budget includes proposal for reforming job training programs and consolidating the WIA</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<p>participants and thus improve the quality of the workforce to sustain economic growth, enhance productivity and competitiveness, and reduce welfare dependency. Authorization for WIA ended in 2003. Reauthorization is pending before Congress. WIA is significant both in terms of its impact on the Nation's workers and the extent of funding.</p> <p>The program is large and complex and impacts Goals 04-1.1A, 04-1.1B, 04-1.1C and 04-4.1A. WIA could be improved through changes to increase training provider participation, improve dislocated worker program services and outcomes, and better document youth program outcomes and assess State WIA funding availability.</p> <p>The Workforce Investment Act (WIA) Youth program authorizes services to low-income youth (ages 14-21) with barriers to employment. The program serves in- and out-of-school youth, including those with disabilities and those requiring assistance to complete an educational program or to secure and hold employment</p> <p>DOL is challenged to connect dropouts to WIA youth programs. This challenge pertains to Goal 04-1.2A, <i>Increase placements and educational attainments of youth served through the WIA youth program</i>. A recent GAO study found that despite DOL's guidance, local areas faced challenges in identifying and retaining out-of-school youth, providing youth with mentoring and follow-up services, and using interim measures for ongoing program assessment.</p>	<p>training programs</p> <p>Provided States with software, handbooks, training and assistance to validate annual reports and a sampling mechanism to select files from each program for manual review</p> <p>Held forums of education agencies, workforce development, juvenile justice and child welfare agencies from 45 States to identify opportunities to align services and create strategies for improvement</p> <p>Created Federal/State support teams to provide guidance and assistance</p> <p>Funded demonstration grants to:</p> <ul style="list-style-type: none"> <li>- assist youth transitioning out of foster care in accessing employment and training opportunities; and</li> <li>- prepare youth offenders to enter high growth and high demand industries</li> </ul> <p>Provided assistance to help States meet performance goals through the Performance Enhancement Project</p> <p>Emphasized accountability, particularly by implementing Federal Job Training Program Common Measures</p> <p>Conducted on-site assessments to determine the effectiveness of youth programs and help regional offices improve outcomes</p>	<p>Adult, Dislocated Worker, and Youth funding streams and the Employment Service proposal allow governors to restructure for results, achieve administrative savings, and increase the number of workers receiving training: FY 2006</p> <p>Feasibility study on final reporting design: FY 2007</p> <p>Work with States to develop a more complete reporting system that will provide greater comparability and clarity of performance data: FY 2006</p> <p>Require States to validate annual reports and perform annual data element validation to improve quality of data in performance reports: FY 2006</p> <p>Work with States to identify best practices and technology solutions to collect and report customer information: FY 2006</p> <p>Invest in innovative solutions to address challenges in high growth industries and efforts to improve the skills and expertise of youth service providers: FY 2006</p> <p>Collaborate with Education and the other Federal partner agencies through the Federal/State support teams: FY 2006</p>
<i>Procurement System Concerns</i>		
<p>The Chief Acquisition Officer (CAO) oversees DOL's procurement functions. DOL's ability to effectively execute and manage its procurements affects the attainment of all goals. Recently, the DOL OIG noted a reportable condition and identified weaknesses in file documentation and organization, and compliance with Federal Acquisition Regulations regarding contract competition.</p> <p>There are several appropriated funds</p>	<p>Improved internal policy and procedures and controls</p> <p>Set a goal to provide effective contract and procurement policy support and compliance to be accomplished by audits, performance metrics, use of the E-procurement system, managerial oversight, and timely issuance of procurement guidance</p> <p>CAO and Procurement Executive disseminated policy information</p>	<p>Pursue excellence by enhancing the training, professionalism and commitment of the staff: FY 2006</p> <p>Meet for FY 2006 targets for:</p> <ul style="list-style-type: none"> <li>- percent audits with major findings</li> <li>- percent satisfactory procurement management reviews met</li> <li>- percent contracts awarded in compliance with customers' requests/requirements</li> </ul>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<p>procurement activities under the CAO; the Office of Procurement Services (full delegation); BLS (limited delegation); MSHA (full delegation); ETA (full delegation); regional offices (limited delegation). DOL’s OIG has independent procurement authority.</p> <p>The OIG found deficiencies in two other procurement audits – one of a major DOL contract and the other of an agency with full procurement delegation – and recommended that DOL put effective controls in place and separate procurement and programmatic responsibilities.</p>	<p>Provided extensive written guidance to customers and staff and others in procurement functions to increase standardization and knowledge</p> <p>Replaced and/or supplemented management and contracting officers with staff having more current acquisition training</p> <p>Added Federal and contract staff to attain staffing levels in order to process actions in accordance with regulations and sound business judgment and to undertake corrective actions</p> <p>Trained incumbent procurement staff</p> <p>The agency where deficiencies were found made changes, including review by the DOL solicitor of certain contracts, hiring a Certified Professional Contract Manager and contracting professionals, and training senior executives, managers, and acquisition staff.</p> <p>The CAO considered the delegations of the various procurement offices to determine if acquisition staffing levels and DOL-wide training initiatives were still appropriate.</p>	<p>– percent agencies compliant with DOL procurement policy</p> <p>Acquisition staff complete core courses and 40 hours per year training: September 30, 2006</p>
<i>Foster Safe Workplaces</i>		
<p>DOL’s occupational safety and health agencies – OSHA and MSHA – face challenges in establishing performance measurement systems that accurately assess success in fostering safe and healthful workplaces. The GAO identified this as one of the three major management challenges at DOL. GAO has stated that “MSHA is not effectively monitoring the timeliness of certain aspects of mine plans nor always ensuring that hazards found during inspections are corrected promptly.... In addition, while OSHA’s voluntary compliance programs appear to have yielded many positive outcomes, much of the agency’s data are insufficient for evaluation. Finally, OSHA’s oversight of its regional and area office activities has limitations.” This challenge affects Outcome Goal 3.1 – <i>Reduce Workplace Fatalities, Injuries, and Illnesses.</i></p>	<p>MSHA headquarters monitored reports from the Mine Plan Approval database to ensure that mine plans were approved by MSHA and entered in timely fashion into their database. MSHA’s supervisors used a tracking system to monitor hazard abatement</p> <p>Collected information on OSHA Voluntary Protection Program (VPP) site injury and illness data and the costs and benefits of participating in VPP</p> <p>Developed a new Field Audit Program that provides for tracking and review of OSHA and Regional Area Office adherence to established policies and procedures</p>	<p>Implement OSHA’s Management Accountability Program, a new field audit system: FY 2006</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
<i>Real Property</i>		
<p>Executive Order 13327 addresses the Federal Asset Management initiative of the President's Management Agenda. The lack of reliable and useful property data impacts the Department's ability to use funds most efficiently and therefore attain its goals. A financial audit conducted in FY 2004 revealed that Job Corps was not adequately accounting for real property, and that DOL's property reporting and tracking system did not establish sufficient controls to ensure that real property was safeguarded and accurately reported in tracking and general ledger systems. Later in 2004, an OIG audit of management controls over Federal equity in State Workforce Agency real property found that DOL had not established adequate management controls over accounting for DOL's equity interest. This challenge affects Goal 05-1.2B – <i>Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education</i> and Goal 05-2.2 A – <i>Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.</i></p>	<p>Established a Departmental real property workgroup lead by DOL's Senior Real Property Officer</p> <p><u>Job Corps</u> Revised entries in the Capitalized Asset Tracking And Reporting System</p> <p>Strengthened control systems to ensure that data remain accurate and current.</p> <p>Completed corrective action plan with two OIG recommendations closed and the remaining items resolved with closure pending</p> <p><u>State Workforce Agencies</u> Issued instructions requiring States to report changes and/or updates to their real property data and re-emphasizing the requirement that they remit proceeds from property sales to DOL</p> <p>Issued instructions requiring regional offices to ensure that States promptly update property inventory records and provide these for inclusion in the national property inventory</p>	<p>Job Corps Centers complete online training to ensure proper preparation of the ETA-2110: December 31, 2005</p> <p>Complete State Workforce Agency property inventory: December 31, 2007</p>
<i>Information Technology Systems</i>		
<p>DOL relies heavily on Information Technology. Developing efficient and effective systems to perform daily activities remains a significant challenge. OIG audits found that IT system development life-cycle activities need strengthening in the areas of planning, project management, and decision making. OIG audit identified weaknesses in OSHA's \$12.6 million IT project to redesign its integrated management information system and a DOL procurement of software to store use of electronic signatures securely to enable use of IT to transact business with the public. In addition, DOL is likely to experience security threats associated with wireless technology and needs to plan to protect its informational assets and confidential and sensitive information. This challenge affects all outcome goals.</p>	<p>Implemented IT Governance Structure</p> <p>Defined outcomes desired:</p> <ul style="list-style-type: none"> <li>- Value for dollars expended and staff time invested</li> <li>- Expert guidance and assistance for agencies on resource management issues</li> </ul> <p>Assessed IT initiatives via an established Control Review Process and bi-annual assessments of compliance with Enterprise Architecture, Capital Planning and Investment Control, and Security through an internal eGov scorecard</p> <p>Provided IT Project Management training</p> <p>Emphasized the importance of Systems Development Lifecycle Methodology</p>	<p>Improve the IT governance process and procedures: FY 2006</p> <p>Conduct quarterly reviews, Internal eGov reviews, and Federal Information Security Management Act (FSMA) reviews, Enterprise Vulnerability Management System (EVMS) reports, etc: FY 2006</p> <p>Maintain over 90 percent of major IT investments within 10 percent of cost, schedule, performance and compliance with target Enterprise Architecture: FY 2006</p> <p>Identify a shared service provider to enable DOL to accept and protect electronic signatures: FY 2006</p> <p>100 percent of DOL major information systems operating securely: FY 2006</p>

Management Challenge/ Significant Issue	Actions Taken in FY 2005	Actions Remaining and Expected Completion Date
	<p>for IT projects (documentation from concept to design, pilot, and production) so acquisition of unacceptable software should not occur</p> <p>Issued a standard for implementing wireless technologies via the DOL's Technical Security Standards Manual</p>	
<i>Data Quality</i>		
<p>DOL strives to have the most timely financial data possible, a well functioning managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits. Much of DOL's program results data required are generated by States and other sources below the Federal level. OIG audit work has disclosed high error rates in grantee-reported performance data. DOL relies on audits conducted under the Single Audit Act to provide oversight of more than 90 percent of its expenditures. DOL's OIG expressed concern about the adequacy of information from these audits, which are conducted by public accountants or State auditors and procured with DOL grant funds. This challenge affects all goals.</p>	<p>Further implemented the Department wide managerial cost accounting system, Cost Analysis Manager (CAM). Developed cost models for most major DOL agencies and continued to improve capabilities for integrating cost and performance information.</p> <p>Developed a data validation program to improve the reliability of program data. OIG quality control reviews since 2002 have revealed serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable.</p>	<p>Expand and refine agency cost models and reporting capabilities, map CAM outputs to agency performance goals, and provide cost information for selected efficiency measures using CAM: FY 2006</p> <p>OIG audit of ETA's data validation system: FY 2006</p> <p>Receive and respond to recommendations from the report on the National Single Audit Sampling Project which is designed to determine the quality of Single Audits by providing a statistically reliable estimate of the extent that Single Audits conform to applicable requirements and standards: FY 2006</p>
<i>Safeguarding Unemployment Insurance</i>		
<p>The Department faces challenges in safeguarding the funds in the Unemployment Trust Fund (UTF). Over-charging for Unemployment Trust Fund administration by the Internal Revenue Service (IRS) poses a major challenge for the Department. In addition, investigations found increasingly complex, costly and pervasive UI fraud schemes involving identify theft and organized crime resulting in program losses in the millions of dollars. Safeguarding UI funds impacts Goal 05-2.2A, <i>Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.</i></p>	<p>DOL requested that the Treasury Inspector General for Tax Administration audit the new methodology's adequacy for charging UTF administrative expenses.</p>	<p>Treasury Inspector General for Tax Administration Audit of IRS methodology for charging the Unemployment Trust Fund for administrative expenses: FY 2006</p> <p>Contingent upon the appropriation of funds and the passage of the Integrity Act included in the DOL FY 2006 budget request, DOL will prevent and detect fraudulent unemployment benefit claims using stolen personal information – otherwise known as identity theft – that would result in annual trust fund savings of as much as \$105 million.</p>



## The President's Management Agenda











On June 30, 2005, The US Department of Labor became the first Executive Branch department or agency to achieve a green status for all five government-wide President's Management Agenda (PMA) initiatives. This achievement is not an end in itself — it represents an ongoing commitment to good management to bring quality services to the American people. Commenting on this accomplishment, Secretary Elaine L. Chao said, "This is a tremendous achievement by DOL employees who are committed to excellence on behalf of American workers and taxpayers."

President George W. Bush's Management Agenda, announced in 2001, is a strategy for improving the management and performance of the Federal government. The objective is a Federal government that is:

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

Together, initiatives created to achieve these goals are referred to as the President's Management Agenda (PMA). The five government wide initiatives are: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanding Electronic Government*, and *Budget and Performance Integration*.

The Office of Management and Budget (OMB) regularly assesses all Federal agencies' implementation of the PMA, issuing a quarterly Executive Branch Management Scorecard rating of green, yellow or red for both status and progress on each initiative. The breakdown by initiative, comparing last year's ratings with those for FY 2005, is indicated in the table below. Under the OMB-led *Proud to Be* campaign, DOL set ambitious goals, demonstrated measurable progress and ultimately achieved green status scores in all five government-wide initiatives. The Department is now rated highest of all Cabinet agencies in overall implementation of the PMA. Highlights of achievements associated with each initiative follow the table. The Department uses a similar scorecard on a semi-annual basis to measure individual agency progress on the PMA.

Department of Labor's PMA Scorecard Status		
Executive Branch Management Scorecard	September 2004 Status	September 2005 Status
Human Capital	 Green	 Green
Competitive Sourcing	 Yellow	 Green
Financial Performance	 Green	 Green
E-Government	 Green	 Green
Budget & Performance Integration	 Green	 Green

### Strategic Management of Human Capital

The Human Capital initiative requires Federal agencies and departments to develop and use a comprehensive human capital plan, with the aim of significantly reducing mission-critical skill gaps.

The PMA has provided the impetus for DOL to overhaul the Department's entire performance management system in order to hold managers and employees accountable for achieving results. Previous to Secretary Chao's leadership, DOL's performance management system operated 16 different employee rating cycles and used ten different rating

systems. The Department has developed a streamlined rating system for all 17,000 DOL employees. More importantly, the performance management system reinforces the connection between resources, performance against the Department's strategic goals, and individuals' ties to both. We are pleased to say that 100 percent of mission-critical occupations at the Department are linked to DOL's strategic goals.

The Department also created performance plans for DOL managers and members of the Senior Executive Service (SES) – the cadre of top civil servant executives in the Federal government – to better link agency mission, goals, and outcomes. Each SES performance plan now includes four core management skills or competencies – such as leadership, human resource management, and coalition building – as well as four measurable results linked to organizational or Departmental goals.

Critical to DOL's success in implementing the PMA was having a roadmap of what we wanted to accomplish. Our roadmap is the Department's Human Capital Strategic Plan, published in 2003. The Department's Human Capital Strategic Plan tracks key activities and metrics to measure results. The Department's success in this area is bolstered by the Department's status as a President's Quality Award winner in 2004 for its Strategic Management of Human Capital efforts and by the International Personnel Management Association's Leading Edge Award received in 2003.

### **Competitive Sourcing**

Competitive Sourcing is DOL's most recent PMA initiative to achieve green status. Competitive Sourcing allows the government to take advantage of market-based competition while simultaneously allowing the existing Federal employees to compete for the work. Competitive sourcing requires Federal employees to compete against private sector bidders for work that is deemed "commercial activity." These skills and competencies, which are not mission-critical, can be performed more effectively and efficiently when subject to the competition of the marketplace.

In the past two years, DOL announced and carried out eight competitions for IT services, invoice payments, administrative services, printing and reprographics, reports disclosure, conference center, statistical systems, and finance and accounting. Seven of these competitions were won by the in-house workforce and one was decided in favor of an outside contractor, with savings and/or cost avoidance achieved by each of these competitions. The combined projected savings/cost-avoidance for the eight competitions completed to date is over \$12,000,000. DOL has an ambitious plan to compete designated commercial functions by the end of FY 2007. In FY 2005, DOL completed eight competitions, involving 125 FTE and announced 4 streamlined competitions and 1 standard competition involving approximately 187 FTE. These latter competitions are currently in-progress.

### **Improved Financial Performance**

The availability of timely, accurate, and useful financial information is essential to any well-managed, effective organization. The Improved Financial Performance initiative requires Federal agencies to receive clean audit opinions on their annual financial statements, meet accelerated financial reporting deadlines, implement managerial cost accounting practices, improve internal controls, and have financial management systems that are compliant with Federal laws and regulations.

The Department continues to expand the use of integrated financial and performance information in the planning, budgeting, and decision-making activities throughout its agencies. It also remains focused on improving accountability and transparency for how well tax dollars are spent.

In FY 2005, DOL received its ninth clean audit opinion on our consolidated financial statements, fifth consecutive CEAR award, and has consistently met the accelerated OMB financial reporting deadlines. To ensure that the Department's financial operations comply with all Federal financial management laws, regulations, and standards and to quickly identify and address potential financial management problems, Agency Heads attest on a quarterly basis to the adequacy of internal controls in their agencies.

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

The Expanding Electronic Government (E-government) initiative requires Federal agencies and departments develop secure Information Technology (IT) systems and strictly adhere to IT project cost, schedule, and performance projections. E-government is really about becoming a better steward of Federal IT investment dollars. Government IT projects suffer from the same problems as private sector IT projects, namely, scope creep, slipping schedules and cost overruns. The only way to prevent this is to develop solid plans and to stick with the plans. To ensure that



major IT investments adhere to cost, schedule, and performance measures, DOL has adopted an Earned Value Management System (EVMS) Policy and targeted several major IT projects to rollout the new methodology. The success of our new EVM policy is exemplified by having 96 percent of our IT projects within 10 percent of cost, schedule, and performance in FY 2005. In FY 2002, only 70 percent of DOL's IT projects were within 10 percent of cost, schedule, and performance.

Two examples of DOL's use of E-government to provide citizens better service are GovBenefits.gov and the Safety and Health Information Management System (SHIMS). Before 2002, government benefits eligibility information was spread across 31 million Web sites. DOL established and is managing GovBenefits.gov, a web portal that organizes 500 Federal and State benefit programs, where citizens can get personalized benefit information within three easy steps. GovBenefits.gov offers diverse and extensive benefit program information for veterans, seniors, people with disabilities, disaster victims, job seekers and others. In April 2005, DOL launched GovLoans.gov en Español, which offers Spanish-speaking communities greater access to available Federal and State loan program information.

DOL developed SHIMS – a Web-based workers compensation and safety filing system – to enable DOL workers and managers to submit Federal workers' compensation claims electronically. Since its deployment in 2001, DOL has developed hosting capabilities providing the potential for reporting work-related injuries and illnesses and filing of compensations claims throughout the Federal workforce. The Transportation Security Administration currently uses SHIMS and the Department of Education and the Federal Air Marshal Service will use the electronic system in the near future.

### **Budget and Performance Integration**

The Budget and Performance Integration initiative requires agencies and departments use performance goals and results as an integral element in program operations and budget formulation. This initiative allows decision-makers within the Administration, DOL, and Capitol Hill to make connections between budget dollars and what programs produce. At a more fundamental level, it allows executives within programs to manage toward program performance and make resource decisions accordingly.

In June 2004, DOL was the first of only two Federal agencies to achieve a green status score in budget and performance integration. DOL had to demonstrate improvement in both performance and efficiency; operate by strategic plans containing a limited number of outcome-oriented goals and measures; appraise employee performance and provide consequences tied to individual's contribution toward performance of agency mission, goals, and results; and demonstrate the full cost of achieving performance goals.

### **Agency Specific PMA Initiatives**

In addition, DOL is responsible for three of the PMA components found in selected departments: *Eliminating Improper Payments*, *Faith-Based and Community Initiative*, and *Federal Real Property Asset Management*. DOL's status for all three of these initiatives is yellow. DOL's progress in implementing these initiatives, however, is green.

#### **Eliminating Improper Payments**

The Improper Payment Information Act of 2002 defines improper payments as those payments made to the wrong recipient, in the wrong amount, or used in an improper manner by the recipient. The Eliminating Improper Payments initiative requires a Federal agency to identify all of its programs that are risk susceptible to improper payments. It also requires the agency to implement a corrective action plan that includes improper payment reduction and recovery targets.

The Department has successfully met all the reporting requirements of the Improper Payment Information Act. It has developed and implemented corrective action plans that have reduced the amount of its erroneous payments within the FECA and UI programs.

#### **Faith-Based and Community Initiative**

The Faith-Based and Community Initiative strengthens and expands the role of faith-based and community organizations in addressing the nation's social problems. The Department's Center for Faith-Based and Community Initiatives seeks to empower faith-based and community organizations (FBCOs) as these organizations help neighbors enter, succeed and thrive in the workforce. DOL targets those organizations that are trusted institutions

providing valuable services but that may not be partnering with government programs. To accomplish this mission, DOL works to remove administrative and regulatory barriers and develop innovative programs to foster partnerships between DOL-funded programs and FBCOs. The Department is working with workforce investment boards nationwide to increase partnerships with faith-based and community organizations that help transition hard-to-serve individuals into employment.

DOL extends its outreach to FBCOs well beyond the confines of direct grant programs. Forty-eight intermediaries have worked with over 300 grassroots organizations since 2001 through DOL's coordination and funding support. By linking the administrative and reporting expertise of intermediary organizations to the human and program resources of small FBCOs, we are providing workforce development and other essential human services to populations not previously reached by DOL programs.

### **Federal Real Property Asset Management**

The Federal Real Property Asset Management Initiative promotes the efficient and economical use of America's real property assets and assures management accountability for implementing Federal real property management reforms. In June 2005 — in keeping with the purposes of the real property initiative — DOL Deputy Secretary Steven Law established a Departmental workgroup consisting of senior executives throughout the Department to implement this key President's Management Agenda initiative. In addition, the Inspector General's "Top Management Challenges" addressed in this report also highlights the need to improve management of real property assets. Even in this early phase of implementing this real property initiative, DOL is quickly making progress. For example, the Job Corps program is implementing new data validation procedures and is continuing to look closely at whether its physical assets (its residential centers) are being utilized as efficiently as possible.

President Bush has stated that "Government likes to begin things – to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises." At DOL, we are not just making promises; we're making good on promises.

## The Program Assessment Rating Tool

The Program Assessment Rating Tool (PART) was developed to assess and improve program performance so that the Federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform funding and management decisions aimed at making the program more effective. Through a PART assessment, Federal programs are rated in terms of their purpose and design, strategic and performance planning, management, and results and accountability. Based on a PART score and the quality its performance measures and performance data, each program receives one of five PART Ratings: Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated. To date, 21 DOL programs have been assessed through the PART. Of DOL's 21 assessed programs: one is rated Effective, seven are rated Moderately Effective, eight are rated Adequate, four are rated Ineffective, and one is rated Results Not Demonstrated.

Specifically related to performance and accountability, the rating of Results Not Demonstrated is an assessment that a program's performance goals are not sufficiently outcome (results) oriented and/or the program does not have adequate data to demonstrate its performance results to decision makers and the public. In FY 2006, DOL will publish the scores and ratings for seven additional programs in the President's FY 2007 Budget and will complete all remaining PART assessments, totaling 39 over a five-year period.

In addition to a score and a rating, PART assessments are useful because they include specific recommendations intended to improve accountability and performance. PART recommendations DOL has recently implemented include: develop efficiency measures, baselines and targets for all programs assessed through the PART; reporting against a uniform set of measures (Federal job training program common measures) for Workforce Investment Act (WIA) programs; establish ambitious performance targets for the majority of programs; and use PART results to justify proposed program terminations and cuts.

DOL PART SCORES AND RATINGS						
Program	2004 Score	2004 Rating	2005 Score	2005 Rating	2006 Score	2006 Rating
Bureau of Labor Statistics	79	Moderately Effective	88	Effective	–	–
Dislocated Workers	36	Results Not Demonstrated	50	Adequate	–	–
Employee Benefits Security Administration	57	Results Not Demonstrated	58	Results Not Demonstrated	71	Moderately Effective
Federal Employees Compensation Act	75	Moderately Effective	–	–	–	–
Office of Federal Contract Compliance Programs	43	Results Not Demonstrated	43	Results Not Demonstrated	65	Adequate
Occupational Safety and Health Admin	62	Adequate	–	–	–	–
Community Service for Older Americans	26	Results Not Demonstrated	27	Ineffective	–	–
Trade Adjustment Assistance	53	Results Not Demonstrated	45	Ineffective	–	–
Youth Activities	31	Results Not Demonstrated	45	Ineffective	–	–
Black Lung Benefits Program	–	–	71	Moderately Effective	–	–
Davis-Bacon Wage Determination	–	–	29	Results Not Demonstrated	–	–

<b>DOL PART SCORES AND RATINGS</b>						
<b>Program</b>	<b>2004 Score</b>	<b>2004 Rating</b>	<b>2005 Score</b>	<b>2005 Rating</b>	<b>2006 Score</b>	<b>2006 Rating</b>
Migrant and Seasonal Farm Workers	–	–	38	Ineffective	–	–
Mine Safety and Health Administration	–	–	55	Adequate	–	–
Unemployment Insurance Administrative Grants	–	–	74	Moderately Effective	–	–
Employment Service	–	–	–	–	56	Adequate
H-1B Labor Conditions Applications	–	–	–	–	78	Moderately Effective
Int'l Child Labor/Off. of Foreign Relations	–	–	–	–	51	Adequate
Job Corps	–	–	–	–	70	Moderately Effective
Native American (WIA)	–	–	–	–	51	Adequate
Pension Benefit Guarantee Corporation	–	–	–	–	79	Moderately Effective
Permanent Labor Certification	–	–	–	–	64	Adequate

## **Performance Section**



## Strategic Goal 1: A Prepared Workforce

### *Enhance Opportunities for America's Workforce*

America's engine of prosperity is its skilled workforce. The maintenance of our strong national economy depends, in part, on developing a steady stream of workers that are qualified job candidates possessing skills that are relevant to the needs of today's employers. The Department must ensure that every available labor pool is tapped, including job seekers with special needs such as the people with disabilities, veterans, disadvantaged youth, and those who have lost their jobs due to foreign competition. Addressing the job seekers' needs is further complicated by the changing workplace. New technologies, increased competition, and changing labor markets have prompted employers to downsize, change employment patterns, and seek alternative labor sources. Furthermore, the nature of work itself is changing, and the Department must support the need of our workforce for lifelong learning and skills upgrades.

The Department has a leadership responsibility to support the needs of the changing workforce and position the U.S. for continued economic development and growth. This aspect of our mission is captured by the first strategic goal – *A Prepared Workforce*. Agencies with programs supporting this goal are the Employment and Training Administration (ETA), Veterans' Employment and Training Service (VETS), the Bureau of Labor Statistics (BLS), and the Office of Disability Employment Policy (ODEP).

The Department's performance in achieving this goal is determined by accomplishments organized at the outcome goal level and measured at the performance goal level. Three broad objectives – Outcome Goals 1.1, 1.2 and 1.3 – support Strategic Goal 1, and they contain nine performance goals (see table below). In FY 2005, the Department achieved or substantially achieved four of its goals for *A Prepared Workforce* – a record that understates actual accomplishments, since most targets were reached even in goals falling into the “not achieved” category. Entered employment, retention, education and earnings change improved over prior year results in every instance, largely due to DOL's strategic integration of service delivery and targeting of services.

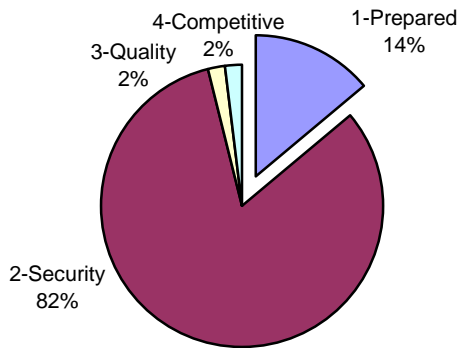
<b>Outcome Goal 1.1 – Increase Employment, Earnings, and Retention</b> Four performance goals achieved & two not achieved		<b>FY 05/PY 04</b> <b>Costs</b> <b>(millions)</b>
WIA Adult (04-1.1A)	Goal achieved. Four targets reached.	\$922
One-Stop employment services (04-1.1B)	Goal not achieved. Two targets reached, one not reached.	725
Dislocated Workers (04-1.1C)	Goal not achieved. Three targets reached, one not reached	1455
Veterans' employment (04-1.1D)	Goal achieved. Six targets reached.	196
Apprenticeship (05-1.1A)	Goal achieved. Three targets reached.	23
Disability Employment Policy (05-1.1B)	Goal achieved. Five targets reached.	52
Other <sup>14</sup> (Community Service Employment for Older Americans, Native American Adult, National Farmworker, and Work Incentive Grants programs, etc.)		503
<b>Outcome Goal 1.2 – Increase Opportunities for Youth Employment</b> Two performance goals not achieved		
WIA Youth (04-1.2A)	Goal not achieved. Three targets reached, one not reached.	\$987
Job Corps (04-1.2B)	Goal not achieved. Two targets reached, one substantially reached, and one not reached.	1313
Other (Youth Offender Reintegration, Native American Youth, etc.)		155
<b>Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy</b> One performance goal substantially achieved		
Bureau of Labor Statistics (05-1.3A)	Goal substantially achieved. Six targets reached, one substantially reached, and one not reached.	\$536

<sup>14</sup>These programs report against goals that are included in the annual budget, but not the Performance and Accountability Report.

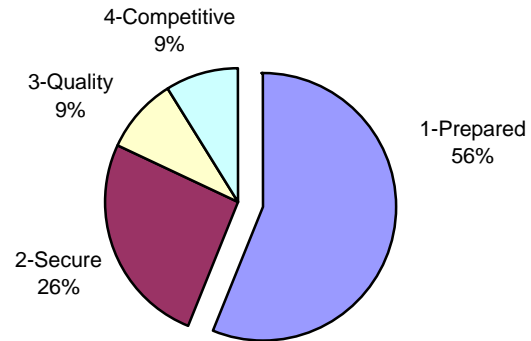


The following charts illustrate DOL’s strategic goal net costs in FY 2005, with *A Prepared Workforce* shares set apart. The first allocates total Departmental costs of \$49.912 billion; the second allocates an adjusted net cost of \$12.222 billion that excludes major non-discretionary items associated with Strategic Goal 2.<sup>15</sup> Net costs of this goal in FY 2004 were \$8.654 billion.

**FY 2005 Strategic Goal 1 - \$6.865 billion**  
**Percent of Net Cost**



**FY 2005 Strategic Goal 1**  
**Percent of Net Cost excluding Income Maintenance**



The outcome goals and programs listed above, along with their results, costs, and future challenges are discussed in more detail on the following pages.

<sup>15</sup> The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment (\$31.488 billion) plus disability benefit payments to individuals who suffered injury or illness on the job (\$5.936 billion).

## Outcome Goal 1.1 – Increase Employment, Earnings, and Retention

The Department assists workers and employers with valuable information and specific training to help them take full advantage of the constantly changing demands and resources in the labor market. Central to this effort is a nationwide network of approximately 2000 One-Stop Career Centers which assist communities to match adults to work and skill enhancement opportunities. This comprehensive workforce investment system also helps businesses meet their ongoing recruitment and human services needs. Through a national business services model, the Department helps national employers understand and use the full resources of the One-Stop system to better access trained workers. For individuals with disabilities, the One-Stop Centers have improved access to their facilities and services by installing assistive technologies. DOL is also making a special effort to help our nation's military service members adjust to and re-enter the civilian workforce by providing priority services at all One-Stop Centers pursuant to the Jobs for Veterans Act of 2002.

The Employment and Training Administration (ETA), the Veterans' Employment and Training Service (VETS) and the Office of Disability Employment Policy (ODEP), with support from the Women's Bureau and the Center for Faith-Based and Community Initiatives, operate a number of programs and projects that provide information, assistance, skill-building opportunities, and effective strategies for providing the programs and services that lead to increased employment and earnings. In the first column of the table below are the numbers, agencies, reporting periods<sup>16</sup>, goal statements, achievement, and a summary of results at the performance indicator level for DOL performance goals associated with this outcome goal.

Goal (Agency) and Statement	Performance Summary	FY 05/PY 04 Costs (millions)
<b>04-1.1A (ETA)</b> Increase the employment, retention, and earnings of individuals registered under the Workforce Investment Act (WIA) Adult program.	Goal achieved. Four targets reached.	\$922
<b>04-1.1B (ETA)</b> Improve outcomes for job seekers and employers who receive One-Stop employment and workforce information services.	Goal not achieved. Two targets reached, one not reached.	725
<b>04-1.1C (ETA)</b> Increase the employment, retention, and earnings replacement of individuals registered under the WIA Dislocated Worker program.	Goal not achieved. Three targets reached, one not reached.	1455
<b>04-1.1D (VETS)</b> Improve employment outcomes for veterans who receive One-Stop and homeless veterans' services.	Goal achieved. All six targets were reached.	196
<b>05-1.1A (ETA)</b> Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	Goal achieved. All three targets were reached.	23
<b>05-1.1B (ODEP)</b> Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing testing, and disseminating effective practices.	Goal achieved. Five targets reached.	52
Other (Community Service Employment for Older Americans, Native American Adult, National Farmworker, and Work Incentive Grants programs, etc.)		503

### Results Summary

Of the six performance goals listed, DOL achieved four and did not achieve two. As illustrated, primary outcomes of participant employment and retention improved over the prior year for every program. Results were also positive for the two programs with targets for increasing participants' earnings – WIA Adults and Dislocated Workers.

<sup>16</sup> Those indicating a Program Year (PY) are reporting on the period from July 1, 2004 to June 30, 2005 due to the forward funding mechanism of the Workforce Investment Act (WIA) of 1998.



Disappointing results were confined to efficiency measures (cost per participant), which were new this year. Targets that were established without reliable trend data proved overly ambitious.

Performance for most of DOL’s employment and training programs is measured by entered employment – the percentage of participants who obtain jobs subsequent to receipt of services – and by retention – the percentage of those who obtained jobs who are still employed six months later. Earnings are important, too; no chart is provided because the two programs that have data used different indicators. This will be resolved over time as Federal job training program common measures are implemented. Baseline efficiency data exist for a few programs but offer little useful information at this point.

These charts show, for each program in this outcome goal that tracks employment and retention rates, the result for the previous year, the target for the reporting period and the result. There are significant differences in entry and retention rates between programs; this can be explained by the types of services offered and the populations they serve. Increases across the board are partially attributable to improving overall economic growth and employment. Key DOL contributions were facilitating more integrated service delivery by State Workforce Agency partners and encouraging them to focus on high growth occupations and industries in placement and training services. The only surprise in employment and retention results was a pleasant one. Outcomes for job seekers using One-Stop employment services exceeded expectations for the second consecutive year. Accordingly, PY 2005 targets for employment and retention rates are being raised by several percentage points.



Coletta lost all her belongings and her job due to Hurricane Katrina. A hurricane survivor from New Orleans, Coletta attended a job fair sponsored by the North Central Texas WorkForce Board (NCTWFB) and found a position with The Reel Thing, a catfish restaurant. She began work immediately and expressed her appreciation to the entire community for other support, including shelter, clothes, and hot meals. The job fair, held at space donated by the Comfort Suites in McKinney, featured more than 16 employers. “Our goal is to provide each person arriving in our area with an opportunity to work. Texas, and especially the North Central Texas area, is eager to aid those surviving Hurricane Katrina and help them get back on their feet. We do not plan to stop with this one job fair. We will continue to work tirelessly toward our goal,” said Linda Davis, executive director of the NCTWFB.

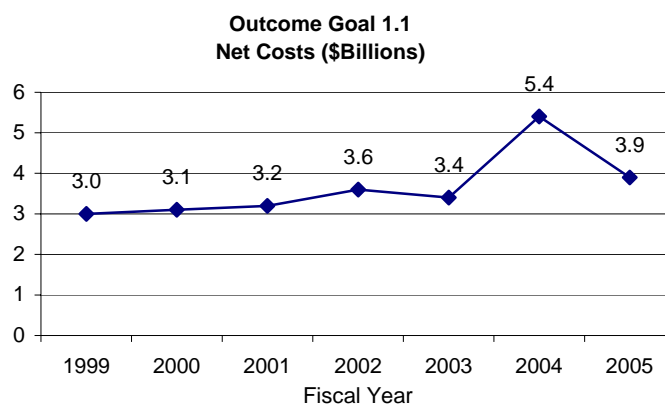
Photo credit: Texas Workforce Commission and North Central Texas WorkForce Board

DOL also played a crucial role in our Nation's response to Hurricane Katrina. Within days of Katrina's landfall, DOL awarded up to \$191 million to affected States, including those States hosting evacuees. The funds, from the National Emergency Grant program, helped to create temporary jobs. These jobs put displaced people to work performing crucial jobs, such as providing shelter, food, and clothing, and performing clean-up and restoration work. These jobs also provide short-term training for vocational skills, which create new career pathways to help evacuees return to jobs in their community or where they choose to settle.

### Net Cost of Programs

FY 2005 program costs of \$3.874 billion supported Employment and Training Administration programs to provide employment and training for adults through formula grants to States, registered apprenticeship, and employment services; programs for dislocated workers; Veterans' Employment and Training Service assistance to veterans; Office of Disability Employment Policy efforts to develop, evaluate, and disseminate strategies to improve employment outcomes for job seekers with disabilities; Center for Faith Based and Community Initiatives contracting outreach; and Women's Bureau efforts to increase job opportunities for women.

The \$2 billion increase in costs from 2003 to 2004 resulted almost entirely from moving the Dislocated Worker Program and Trade Adjustment Act (TAA) performance goals from Strategic Goal 2 (Outcome Goal 2.3 in the DOL FY 2003 Performance and Accountability Report). The TAA performance goal was moved again in FY 2005, along with several smaller ETA programs, to Strategic Goal 4 – accounting for roughly \$1 billion of the decrease shown here. The additional decrease is primarily the result of reductions in the Dislocated Worker and Welfare-to-Work programs.



### Future Challenges

To continuously improve outcomes for WIA participants, the Department is focusing on integrated service delivery and new approaches to workforce investment designed to ensure workers have the right skills to get and retain good jobs with good wages. Separate funding streams for the Wagner-Peyser Act funded employment services and the WIA Adult and Dislocated Worker programs continue to present challenges to program performance as services are duplicated and additional funds are spent on administrative support. With WIA Reauthorization, DOL proposes to combine these funding streams with WIA Youth into one consolidated program.

The Government Accountability Office (GAO) completed a study in FY 2005 that found room for improvement in access to One-Stops for persons with disabilities. DOL, in collaboration with the Rehabilitative Services Administration and the Social Security Administration, is developing a strategic plan to address the matter.

The voluntary nature of the Apprenticeship program's relationships with employers and State Workforce Agencies makes it difficult to capture information consistent with the Federal job training program common measures. To encourage States' cooperation, Apprenticeship has been expanding its Registered Apprenticeship Information System (RAIS) electronic registration project.

## Increase Employment, Retention, and Earnings for Qualified Adults

### Performance Goal 04-1.1A (ETA) – PY 2004

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

Indicators, Targets and Results	PY 2003 Result	PY 2004 Target	PY 2004 Result	Target Reached*
Percent of participants employed in first quarter after program exit	74%	75%	77%	Y
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	85%	85%	86%	Y
Average earnings change for those who are employed in the first quarter after program exit and still employed in the third quarter after program exit	\$3,260	\$3,300	\$3,746	Y
Average cost per participant	N/A	\$2,192	\$2,153**	Y
PY 2004 Costs				<b>\$922 Million</b>
				<b>Goal Achieved</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\* Estimated based on quarterly reports

### Program Perspective

The Workforce Investment Act (WIA) Adult program is designed to help adult workers (employed *and* unemployed) acquire the skills and jobs they need to compete in a global economy. WIA Adult program funds are provided by formula to States and local communities that operate statewide networks of One-Stop Career Centers. The Centers provide a continuum of seamlessly-integrated services (including services under the Wagner-Peyser Act and the WIA Dislocated Worker program) which offer *comprehensive* assistance to workers and employers. States also use the WIA Adult program to leverage additional, non-Federal resources to increase the quality and variety of assistance.

The Department uses four indicators to evaluate the success and cost effectiveness of WIA employment and training services for adults: entered employment, retention, earnings change, and cost per participant. A high entered employment rate indicates that participants have improved financial security. A high retention rate indicates stability of participants' new positions. Higher earnings change reflects effective assistance, especially of training services. The cost per participant gauges program efficiency. Successful leveraging of non-Federal funds can lower the cost per participant by allowing the program to increase the number of people served.



As a single father, Kenneth had experienced a great deal of adversity in his life. While incarcerated due to his dependence on drugs and alcohol, Kenneth realized he needed to find a better path. With encouragement from family, friends and his parole officer, Kenneth obtained a job at a local restaurant earning \$12,000 a year after his release from prison. While he remained drug-free for three years, Kenneth looked for employment that provided a more stable and higher income. He visited Ozark Action, Inc. in Missouri, and enrolled in the WIA Adult program. Kenneth completed his C-1 Truck Driver training with the assistance of the program and began driving for the trucking company. He bought his own truck and currently makes nearly \$40,000 per year! He is clearly traveling down a far brighter path.

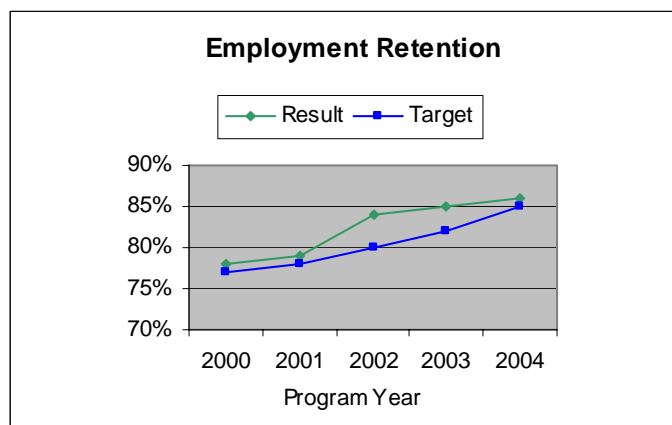
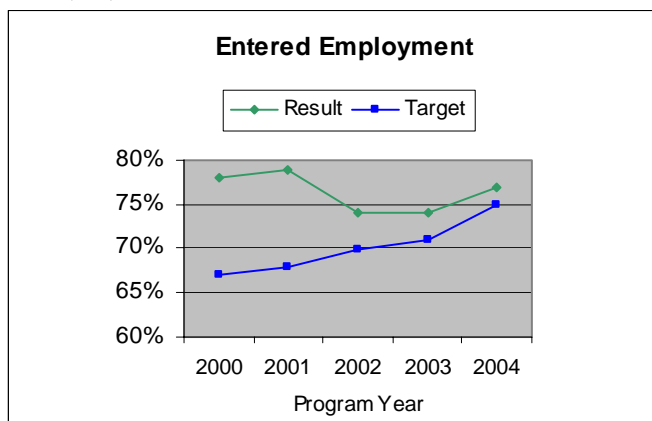
**Photo Credit: Kenneth Duncan & Michael Kelley**



National labor market conditions strongly influence the WIA Adult program outcomes. In recent years, during recovery from the economic downturn of 2000 and 2001, the program outcomes continuously improved as the unemployment rate decreased. Throughout this period, DOL continued to improve its integrated One-Stop delivery system and raise its performance standards accordingly. Over the past four years, targets for entered employment and retention increased a total of six and seven percentage points respectively. DOL adjusted the earnings change target to more accurately reflect current economic conditions.

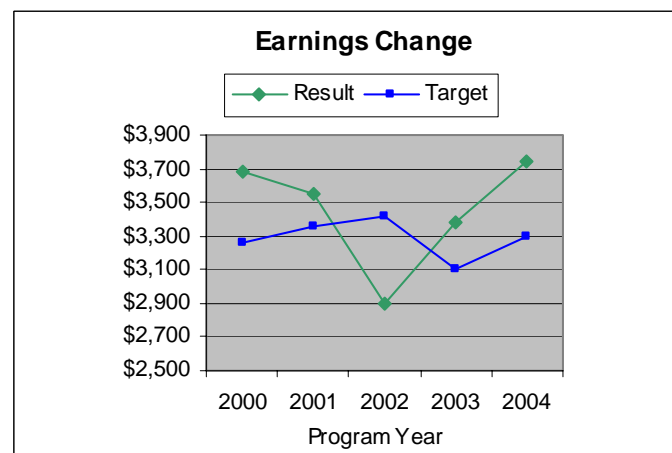
### Analysis and Future Plans

The Department achieved its performance goal for the WIA Adult program. The entered employment rate, employment retention rate and earnings change results exceeded targets, and efficiency was only slightly off the target. As illustrated below, performance is trending upward for all three outcome indicators. Entered employment and retention have remained above the targets, while earnings increase rose significantly from \$3,260 in Program Year (PY) 2003 to \$3,746 in PY 2004. This is the first year for which efficiency data have been reported.



The broad economic indicators were positive over the past twelve months and provided a boost to the performance outcomes for the Adult program. During this period, the economy added about 2.2 million jobs, unemployment fell from 5.4 percent to 4.9 percent; and interest rates remained low. Productivity was up and average weekly earnings increased by 2.7 percent as reported by the Bureau of Labor Statistics.

To continuously improve outcomes for WIA participants, the Department is focusing on integrated service delivery and new approaches to workforce investment designed to ensure workers have the right skills to get and retain good jobs with good wages. Key strategies include: 1) Strengthening strategic partnerships with the business and education communities to develop workforce solutions that are responsive to State and local economies and that relate specifically to high demand occupations and industries; 2) Assuring that every individual, including individuals with disabilities, veterans, new Americans, older workers and others have access to the full array of integrated services through the One-Stop delivery system; and 3) Leveraging a wide array of non-WIA resources to maximize the impact of WIA investments and to train more workers with the skills they need to be successful.



### Management Issues

As part of an on-going response to concerns raised by the Office of Inspector General regarding accuracy of data reported by States for WIA performance, in PY 2004 DOL developed and implemented a data validation methodology for WIA programs. State Workforce Agencies (SWAs) used handbooks, user guides, and software (developed by DOL) to validate outcomes reported in PY 2003 and PY 2004. In PY 2005, SWAs will implement

common performance measures (for Federal job training programs). DOL will revise the data validation materials and software to support accurate and reliable data reporting.

Separate funding streams for the Wagner-Peyser Act funded employment services and the WIA Adult and Dislocated Worker programs continue to present challenges to program performance, as services are duplicated and additional funds are spent on administrative support. DOL took steps to consolidate the reporting on all programs and is conducting a feasibility study in several State agencies. With WIA Reauthorization, DOL proposes to combine these funding streams together with WIA Youth funding into one consolidated program.

The Government Accountability Office (GAO) issued its report in December 2004, *Labor Has Taken Several Actions to Facilitate Access to One-Stops for Persons with Disabilities, but These Efforts May Not Be Sufficient* (Study 2 in Appendix 2). DOL instituted a workgroup – including the Rehabilitative Services Administration and Social Security Administration, as well as DOL’s Civil Rights Center, Office of Disability Employment Policy and Veterans’ Employment and Training Service – that has met consistently since January 2005. In collaboration with the workgroup, DOL has begun to develop a comprehensive, long-term strategic plan to address the One-Stop system’s provision of services to people with disabilities. This workgroup’s mission is to develop an inter-agency work plan that will promote service delivery excellence for people with disabilities in the One-Stop Career Center system. The approved policies and strategies will be translated into a work plan.

The GAO issued its February 2005 report, *Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers’ Needs* (Study 3 in Appendix 2). Prior to the issuance of this report, DOL proposed a comprehensive, streamlined reporting system for 12 different programs – EMILE (ETA Management Information and Longitudinal Evaluation), and is currently conducting a feasibility study. Also, DOL revised its planning guidance to require States to describe how they will actively engage businesses and inform demand-driven service delivery approaches for all customers.

A GAO report issued in May 2005, *Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements* (Study 4 in Appendix 2), examined EMILE. Pending completion of the aforementioned study, DOL revised reporting requirements, effective July 1, 2005, to facilitate common performance measures reporting across DOL’s employment and training programs.

A June 2005 GAO report, *Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes* (Study 1 in Appendix 2), raised concern about how WIA funds are being used and how much is being spent on training. In response, DOL is standardizing the definition of ‘participant exit’ for purposes of assessing program performance. States began implementing these changes on July 1, 2005. Through the newly revised Workforce Investment Act Standardized Record Data system, DOL will be able to capture information on all participants who receive training in each program year.

## Improve Employment Outcomes for One-Stop System Users

### Performance Goal 04-1.1B (ETA) – PY 2004

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

Indicators, Targets and Results	PY 2003 Result	PY 2004 Target	PY 2004 Result	Target Reached*
Percent of job seekers registered for employment services who enter employment with a new employer by the end of the second quarter following registration	61%	58%	<b>64%</b>	<b>Y</b>
Percent of job seekers who continue to be employed two quarters after initial entry to employment with a new employer	80%	72%	<b>81%</b>	<b>Y</b>
Average cost per participant	N/A	\$52	<b>\$62</b>	<b>N</b>
PY 2004 Costs				<b>\$725 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>

#### Program Perspective

A fundamental underpinning of the nation's One-Stop Career Centers is the delivery of employment and workforce information services to a universal population of both businesses and job seekers. Funded principally through WIA, the Wagner-Peyser Act, and the Jobs for Veterans Act administered by the Veterans' Employment and Training Service (VETS), One-Stop employment and workforce information services are designed to help workers (employed *and* unemployed) obtain jobs and give employers access to the skilled workers they need to compete in the global economy. Providing effective services responsive to unique local/regional labor market conditions and the needs of workers is key to achieving successful outcomes for both workers and employers. Such services are provided in collaboration with a wide array of One-Stop partners and are fully integrated for seamless service delivery to customers. One-Stop employment and workforce information services are a continuum of core, intensive, and training services available through One-Stop Centers. Core services include skill assessment, job counseling, and labor market information and are available to everyone. Intensive services have a limited eligibility, based on need, and include employability skills and case management. Training services are available to those needing more than core and intensive services.

One-Stop employment services are provided universally to customers at no charge, with special emphasis on services for Unemployment Insurance (UI) claimants, migrant and seasonal farmworkers, veterans<sup>17</sup>, and businesses. Services include a wide array of workforce and labor market information, career guidance products and tools, assessments, job matching and referral, reemployment services for UI claimants, targeted services for veterans and more.

DOL uses three key indicators to evaluate the success and effectiveness of One-Stop employment and workforce information services: entered employment, employment retention, and average cost per participant. A high entered employment rate indicates that participants have improved financial security. A high retention rate indicates stability of participants' new positions. With the implementation of common performance measures for Federal job trainings in PY 2005, DOL will add earnings change, which indicates the impact of services on post-program participation earnings potential.

To stimulate full integration of workforce information services into planning, decision making, and service delivery programs for adults, including employment services, DOL is collecting and reporting data for PY 2005 on the impact

<sup>17</sup> For specific information about the outcomes achieved by veterans who receive One-Stop employment and workforce information services, please refer to Performance Goal 04-1.1D.

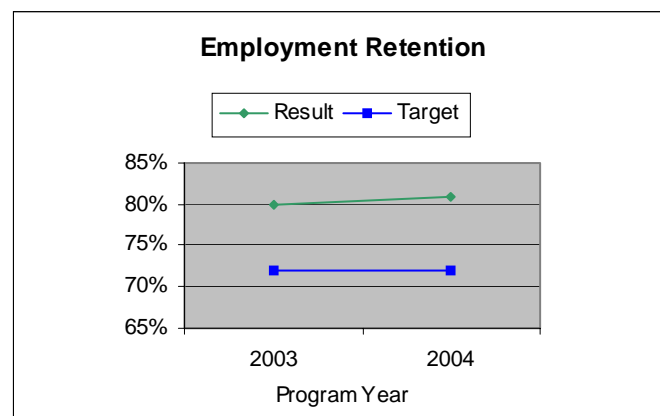
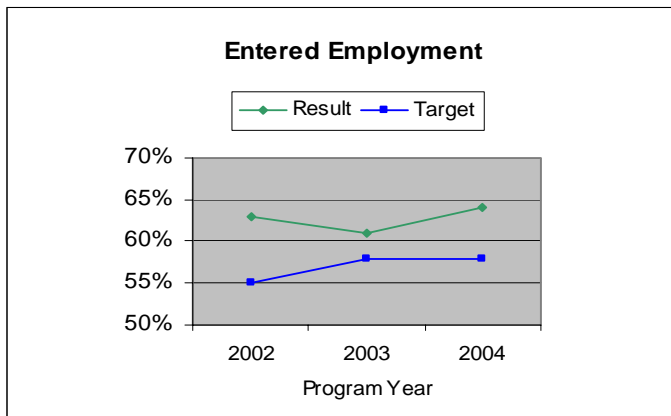


of workforce information on participant employment outcomes. (See performance goal 04-4.1A Electronic Tools for further detail about the Workforce Information System.)

**Analysis and Future Plans**

Both the entered employment rate and the employment retention rates exceeded targets and increased from PY 2003. The cost per participant (efficiency) measure was new in PY 2004; results fell short of the target. Consequently, the overall performance goal was not achieved.

In PY 2005, ETA will implement Federal job training program common measures. States will be required to report on One-Stop customers who receive workforce information services and their outcomes, and their two-year strategic plans will include a discussion of workforce information as a tool in serving job seekers and employers.



To continually improve performance, DOL has aggressively expanded high growth industries and employers through its Business Relations Group (BRG). In partnership with States, the BRG has collaborated with large multi-state employers as well as industry associations to broker their connection to the one-stop delivery system. This partnership has helped match job seekers with employers. In addition to working toward integrating the Wagner-Peyser funded One-Stop employment services and WIA services, DOL has strengthened its focus on the role of workforce information in the design and delivery of core, intensive and training services.



The Employment Connection in Ohio demonstrates how the workforce system and employers can work together to meet their needs. In February 2005, the Employment Connection coordinated with Home Depot to conduct a mass recruitment session in 20 different locations. Approximately 350 applicants attended and more than 70 applicants were hired through the recruitment session. Stan, a 54 year old veteran who served in the U.S. Navy during the Vietnam era, was one of the applicants who was hired at the session. After his service in the Navy, he worked on computer repairs for 25 years. However, after losing his job due to an economic downturn, Stan accessed services through Employment Connection. “The Employment Connection is a very good organization and supports unemployed people in the area. They have a lot to offer and provide a very supportive environment,” he said.

**Photo Credit: Michael Longo, Anthony Schweppe, Stanley Stewart**

**Management Issues**

Separate funding streams that fund One-Stop employment services, particularly the WIA Adult and Dislocated Worker funding and the Wagner-Peyser Act funding, continue to present challenges to program performance. DOL took steps to consolidate the reporting on all programs and is conducting a feasibility study for consolidated reporting in several State agencies. With WIA Reauthorization, DOL proposes to combine these funding streams and WIA Youth into one consolidated program to minimize duplication of services and administrative support funds.

In PY 2004, ETA actively participated in a pilot study with VETS to research statistical models for goal setting purposes (Study 11 in Appendix 2). The efficiency component of the study has focused on how to determine unit costs for the general population of job seekers and veterans who receive One-Stop employment and workforce information services. The study pointed to several variables that will impact program cost per participant including the unemployment rate, cost of labor and facilities, population density, relative number of job seekers and veterans, and unexpected major corporate layoffs, among others. The earnings gain component of the study relied on a small sample of state data (three states) so the results may not be statistically relevant across all states. Nevertheless, average earnings gains among participating states equaled zero for all job seekers, and generally greater than zero for veterans.

As part of an on-going response to concerns raised by the Office of Inspector General regarding the accuracy of data reported by States for performance, DOL developed and implemented a data validation methodology for WIA programs, including One-Stop employment services. State workforce agencies used handbooks, user guides, and software (developed by DOL) to validate outcomes reported in PY 2003 and PY 2004. In PY 2005, SWAs will implement common performance measures (for Federal job training programs). DOL will revise the data validation materials and software to support accurate and reliable data reporting.

In 2004, One-Stop employment and workforce information services were assessed through the PART. The program was rated Adequate. The PART assessment found that accountability for performance results by grantees was insufficient given the delay in implementing long term performance measures. In response, DOL fully implemented the common measures for job training programs on July 1, 2005. ETA will collect baseline data on these measures during PY 2005 and grantees will negotiate levels of performance in PY 2006.

## Assist Dislocated Workers

### Performance Goal 04-1.1C (ETA) – PY 2004

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

<b>Indicators, Targets and Results</b>	<b>PY 2003 Result</b>	<b>PY 2004 Target</b>	<b>PY 2004 Result</b>	<b>Target Reached*</b>
Percent of participants employed in the first quarter after program exit	82%	82%	<b>84%</b>	<b>Y</b>
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	90%	91%	<b>91%</b>	<b>Y</b>
Average earnings replacement rate for those who are employed in the first quarter after program exit and still employed in the third quarter after program exit	91%	91%	<b>93%</b>	<b>Y</b>
Average cost per participant	N/A	\$3195	<b>\$3318**</b>	<b>N</b>
PY 2004 Costs				<b>\$1455 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>
** Estimated based on quarterly reports				

### Program Perspective

The Workforce Investment Act (WIA) Dislocated Worker program aims to quickly reemploy laid off workers and preferably to enhance their employability and earnings by increasing occupational skills. The Department allocates 80 percent of the WIA Dislocated Worker funds by formula to the States. The Secretary may use the remaining 20 percent for discretionary activities specified in the Workforce Investment Act, including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters and military base realignment and closures. The Dislocated Worker program is part of a continuum of seamlessly-integrated services (including services under the Wagner-Peyser Act and the WIA Adult program) which reflect comprehensive assistance to workers and employers. States also use the WIA Dislocated Worker program to leverage additional, non-Federal resources in order to increase the quality and variety of assistance they are able to offer.



Eileen appreciates those who helped her on her journey, and now makes a difference in others' lives. She began her job search at Missouri Career Center after her job was eliminated from a financial investment firm. At first, she was discouraged to begin a new career because of her age. After her enrollment in the WIA Dislocated Worker program, however, Eileen attended the Adult Education and Literacy Workplace Readiness Workshops and pursued a degree in Psychology. With a strong determination, two part-time jobs, and a continuance of supportive services by Dislocated Worker staff, Eileen received her Bachelor's degree in Psychology with honors. Currently, she is working as a career manager for Lakes Country Resource Center and plans to look for opportunities to help others achieve their dreams.

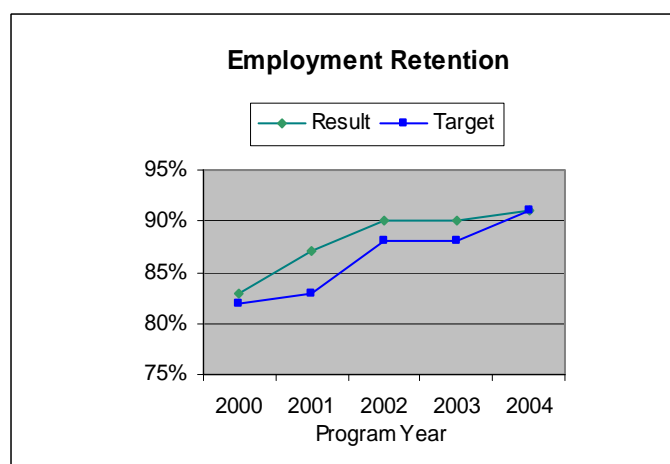
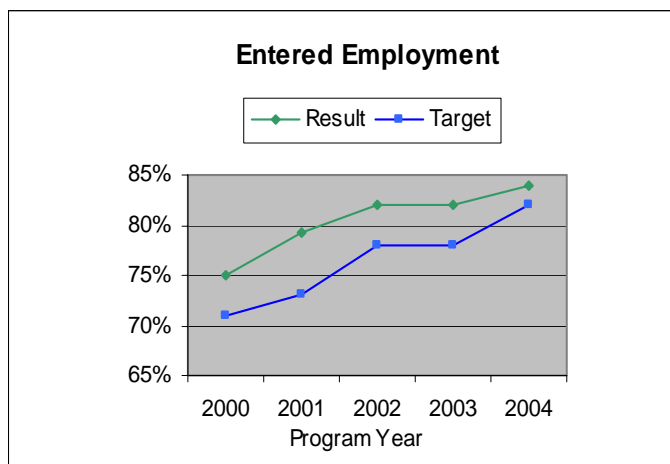
**Photo Credit: Della Hamlin**

Four key indicators are used to assess the program's success. The entered employment rate indicates how quickly participants' incomes (hence family security) are restored and whether they maintain continuous attachment to the labor force with minimal disruption. The retention rate and earnings replacement indicators demonstrate the program's effectiveness at matching and/or enhancing participants' skills and abilities to maximize their

opportunities. The average cost per participant measure gauges program efficiency. Successful leveraging of non-Federal funds lowers the unit cost by allowing the program to increase the number of people served.

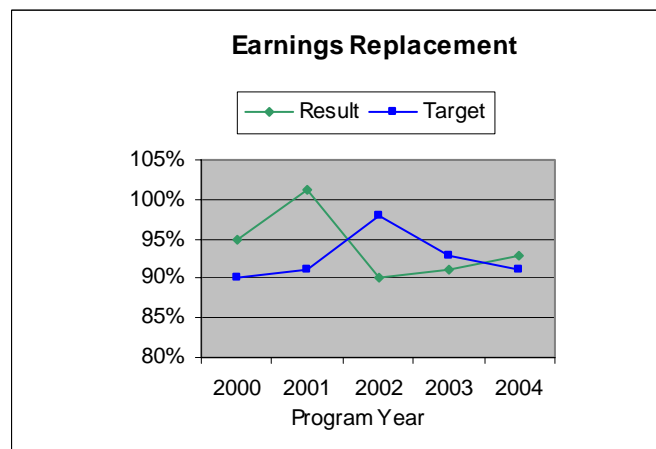
### Analysis and Future Plans

The Department did not achieve its performance goal for the WIA Dislocated Worker program. Although entered employment, employment retention and earnings replacement rates all reached or exceeded targets, efficiency (cost per participant) was off target because PY 2004 was the first year of measurement for this indicator.



Broad economic indicators were positive over the past 12 months and provided a boost to outcomes. During this period, the economy added about 2.2 million jobs, unemployment fell from 5.4 percent to 4.9 percent, and interest rates remained low. Productivity was up and average weekly earnings increased by 2.7 percent as reported by the Bureau of Labor Statistics for the reporting period.

In PY 2005, the Department continues implementing demand-driven workforce investment strategies that promote the successful transition of dislocated workers to good jobs and new careers. In addition, the Department is pro-actively developing transition strategies to position workers in declining industries (thus likely to be dislocated) to obtain the skills they need to transition more quickly.



### Management Issues

As part of an on-going response to concerns raised by the Office of Inspector General regarding accuracy of data reported by States for WIA performance, in PY 2004 DOL developed and implemented a data validation methodology for WIA programs. State Workforce Agencies (SWAs) used handbooks, user guides, and software (developed by DOL) to validate outcomes reported in PY 2003 and PY 2004. In PY 2005, SWAs will implement common performance measures (for Federal job training programs). DOL will revise the data validation materials and software to support accurate and reliable data reporting.

Separate funding streams for the Wagner-Peyser Act funded employment services and the WIA Adult and Dislocated Worker programs continue to present challenges to program performance as services are duplicated and additional funds are spent on administrative support. DOL took steps to consolidate the reporting on all programs and is conducting a feasibility study in several State agencies. With WIA Reauthorization, DOL proposes to combine these funding streams into one consolidated program.

The Government Accountability Office (GAO) issued its February 2005 report, *Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs* (Study 3 in Appendix 2). Prior to the issuance of this report, DOL proposed a comprehensive, streamlined reporting system for 12 different programs – EMILE (ETA Management Information and Longitudinal Evaluation), and is currently

conducting a feasibility study. Also, DOL revised its planning guidance to require States to describe how they will actively engage businesses and inform demand-driven service delivery approaches for all customers.

A GAO report issued in May 2005, *Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements* (Study 4 in Appendix 2), examined EMILE. Pending completion of the aforementioned study, DOL revised reporting requirements, effective July 1, 2005, to facilitate the reporting of common performance measures across DOL's employment and training programs.

A June 2005 GAO report, *Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes* (Study 1 in Appendix 2), raised concern about how WIA funds are being used and how much is being spent on training. In response, DOL is standardizing the definition of 'participant exit' for purposes of assessing program performance, and States began implementing these changes on July 1, 2005. Through the newly revised Workforce Investment Act Standardized Record Data, DOL will be able to capture information on all participants who receive training in each program year.

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

In response to the PART review conducted in 2002 in which the program was rated Adequate, DOL implemented common performance measures for job training programs. DOL is also integrating its training programs to eliminate duplication of services and provide flexibility to States.

## Help Veterans Get and Keep Jobs

### Performance Goal 04-1.1D (VETS) – PY 2004

*Improve employment outcomes for veterans who receive One-Stop and homeless veterans' services.*

Indicators, Targets and Results	PY 2003 Result	PY 2004 Target	PY 2004 Result	Target Reached*
Percent of veteran job seekers employed in the first or second quarter following registration	58%	58%	<b>60%</b>	<b>Y</b>
Percent of veteran job seekers still employed two quarters after initial entry into employment with a new employer	79%	80%	<b>81%</b>	<b>Y</b>
Percent of disabled veteran job seekers employed in the first or second quarter following registration	53%	54%	<b>56%</b>	<b>Y</b>
Percent of disabled veteran job seekers still employed two quarters after initial entry into employment with a new employer	77%	78%	<b>79%</b>	<b>Y</b>
Entered employment rate for homeless veterans participating in the Homeless Veterans' Reintegration Program (HVRP)	61%	60%	<b>65%</b>	<b>Y</b>
Employment retention rate after 6 months for homeless veteran HVRP participants	N/A	baseline	<b>57%**</b>	<b>Y</b>
PY 2004 Costs				<b>\$196 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\* Estimated using preliminary results through the second quarter

**Goal Achieved**

#### Program Perspective

VETS delivers One-Stop employment and workforce information services to veterans through grants to State Workforce Agencies (SWAs), so that unemployed and underemployed veterans receive the assistance needed to obtain suitable employment. These grants fund positions for Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representatives (LVER), who are assigned to One-Stop Career Centers nationwide and focus on veterans' specific employment needs.

Through the Homeless Veterans Reintegration Program (HVRP), VETS delivers targeted employment services to homeless veterans by making competitive grant awards, predominantly to community and faith-based organizations. HVRP grantees provide services such as career counseling and job search assistance, and establish collaborative linkages with local rehabilitation agencies for substance abuse treatment. These services often are provided in concert with local service providers funded by the Departments of Housing and Urban Development, Health and Human Services, and Veterans Affairs.

As a component of One-Stop employment and workforce information services, the DVOP/LVER program enables SWAs to deploy veterans' program specialists where the needs for intensive services to veterans and transitioning service members are greatest. A "two-tiered" approach to service delivery allows job-ready veterans to be served by other SWA staff, while veterans with employability barriers are served by DVOP/LVER staff. This strategy leverages resources so that a maximum number of veterans are served even as resources are concentrated on those veterans with the greatest needs.

VETS regards entry to employment and retention in employment as the key outcomes of its programs and is implementing Federal job training program common measures. Since these measures substantially revise the definitions for employment and retention, VETS will establish new baseline values for these measures during PY 2005. Monitoring these outcomes will enhance the measurement of the program's impact and allow for comparisons across similar programs.



The most recent special survey of the employment situation of veterans by the Bureau of Labor Statistics (July 2004) shows that veterans in general fare well compared to their non-veteran counterparts, with an average unemployment rate of 4.5 percent compared to 5.9 percent. However, major segments of the veteran labor force have decidedly higher unemployment rates than non-veterans, particularly young, recently separated veterans, older veterans (45 to 54), and disabled veterans.

### Analysis and Future Plans

This goal was achieved. Targets for Entered Employment Rate and Employment Retention were reached, as 60 percent of veteran job seekers were employed in the first or second quarter following registration and 81 percent of veteran job seekers continue to be employed after initial entry into employment with a new employer (retained in employment). For disabled veterans the corresponding achievements were 56 percent Entered Employment Rate and 79 percent being retained in employment. Homeless veterans achieved a 65 percent Entered Employment Rate.

Broad national economic indicators for unemployment, interest rates and productivity were positive over the past twelve months and provided a boost to the performance outcomes for the veterans program. Positive results are also attributed in part to continued efforts by VETS to facilitate communication between VETS State offices and State Workforce Agencies on strategies to maximize services to veterans. Several of these strategies are: 1) emphasis on DVOP and LVER staff serving as the critical link for services to veterans with employment barriers, as well as serving as a focal point for transition assistance and homeless veteran reintegration, while other SWA staff provide service to job-ready veterans; 2) SWAs' use of new flexibilities in the development of plans of service for veterans; 3) VETS guidance and technical assistance to SWAs on skill quality, credentials, job development, employer relations and intensive services as a means of ensuring retention and progress for veterans placed in jobs. For HVRP, sharing of best practices among grantees has paid dividends.

While performance targets have been reached, other trends cause concern and require close monitoring by VETS and SWAs. Registrations of veterans seeking services have declined in the past year. The percentage of veterans receiving staff assisted services (an indicator of veterans with employment barriers) has also showed a recent trend downward. VETS will collaborate with its SWA partners in the analysis of this information in order to come to a clearer understanding of the factors responsible for these shifts in order to determine if new strategies need to be developed.

Based on data for the first two quarters of the performance period, the retention rate for HVRP participants is 57 percent. These results reflect the outcomes experienced by about 62 percent of those enrolled during the four quarters of the performance period. This preliminary retention rate indicates that members of the homeless veteran target group continue to struggle somewhat in their efforts to maintain stable attachment to the workforce following receipt of HVRP services. VETS, with its grantee network, is actively examining approaches for improving grantee tracking procedures, grantee follow-up services, and homeless veteran retention rates.



In spite of a promising start, Michael's life changed drastically a few years after completing his Air Force service. With increasing family challenges, Michael began to drink heavily and use drugs. He gave up his hobbies and sold his belongings to support an ill relative. He changed jobs frequently, his marriage failed, and he lost his truck and apartment. He had nowhere to live and didn't care about anyone or anything. Through a program at the West Haven VA Hospital, he completed detox and was recommended for transitional living at Homes for the Brave, a residential program for homeless veterans. The Vocational Specialists on staff helped him conduct a job search. Through programs at CTWorks, he learned basic computer skills and applied for WIA funding to help him get back into driving rigs. He was offered a better paying truck-driver position, and was able to save money and eventually moved on.

**Photo Credit: Homes for the Brave**

**Management Issues**

During FY 2005, SRA International assisted VETS and the Employment and Training Administration with research on developing baseline data for efficiency and earnings change measures for veteran jobseekers. These veteran job seekers receive One-Stop employment and workforce information services. The project, *Developing Efficiency and Earnings Gain Measures* (Study 11 in Appendix 2) found that there were many factors that influenced a State's costs of service delivery, such as its unemployment rate, cost of labor and facilities, population density, relative number of veterans, and unexpected major corporate layoffs. Analysis also indicated slight earnings gain by participants in three States; this result contrasted with the findings from a prior study, which reflected a decline in earnings. VETS is considering additional efficiency measures such as cost per veterans who receive staff-assisted services that reflect the diversity of local conditions. The information helps to refine how earnings data are best applied and serves to reinforce VETS' caution in establishing earnings targets.

The Government Accountability Office (GAO) report *Preliminary Observations on Changes to Veterans' Employment Programs*, issued in May 2005, found that more work needs to be done to implement a minimum standard for veterans entering employment that all States will be expected to meet (see Study 8 in Appendix 2). VETS will conduct a nationwide study of its DVOP/LVER programs to develop initiatives for better integration into one-stop career centers.

GAO also issued *Job Retention Goal Under Development for DOL's Homeless Veterans' Reintegration Program* in May 2005 (see Study 9 in Appendix 2). The report recommended that DOL develop a realistic performance goal for employment retention of homeless veterans in order to better assess the success of HVRP. DOL is currently collecting retention data and will establish a baseline for setting and measuring performance targets.

A third May 2005 GAO report, *Enhanced Services Could Improve Transition Assistance for Reserves and National Guard*, recommended that DOL and the Departments of Defense (DOD) and Veterans Affairs determine what demobilizing Reserve and National Guard members need to make a smooth transition and explore options on ways to enhance their participation (see Study 10 in Appendix 2). DOL is actively participating in a DOD led effort to determine needs, and the best ways to provide them.

*Feasibility Assessment of a Web-Based Career Guidance Tool for Transitioning Military Service Members*, completed in June 2005, determined that no existing web-based tool meets the needs of transitioning service members and veterans (see Study 7 in Appendix 2). Contingent upon the availability of funding, DOL plans to develop with the DOD a customized tool that will include career tips, a search function and details on civilian occupations.



## Satisfy High-Growth Industry Labor Needs via Apprenticeships

**Performance Goal 05-1.1A (ETA) – FY 2005**

*Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21<sup>st</sup> Century.*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Percent of those employed in the month after registration still employed nine months later	N/A	baseline	<b>78%</b>	<b>Y</b>
Average wage gain for tracked entrants <sup>18</sup> employed in the first quarter after registration and still employed nine months later	N/A	baseline	<b>\$1.26</b>	<b>Y</b>
Average cost per registered apprentice	N/A	baseline	<b>\$109</b>	<b>Y</b>
FY 2005 Costs				<b>\$23 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

**Program Perspective**

The National Apprenticeship Act of 1937 established the foundation for developing and expanding the nation's skilled workforce through apprenticeship programs and establishing standards for safeguarding the welfare of apprentices. The National Registered Apprenticeship System is responsible for the accreditation, registration, certification, and is the nationally recognized credentialing system for skilled, craft, and technical trade training programs throughout the U.S. Voluntary cooperation with State agencies, businesses, program sponsors, industry leaders, employers, employer associations and educational institutions support the Apprenticeship System. The top priority is to provide opportunities for jobseekers to find jobs with career paths, earn competitive wages, and offer the opportunity to obtain nationally-recognized industry credentials.

As the Department continues to support the President's High Growth Job Training Initiative (HGJTI), the Apprenticeship System strives to expand its system by targeting the identified high-growth industries: health care, information technology, biotechnology, geospatial technology, automotive, retail, advanced manufacturing (including aerospace), transportation, hospitality, financial services, and energy. The Apprenticeship System plays a vital role in the HGJTI by providing apprentices with industry-recognized credentials that are sanctioned by DOL, thereby helping to supply U.S. employers with the skilled workers they need to stay competitive and keep the economy growing. During FY 2005, there were 541 programs and 8130 apprentices registered with more than 6100 active programs and more than 24,300 active apprentices in high-growth industries.

**Analysis and Future Plans**

Fiscal Year 2005 was a transitional year for evaluating performance in the Apprenticeship program. To tell a broader story of employment outcomes for registered apprentices, the Apprenticeship program moved toward common performance measures, by collecting baseline information on employment retention rate, earnings gain and efficiency measures. These common measures reflect individual apprentice outcomes and allow comparison with other ETA programs.

The established baseline results of the common measures show that during the first quarter of FY 2005, 78 percent of over 18,000 newly registered apprentices were still employed nine months after the month of registration, and their average hourly wage gain was \$1.26 (from \$11.92 to \$13.18). An important strategy of the apprenticeship program is targeting high-growth industry demand-driven career training. Apprentices are compensated for improved skills through wage increases that also lead to a higher employment retention rate. During FY 2005, the average cost per

<sup>18</sup> Twenty-three States are federally-registered apprenticeship programs and enter data on individuals into the Registered Apprenticeship Information System (RAIS). A group of "tracked entrants" is defined as the cohort of apprentices registered and entered into RAIS during a given reporting period.

registered apprentice was \$109, efficient for Federal employment programs. By leveraging large investment from the private sector, Apprenticeship demonstrates a low cost, market driven approach to training America's workers.

The apprenticeship model functions as a self-sustaining system, with employers covering most training expenses such as wages, classroom training, supervision, and mentoring for the duration of the program, which can be several years. The apprenticeship system graduated 119,363 apprentices in the last four years, all of whom were employed, earned credentials verifying technical competencies, and increased their earnings in the process.

The Women in the Trades Construction Apprenticeship Preparation Program was developed and piloted in Fairbanks, Alaska, in 2004. The four-week curriculum includes physical conditioning, health and safety training, construction math, job readiness skills, guest speakers, and skills training at seven different apprenticeship schools. Participants received hands-on experience in the sheet metal, electrical, plumbing and pipefitting, ironworker, carpenter, and pile driver trades. This preparation program is designed to expose the women to different trades, to understand the commitments and requirements of the construction industry, and to prepare them for successful entrance into various apprenticeship programs. Gwendolyn, a program participant, said, "To have a marketable skill is an incredible privilege. We have chosen to devote ourselves to perfecting our trade."

**Photo Credit: John Hakala and Gwendolyn Beecher**



### Management Issues

Registered Apprenticeship Information System (RAIS) collects program and apprenticeship information and is a unique data system that operates independent of States' workforce information systems. Efforts are underway to determine whether and how Unemployment Insurance wage records may be used to capture information consistent with the common measures. Access to and disclosure of State unemployment insurance wage records is being sought in consultation with the National Association of State Workforce Agencies and efforts are continuing to allow DOL to pilot the common measures using State UI wage records. In addition, the State Apprenticeship Councils' participation in the RAIS is voluntary, and the collection of retention and earnings data continue to be challenging.

Apprenticeship has been expanding its electronic registration project in RAIS. It allows program sponsors to register apprentices electronically, provides the source data for documenting pay rates, general employer workforce and demographics information, and completion credentials. Moreover, RAIS has reduced the application processing time, made the system more cost-effective, and improved the program's ability to track data.

In August 2005, the Government Accountability Office (GAO) issued a report, *Registered Apprenticeship Programs: Labor Can Better Use Data to Target Oversight*, that identified several areas for improvement (Study 5 in Appendix 2). DOL will follow up on GAO's recommendations by better utilizing information in the existing data sources and data mining tool; encouraging State Apprenticeship Agency (SAA) States to participate in RAIS; and providing technical assistance on issues identified in final reports of the 14 SAA reviews conducted in FY 2005.

## Increase Employment Opportunities for Youth and Adults with Disabilities

### Performance Goal 05-1.1B (ODEP) – FY 2005

*Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing, testing, and disseminating effective practices.*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Number of people with disabilities served through ODEP projects	6151	6718	<b>9768</b>	<b>Y</b>
Entered employment rate at pilot sites.	19.0%	24%	<b>24.1%</b>	<b>Y</b>
The 3-month and 6-month retention rates for people with disabilities served by the pilots	12.3%	22%	<b>46.7%</b>	<b>Y</b>
	6.9%	17%	<b>39.0%</b>	<b>Y</b>
Effective practices identified through pilot projects and other research-related initiatives	10	11	<b>19</b>	<b>Y</b>
FY 2005 Costs				<b>\$52 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

#### Program Perspective

The Office of Disability Employment Policy (ODEP) provides national leadership on disability employment policy to the Department of Labor and other Federal agencies. ODEP develops and influences the implementation of evidence-based disability employment policies and practices throughout the workforce development system, including employers. The implementation of these effective policies and practices will result in an increase in employment opportunities, and the recruitment, retention and promotion of people with disabilities. ODEP also supports the implementation of the employment-related goals of President Bush's *New Freedom Initiative*.

ODEP's response to low employment rates among people with disabilities is comprehensive and aggressive, and includes securing the active involvement and cooperation among a number of Federal, State, and local agencies as well as private sector organizations. ODEP strategically invests in policy development and research activities that identify policy options and validate evidence-based practices. The results of these activities are reflected in the indicators and targets used to measure ODEP's performance.

Major external factors that influence performance outcomes include several workforce trends. These trends include projected workforce shortages, turn-over and retirement, and the trend of working beyond the traditional retirement age. Many of these workers may experience disabling conditions, increasing pressure on the employer to keep workers on the job and to have employees who are temporarily disabled return to work quickly. Finally, small businesses will continue to be the backbone of the U.S. economy. They employ half of all private sector employees and have generated 60 to 80 percent of new jobs annually over the last decade. Small employers face unique challenges in hiring and retaining disabled workers.

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

#### Analysis and Future Plans

ODEP achieved its goal. In FY 2005, ODEP continued collecting data from pilot projects and research activities: the number served; entered employment rate; retention rates (at three and six months); and the number of effective practices identified. Based on available data through the end of the third quarter of FY 2005, 9768 people with disabilities received employment related services, exceeding the target of 6718. The entered employment rate is 24.1

percent, 0.1 percent above the target of 24 percent. The three-month and six-month retention rates are 46.7 percent and 39.0 percent, exceeding the targets of 22 percent and 17 percent, respectively. Nineteen effective practices were identified through pilot projects and research initiatives, again exceeding the set target of eleven by eight.

In FY 2006, ODEP will continue its performance improvement efforts by aligning its strategies and activities to reflect a stronger reliance on its own internal staff to concentrate on policy development, analysis and applied research initiatives as opposed to using externally-funded public and private organizations. Activities will focus on ODEP's core mission to develop and influence the implementation of policies and practices that will increase employment opportunities, recruitment, retention, and promotion of adults and youth with disabilities. Accordingly, in FY 2006, ODEP's Performance Goal will be modified to ensure its activities are measured in terms of their impact on the workforce development system and its partners.

Joey is a 21 year old student with a disability who recently left the Montgomery County, Maryland Public School system without any job prospects. Under an Office of Disability Employment Policy grant, the Montgomery Local Workforce Investment Board was able to get Joey the customized employment services he needed to become successfully employed. The local grant staff worked with Joey, his family, the school, and related community employment service providers to coordinate Joey's customized employment plan. The grant staff met with a variety of businesses near Joey's home. After meeting with a local retail clothing store, the grant staff discussed Joey's skills and interests while explaining the concept of customized employment. The store's manager loved the idea and said that she needed to create a new position as a "markdown attendant"; which exactly matched Joey's interests and skills. Joey got the job. According to the employer, this task was always just a "fill-in" responsibility by other staff whose job it is to attend to customer needs. This new job creation allows other staff to focus on customer-service, while Joey fulfills another essential business need. Joey works 25 hours per week, and earns \$7.00 per hour. He takes public transportation to and from work.



### Management Issues

ODEP conducts pilot projects to determine the effectiveness of disability employment strategies for dissemination throughout the workforce development system and partners. Pilot project data is collected and assessed internally and externally. Oversight includes quarterly project reports, staff visits to project sites and regular conference calls with project staff. ODEP also contracts with an external evaluator to independently verify data collected in pilot project reports, review project documents and activities, and visit project sites.

ODEP's multi-year external evaluation of pilot projects assesses the nature and extent of systems change to determine the effectiveness of strategies employed for increasing the capacity of the workforce development system to respond to the needs of people with disabilities. Findings continue to demonstrate: 1) the capacity of the workforce development system has expanded and is strengthened to better serve people with disabilities; 2) people with disabilities are moving from low-skill, minimum wage work to higher-paid jobs in technical or other new career fields; 3) attitudes at One-Stop Centers regarding the provision of services to people with disabilities are changing; and 4) governmental agencies are now working together to share information and leverage resources to better serve people with disabilities.

DOL is conducting a follow-up case study of 12 Workforce Investment Act (WIA)-assisted sites to provide information that will enable practice to inform policy and improve performance results of WIA-assisted programs that serve people with disabilities (see *Case Study Research: How People with Disabilities are Served through the Workforce Development System* – Study 6 in Appendix 2). Since States' initial implementation of WIA, One-Stop Career Centers and youth services have been addressing the challenges of serving all customers, including those with disabilities. The case study focuses on assessing impact and customer satisfaction.

## Outcome Goal 1.2 – Increase Opportunities for Youth Employment

Even though the median age of the workforce is rising, the percentage of workers between the ages of 16 and 24 is expected to grow more rapidly than the overall labor force for the first time in 25 years. The majority of jobs will continue to require workers who have acquired knowledge and skills via two-year colleges, vocational training, moderate to long-term on-the-job training and real work experience. High school drop-outs are three to four times more likely to be unemployed than college graduates. These statistics help to explain why an important part of DOL's mission is to help disadvantaged youth prepare for competition in a 21<sup>st</sup> century work environment.

DOL administers two programs designed specifically to serve youth: the WIA Youth formula grant program, which provides comprehensive services through local workforce investment areas, and Job Corps, an intensive, largely residential academic and employment training program. Services to in-school youth help them remain in and complete secondary school, move into post-secondary education or advanced training, and ultimately transition into successful careers. Out-of-school youth receive services that provide them with the necessary skills to attain educational credentials (i.e., high school diploma or general equivalency diploma), participate in vocational and post-secondary training opportunities, and transition into gainful employment or a career. Through these programs, our Nation makes the type of meaningful investment in at-risk teenagers and young adults that is necessary to help them become productive and self-sufficient members of the nation's workforce.

Two performance goals measure DOL's progress in helping youth prepare for entry to the workforce. Both are administered by the Employment and Training Administration (ETA) under the Workforce Investment Act of 1998 (WIA). Funding and reporting for both programs are for Program Year (PY) 2004 (July 2004 - June 2005).

Performance Summary		Diploma attainment	Literacy & numeracy	Entry to employment*	Employment retention	Efficiency	PY 2004 Costs (millions)
<b>WIA Youth (04-1.2A)</b> Increase placements and educational attainments for youth served through the WIA youth program. <i>Goal not achieved. Three targets reached, one not reached.</i>	Result	65%	–	72%	82%	\$2822	\$987
	Target	53%	–	68%	79%	\$2663	
	PY03	63%	–	71%	81%	–	
<b>Job Corps (04-1.2B)</b> Improve educational achievements of Job Corps students, and increase participation of Job Corps graduates in employment and education. <i>Goal not achieved. Two targets reached, two not reached.</i>	Result	64%	47%	84%	–	\$24,809	1313
	Target	64%	45%	85%	–	\$22,503	
	PY03	–	–	–	–	–	

\*For WIA Youth, 19-21 year olds only; for Job Corps, measure includes enrollment in education or training.

### Results Summary

Neither of the goals was achieved because – as with several adult employment and training programs in Outcome Goal 1.1 – efficiency measure (cost per participant) targets were overly ambitious in this (baseline) year. Outcomes, however, were positive. Educational attainment reached or exceeded targets for both programs. Job Corps participants' literacy and numeracy gains exceeded targets. The WIA Youth program exceeded its placement target, but Job Corps fell just short of its graduates' placement target. WIA Youth also reached its retention target. For the WIA Youth program, this year's performance continues an upward trend in all three outcome indicators stretching back several years. For Job Corps, this year was the first for which new Federal youth job training program common measures data were collected, so comparison to prior years is not possible.

Although national economic conditions improved in this reporting period versus preceding "recovery" years, the boost this provided to performance was offset by increasing the WIA Youth program's focus on out-of-school youth.



Out-of-school youth are traditionally harder to serve. Continued improvement in overall performance was achieved by providing State Workforce Agencies with technical assistance, especially on collaboration with other social service organizations, and by strategic use of incentives for targeting at-risk youth and promising occupations. Job Corps' education efforts (diploma and literacy/numeracy) appear to be paying off. This is encouraging because academic and career success are highly correlated and expected to become even more so as the knowledge economy further evolves.

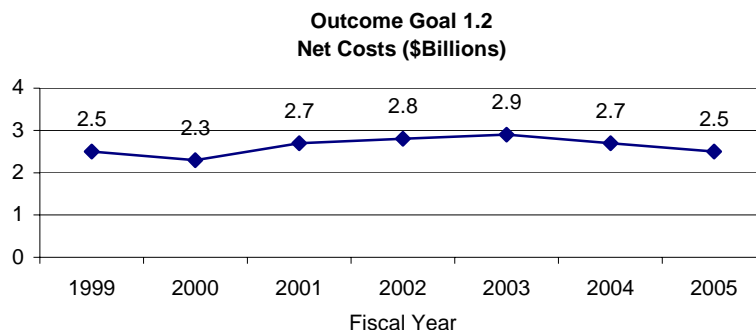
Students with the Chinese American Service League, a comprehensive social service agency dedicated to serving the needs of the Chinese community in Chicago, participated in Cardiopulmonary Resuscitation (CPR) training as part of the Women's Bureau Group E-Mentoring in Nursing (GEM-Nursing) project. The two CPR training sessions included hands-on skills training to teach students how to respond to breathing and cardiac emergencies. The GEM-Nursing project is an innovative on-line program designed to encourage young people to explore career opportunities in nursing. Students communicate on-line with nurses around the country who represent a wide range of nursing careers. Participants also attend events and training to broaden their exposure to nursing and healthcare-related careers.

**Photo credit: DOL/WB staff**



**Net Cost of Programs**

FY 2005 program costs of \$2.455 billion supported ETA programs providing employment and training assistance to youth through formula grants to States, and Job Corps. Decreased costs resulted from reductions in the WIA Youth program and from the phase-out of Youth Opportunity Grants and the School-to-Work initiative.



**Future Challenges**

For the WIA Youth program, continued emphasis on serving youth who have left school will make it difficult to improve measured overall education and employment performance. So far, existing strategies appear to be working well. In addition, implementation of a new data reporting system has been difficult and may require a new approach.

Job Corps' large operation, though fundamentally sound, poses many management challenges. In fact, Job Corps controls roughly 95 percent of the DOL real property portfolio that is not leased through GSA. To that end, in keeping with the principles of Executive Order 13327, Federal Real Property Asset Management, which President Bush issued in February 2004 "to promote the efficient and economical use of America's real property assets ...", Deputy Secretary Steven J. Law established a Departmental workgroup designed to address the management challenges related to real property – while working to more fully implement this key President's Management Agenda initiative. In addition, the Inspector General's Top Management Challenges addressed in this report also highlights the need to improve management of real property assets. In the near future, the Job Corps program is implementing new data validation procedures and is continuing to look closely at whether its physical assets (the residential training centers) are being utilized as efficiently as possible.

## Assist Youth in Making a Successful Transition to Work

**Performance Goal 04-1.2A (ETA) – PY 2004**

*Increase placements and educational attainments of youth.*

Indicators, Targets and Results	PY 2003 Result	PY 2004 Target	PY 2004 Result	Target Reached*
Percent of 14-18 year-old youth who enter the program without a diploma or equivalent who attain a secondary school diploma or equivalent by the first quarter after exit	63%	53%	<b>65%</b>	<b>Y</b>
Percent of 19-21 year-old youth employed in the first quarter after program exit	71%	68%	<b>72%</b>	<b>Y</b>
Percent of 19-21 year-old youth employed in the first quarter after exit still employed in the third quarter after program exit.	81%	79%	<b>82%</b>	<b>Y</b>
Average cost per participant	N/A	\$2663	<b>\$2822**</b>	<b>N</b>
PY 2004 Costs				<b>\$987 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>
**Estimated based on quarterly reports				

**Program Perspective**

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

In July of 2004, DOL published guidance outlining its new strategic vision for the delivery of youth services under WIA. This vision emphasizes that “out-of-school youth and those most at risk of dropping out are an important part of the new workforce ‘supply pipeline’ needed by businesses to fill job vacancies in the knowledge economy. WIA-funded youth programs will provide leadership by serving as a catalyst to connect these youth with quality secondary and post-secondary educational opportunities and high-growth and other employment opportunities.” Efforts are now focused on four major areas: alternative education, demand-driven strategies for providing youth with the skills businesses need, serving the neediest youth, and improving performance.

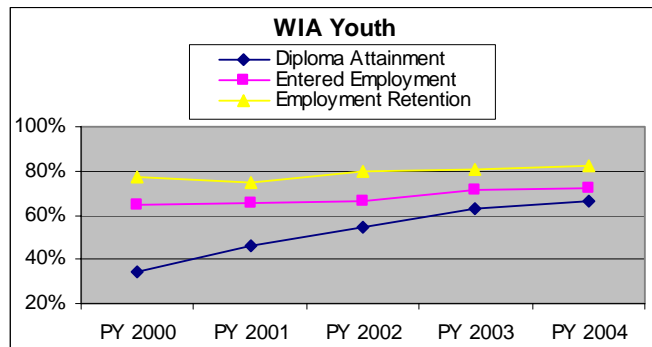
PY 2004, progress was tracked against four performance indicators. For the older youth population, entrance into and retention in employment are the most appropriate indicators of success because the program’s services are focused on preparation for and success in the workforce. For the younger youth population, where services are geared toward academic achievement as a means of career preparation, achievement of a diploma or its equivalent is the most meaningful indicator of future success in the workforce. The cost per participant measure gauges the efficient use of Federal dollars.

In recent years, the program has made steady progress by all measures (see chart). Cost for participants, a new indicator as of PY 2004, is expected to increase, at least in the short term, due to targeting a harder to serve out-of-school youth population as well as general increases observed for the cost of education and training programs nationwide.

### Analysis and Future Plans

Results for PY 2004 continue an upward trend that began with WIA implementation in 1998. All three outcome indicators increased from PY 2003 and exceeded performance targets. Most important is the continued increase in high school diploma attainment, given the strong statistical correlation between educational attainment and success in the labor market.

Average cost per participant was slightly higher than expected – \$2822 vs. a target of \$2663. However, consistent with ETA's vision for youth services, the program has served a higher proportion of out-of-school youth. Out-of-school youth are a more expensive population to serve, with a cost of \$3724 per participant, therefore the overall cost per participant increased over prior years. At the time the cost per participant target was estimated, DOL did not anticipate the full extent of increased expenditures on out-of-school youth.



During PY 2004, DOL held a series of Regional Forums that convened State education agencies along with workforce development, juvenile justice and child welfare agencies from 45 States to identify opportunities for improving programs across agency lines. DOL has provided States with a Federal/State benchmarking tool to provide States with broad principles to assist them in gauging the effectiveness of their collaborative efforts.

Two years ago, when Mathias arrived at Eastman Youth Development Campus, a youth detention center in Georgia, the seventeen-year-old was without any personal or career goals. While he was on the campus, Mathias enrolled in the WIA Youth program. During the program, Mathias earned his General Equivalency Diploma and a Certified Construction Worker Certificate. He also demonstrated his good work ethic. After his release in January of 2005, Mathias found employment and enrolled in a local technical college to obtain a Document Processing Assistant Certificate. Recently, Mathias was accepted into a university. Now, his personal goal is to obtain a Bachelor of Science Degree in Computer Engineering!

**Photo Credit: Robert Dixon and Betty Johnson**



In the fall of 2004, DOL awarded Foster Youth Demonstration grants to five States aimed at assisting foster youth who have or will be transitioning out of foster care to access employment and training opportunities. In the summer of 2005, DOL awarded 16 demonstration grants to State and local agencies and community-based organizations to help prepare youth offenders to enter high growth and high demand industries.

For PY 2005, targets will increase to 69 percent for the entered employment rate, 80 percent for the employment retention rate and remain at 53 percent for the diploma attainment rate. The target is not increasing for the diploma attainment rate due to an increased emphasis on services to the neediest youth, especially out-of-school youth, who traditionally have low rates of diploma attainment.

### Management Issues

Performance data for the WIA youth program are both complete and reliable. DOL continues to implement the recommendations made in a February 2004 Government Accountability Office (GAO) report entitled *Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services* that recommended coordination with the U.S. Department of Education to connect school dropouts to local WIA youth programs and to establish standard monitoring procedures.

GAO issued a report in May 2005 entitled *Labor Should Consider Alternative Approaches to New Performance and Reporting Requirements* (Study 4 in Appendix 2). The report recommended that DOL consider alternative approaches to implementing its new reporting system, including ongoing consultation with stakeholders, phased implementation, and pilot testing. DOL will continue to consult with representatives of the State and local workforce system. In addition, DOL is conducting a feasibility study in three States and two local areas to examine the changes



needed at the State and local levels to meet the proposed data collection requirements as originally proposed in the July 2004 *Federal Register*.

The WIA Youth program received a rating of Ineffective in the PART review conducted in FY 2002. Since that time the program has made significant progress in addressing recommendations to adopt common performance measures for Federal job training programs and conduct an impact evaluation of the WIA Youth program. States will begin reporting on the new measures in their first quarterly report due in November 2005. The impact evaluation will be commissioned upon WIA reauthorization, as knowledge of the program's new direction will be critical to the design of any meaningful study.

## Increase Placements and Educational Attainments of Youth

### Performance Goal 04-1.2B (ETA) – PY 2004

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

Indicators, Targets and Results	PY 2003 Result	PY 2004 Target	PY 2004 Result	Target Reached*
Percent of Job Corps graduates (within 1 year of program exit) and former enrollees (within 90 days of program exit) who enter employment or enroll in post-secondary education or advanced/occupational skills training	N/A	85%	<b>84%</b>	<b>N</b>
Percent of students earning a high school diploma, General Equivalency Diploma (GED) or certificate while enrolled in a Job Corps program	N/A	64%	<b>64%</b>	<b>Y</b>
Percent of students who will achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (one ABE level is approximately equivalent to two grade levels)	N/A	45%	<b>47%</b>	<b>Y</b>
Average cost per participant	N/A	\$22,503	<b>\$24,809</b>	<b>N</b>
PY 2004 Costs				<b>\$1313 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>

#### Program Perspective

Job Corps is an intensive academic and vocational training program (primarily residential) for economically disadvantaged youth ages 16 through 24 who often face multiple barriers to gainful employment. This program provides occupational skills, academic training, social education, and other support services, such as housing, transportation and family support resources, to more than 60,000 individuals at 122 centers nationwide. Job Corps centers, ranging in size from 200 to 2,000 students, are located in both urban and rural communities. Most Job Corps centers are operated by large and small companies under performance-based contracts. Other Job Corps centers are operated by Federal departments.

Job Corps centers provide services tailored to each student's needs to help them achieve the skills and credentials required to be successful, productive citizens and to obtain work opportunities that lead to long-term employment. In PY 2004, DOL began reporting Job Corps performance according to the job training common measures for youth programs: placement in employment or education, attainment of a degree or certificate, literacy and numeracy gains, and average cost per participant. The first three measures are indicators of student achievement in terms of placement in employment and in enhancing their employability; the efficiency measure assists program management in controlling costs.

As with other employment and training programs, Job Corps' performance can be impacted by external factors such as local labor market conditions and national economic trends. In recent years, an increasingly knowledge-based labor market has challenged Job Corps to redirect both academic and technical career training approaches. In addition, adjustment to federally standardized job training program common measures has provided program management challenges.

#### Analysis and Future Plans

During PY 2004, Job Corps continued to improve educational achievements of its students, as indicated by meeting the target of 64 percent of students earning a high school diploma, GED or vocational certificate while enrolled in Job Corps. In addition, in the first year of measuring literacy and numeracy gains, Job Corps exceeded the target by improving these outcomes for 47 percent of all students who were basic skills deficient at entry. Attainment of these

two measures indicates that Job Corps' focus on academics – through partnerships with local school districts, innovative teaching approaches, and integration with skill training – has helped prepare students academically, as well as vocationally, for success in the labor market.

The entered employment/education measure, which until this year included program graduates only, now includes former enrollees and will ultimately include all students. While placement of graduates increased from 90 percent to 91 percent, former enrollees' results had more impact than expected; the overall rate just missed the target of 85 percent. This does indicate that the target was ambitious, and Job Corps will focus on reaching that placement rate in PY 2005 by encouraging Career Transition Services (CTS) providers to focus their energies and services on recent graduates.

Job Corps utilizes performance-based contracting for center operators and CTS providers; center operators' and contractors' revenues are linked to performance on specific measures of student success. Such provisions, particularly incentive fees for contractors, have led to improved student outcomes. Regional offices conduct assessments and annual contract reviews of outreach and admissions contractors, center operators and CTS providers that include compliance measures for operations and performance measures related to student outcomes. In addition to improving student outcomes, Job Corps maintains safe and healthy environments at all Job Corps centers by cooperatively working with other DOL agencies to conduct safety and health inspections annually.



Collbran Job Corps Civilian Conservation Center celebrated their Eagle Corps team's second place finish in the Colorado regional *For Inspiration and Recognition of Science and Technology* Robotics competition that is sponsored by NASA. This year, 38 teams participated and had six weeks to build their robot for the competition. Volunteer mentors from local engineering firms, as well as a retired mechanical engineer, assisted the 22-member Eagle Corps team in programming, engineering and electronic wiring for its robot's construction. While preparing for the competition, the team not only designed and built the robot, but also created a competition Web site ([www.eaglecorps.ws](http://www.eaglecorps.ws)), researched the partnering companies, produced a button to trade with other teams, and designed a team jersey. The drawing of the team's robot was created by a participant who taught herself the AutoCAD program. "Robotics is a once-in-a-lifetime experience," said Tim, a 17-year-old team member.

**Photo Credit: Johnathon Noe, Elijah Davis, Tim Lawrence, Tim Silburn, Darrell Martin, Deak Chamberlain, and Maria Temiquel**

### Management Issues

Job Corps is committed to maintaining a comprehensive data collection and reporting system that meets the highest integrity expectations, and has established multiple methods to continuously assess the validity of the system. Given the scope of operations, however, there have been challenges to maintaining uniform quality. Recently, the Office of Inspector General (OIG) identified several areas of concern related to Job Corps' data validation procedures in *Job Corps Performance Measurement Outcomes Report* (Study 13 in Appendix 2) and *Performance Audit of Job Corps Center Operating Costs* (Study 12 in Appendix 2). To ensure system-wide data integrity, Job Corps is implementing requirements for regional offices to review individual student data using a stringent targeted sampling methodology, and is taking steps to recover overpayments if irregularities are identified.

Job Corps controls roughly 95 percent of the DOL real property portfolio that is not leased through the General Services Administration. In keeping with the principles of Executive Order 13327, *Federal Real Property Asset Management*, which President Bush issued in February 2004 "to promote the efficient and economical use of America's real property assets," Deputy Secretary Law established a Departmental workgroup designed to address the management challenges related to real property – while working to more fully implement this key President's Management Agenda initiative. In addition, the Inspector General's Top Management Challenges addressed in this

report also highlights the need to improve management of real property assets. Job Corps is investigating whether its physical assets (the residential training centers) are being utilized as efficiently as possible.

In 2004, the Job Corps program was assessed through the PART, and was rated as Moderately Effective. In response to findings identified in the PART, DOL has:

- Created a strategic plan to improve services to Hispanic/Latino and Limited English Proficient students to improve the employment and earnings outcomes of their population;
- Developed an Asset Management Plan and Capital Asset Plan to complement the FY 2007 budget submission;
- Developed a decision-making process for capital investments in real property, based on alignment with a business case presented to support instructional programs which target high growth economies;
- Assembled a cost effectiveness workgroup to improve program efficiency; and
- Piloted a project to utilize Unemployment Insurance wage records in an aggregate format in order to proceed with full implementation of common measures by PY 2006.

## Outcome Goal 1.3 – Improve the Effectiveness of Information and Analysis On The U.S. Economy

Maintaining competitiveness in the 21st Century requires Americans to be knowledgeable about trends in the global, national, and local economies. Private citizens, business owners, and public officials need to have access to up-to-date, high-quality information and statistics to assist them in making better informed decisions. The Department’s Bureau of Labor Statistics (BLS), which produces some of the Nation’s most sensitive and important economic indicators, looks for opportunities for innovation to improve the usefulness of its products and services to our customers. For example, in FY 2005, the Quarterly Census of Employment and Wages (QCEW) program released a new on-line tool for labor market analysis. The Location Quotient Calculator is designed to aid economic development professionals in accurately identifying industries that attract jobs and income, and sell goods and services outside their community. This innovative use of the QCEW data allows the customer to conduct a focused, detailed industry study at the desired geographic level.

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<p style="text-align: center;"><b>05-1.3A (BLS)</b></p> <p>Improve information available to decision-makers on labor market conditions, and price and productivity changes.</p>	<p>Goal substantially achieved. Six of eight targets were reached, one was substantially reached and one was not reached.</p>	<p>\$536</p>

### Results Summary

DOL reports performance for this goal using such indicators as timeliness, accuracy, relevancy, efficiency, and customer satisfaction with statistical products and services because these represent critical aspects of a statistical program's performance. The results presented here reflect continuous efforts to improve statistical products and services available to decision makers. Some FY 2005 achievements include:

- BLS improved the Diary – a collection instrument used to obtain information for the Consumer Expenditure Survey – to make it more user-friendly. For example, the respondent now uses check boxes instead of writing out responses when providing information on meals away from home.
- BLS improved the timeliness of the Census of Fatal Occupational Injuries (CFOI) annual data release. Data were made available in August – one month earlier than in recent years.
- The Current Employment Statistics (CES) program began in March publishing Metropolitan Statistical Areas (MSAs) using the new OMB definitions. Concurrent with this release, CES also expanded its coverage to include all MSAs for the first time ever; previously, about three-quarters of the MSAs had been published.



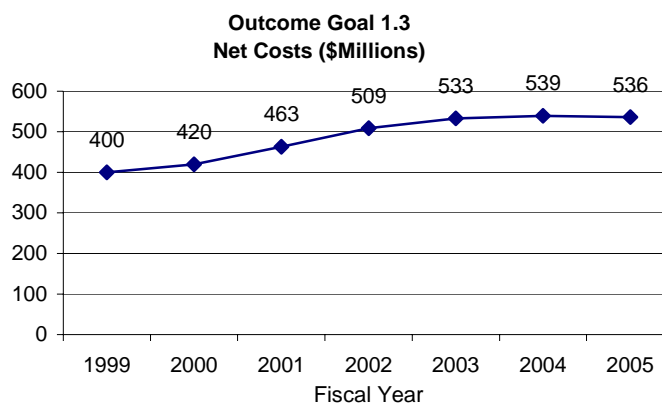
Following several decades of population decline and job losses, Philadelphia has worked relentlessly to bolster economic growth and improve its competitiveness nationally, with notable success in recent years. Mr. Stephen Camp-Landis, City of Philadelphia Budget Office analyst, cites BLS employment and wage data as useful to formulating public policy decisions and addressing citizen needs. According to Mr. Camp-Landis, the City uses CES and QCEW data to help project tax revenues. The resulting improvements in the quality of those projections have allowed Philadelphia to effectively manage an annual wage and business tax reduction program for eleven years. CES and QCEW data can be

found at <http://www.bls.gov/sae/home.htm> and <http://www.bls.gov/cew/home.htm>, respectively.

**Photo credit: Rick McMullin**

### Net Cost of Programs

FY 2005 program costs of \$536 million support BLS programs to produce and disseminate timely, accurate, and relevant information on the economy. The Bureau's budget and costs trended upward from 1999 to 2005. This trend is attributed primarily to mandatory cost increases; the creation of new programs, such as the American Time Use Survey; and important improvements to survey programs, such as the Consumer Price Index, Producer Price Index, and Employment Cost Index.



### Future Challenges

To respond to the changing economy, maintaining sufficient response levels, and evolving technology, DOL will use various strategies, including the following:

*To respond to the changing economy:*

In FY 2006, BLS will begin publishing a new data series that will allow workers and employers to compare wages and salaries among metropolitan areas. In an increasingly mobile society, workers need data to help them evaluate job offers from firms located in a variety of locations, and employers need data to compare labor costs when deciding where to establish or expand operations. Produced by the National Compensation Survey, the inter-area pay relatives will present this information in an easy-to-use format free from the effect of differences in survey timing, occupational staffing patterns, and industry mix.

*To maintain a high level of response for its voluntary surveys:*

In FY 2005, BLS started a multi-year effort to improve informational materials included in data collection efforts. BLS systematically collected information on how respondents view BLS and its programs from interviewers who regularly interact with respondents. Based on the information learned, in FY 2006, BLS plans to conduct a test of the impact of including an informational brochure in the survey packages of the Occupational Employment Statistics program.

*To meet the challenges of evolving technology:*

In FY 2006, BLS will improve users' ability to find information through the release of a new search engine for the Web site. This technology will improve the search engine results to coincide with user expectations, identify common misspellings and provide alternative choices, and display links to related materials.



## Timely, Accurate, and Relevant Economic Information

**Performance Goal 05-1.3A (BLS) – FY 2005**

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

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Number of series (e.g., Current Employment Statistics, Employment Cost Index, etc.) converted to the North American Industry Classification System (12 series in total)	8	9	<b>9</b>	<b>Y</b>
Percent of domestic output of in-scope services included in the Producer Price Index (PPI)	59.2%	75.7%	<b>76.3%</b>	<b>Y</b>
Percent of in-scope industries in the labor productivity measures	58.0%	58.3%	<b>59.2%</b>	<b>Y</b>
Percent of the components of the new repricing system completed	17%	40%	<b>37%</b>	<b>N</b>
Cost per transaction of the Internet Data Collection Facility	\$6.13	\$3.32	<b>\$2.44</b>	<b>Y</b>
Customer satisfaction with BLS products and services (e.g. the American Customer Satisfaction Index)	82%	75%	<b>74%</b>	<b>S**</b>
Percent of scheduled releases issued on time (108 scheduled releases)	96%	100%	<b>100%</b>	<b>Y</b>
Percent of accuracy measures met (e.g., revision, coverage, etc. - 17 accuracy measures in total)	83%	100%	<b>100%</b>	<b>Y</b>
FY 2005 Costs				<b>\$536 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\*ForeSee Results has stated that one percentage point is not statistically significant for this indicator.

**Goal Substantially Achieved**

**Program Perspective**

BLS reports performance for this goal by producing timely and accurate data that meet customer needs. Improvements to the data are measured through increases in the relevancy, coverage, and response rates. The indicators presented here represent the various dimensions of BLS products and services that are important to our customers. The targets chosen balance respondent burden and data user needs, while supporting continuous improvement of our programs and products.

To continue improving its products and services, BLS analyzes and evaluates new economic and statistical methodologies, new technologies, and new survey design, collection, and dissemination approaches. Keeping abreast of improvements and using these improvements to deliver data in a more timely and useful manner, while still maintaining cost effectiveness, are essential ingredients to meeting our goals and providing the quality of service our customers expect. For example, after a multi-year improvement project, the Local Area Unemployment Statistics program began using in FY 2005 redesigned estimating models for States. Focusing resources on improving these estimates, which are a key component of labor market analysis, will lead to an improvement in local area information available to decision-makers, a reduction in the annual revision in monthly State estimates by approximately 20 percent, and the achievement of the BLS data accuracy target.

**Analysis and Future Plans**

The goal was substantially achieved. Targets were exceeded, reached, or substantially reached for seven of the eight performance indicators.

BLS reached its target for converting one data series from the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS) in FY 2005. The Survey of Occupational Injuries and Illnesses data were converted to NAICS in December 2004 as planned.

Targets were exceeded for improving data coverage in the PPI and in labor productivity measures as BLS continued to improve the accuracy of its data. While the PPI measures average changes in selling prices received by domestic producers for their output, labor productivity is the ratio of the output of goods and services to the labor hours devoted to the production of that output. BLS improved data coverage for calculating the PPI by increasing the percent of service industries from 38.8 percent (1997 baseline) to 76.3 percent in FY 2005. BLS increased data coverage in labor productivity measures to 59.2 percent, up from 58 percent in FY 2004 (baseline).

BLS did not reach its target, 40 percent, for completing components of the new PPI repricing system as only 37 percent of the components were completed. As part of the continuing effort to modernize the computing system for monthly processing of the PPI, this new system will be based on a more secure, stable, and expandable computing platform.

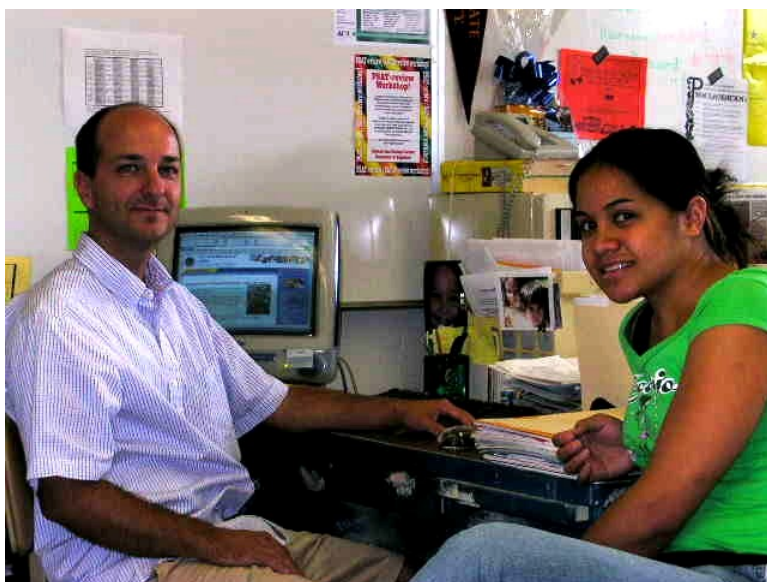
The BLS Occupational Outlook Handbook (OOH) Web site is the Bureau's nationally recognized source of career information. Using the American Customer Satisfaction Index survey, the OOH Web site substantially reached its target, a score of 75, in the third quarter of 2005. The BLS score was 74; the aggregated Federal government score for this time period was 73.5.

BLS exceeded its target for decreasing the cost per transaction of its Internet Data Collection Facility, which is used by survey respondents to report data. Providing a single, manageable, and secure architecture for Bureau surveys to use in collecting information over the Internet, the cost per transaction in FY 2005 was \$2.44. The cost per transaction decreased significantly from \$6.13 in FY 2004, and surpassed the stretch target of \$3.32. The 2005 result will be lower than outyear targets because, due to periodic replacement cycles, fewer costs were incurred.

BLS met the timeliness indicator for all of its 108 scheduled releases. Additionally, BLS met the established accuracy target for all 17 of its statistical program measures.

To further integrate budget and performance, one of the President Management Agenda priorities, BLS will revise its FY 2006 performance goal framework to more closely link costs and results at the performance indicator level.

Teuila, a high school senior, has always liked animals and thought about becoming a veterinarian. Her guidance counselor at Kahuku High and Intermediate School, Mr. Matthew Mumma, suggested that she look up veterinarian in the *Occupational Outlook Handbook* (OOH) on the BLS Web site. The OOH describes the nature of the work, working conditions, training and education needed, earnings, and expected job prospects for seven out of every eight jobs found in the U.S. Upon learning about the number of advanced science courses involved, Teuila realized that her academic strengths laid elsewhere. She reviewed the requirements for a veterinary technician, but found that occupation may not provide the salary she desired. After further research, Teuila has decided to pursue a career in elementary education. Teuila cites the information found on the OOH Web site as being instrumental in helping her to make a good career choice. The OOH can be found on the BLS Web site at <http://www.bls.gov/oco/home.htm>.



### Management Issues

BLS is confident that the performance data collected and reported are complete, accurate, and reliable. BLS programs are evaluated both internally and externally to ensure that they provide taxpayer value. As required by OMB Statistical Policy Directive #3, the seven statistical series designated as Principal Federal Economic Indicators

are evaluated on a three-year schedule. In FY 2005, BLS completed performance evaluations for the Producer Price Indexes, Current Employment Statistics Survey, Real Earnings, Employment Cost Index, and Productivity and Costs.

During FY 2005, BLS responded to the Office of Inspector General (OIG) Federal Information Security Management Act Audit of the Consumer Price Index (CPI) System. Of the 18 security control areas evaluated, 17 areas were adequately established, implemented, and operating effectively in compliance with FISMA. The one area needing improvement was related to the CPI contingency planning control area, where BLS has since made progress by purchasing and placing the necessary equipment to support the plan in the recovery facility. Also, the CPI Continuity of Operation Plan testing under their current technical testing plan has been completed. The review is described in an OIG's report, *Federal Information Security Management Act Audit of the Consumer Price Index System* (Study 14 in Appendix 2). Additionally, the OIG is conducting a review of the Employment Cost Index, which will be completed in FY 2006. The OIG also plans to start a review of the Producer Price Indexes in FY 2006.

Using the Program Assessment Rating Tool in FY 2005, OMB rated BLS as Effective, the highest rating category. In its findings, OMB recommended that BLS maintain program-monitoring and operational successes; complete efforts to show aspects of program performance more clearly to the general user; and complete efficiency measures to cover more of the Bureau's programs. In response, BLS has improved the precision of some of our performance targets and revised measures to focus more on outcome. In FY 2006, BLS will continue to work collaboratively with the Department to explore ways to increase transparency of its performance goals and indicators.

## Strategic Goal 2: A Secure Workforce

### *Promote the Economic Security of Workers and Families*

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

Outcome goals 2.1 and 2.2 contain six performance goals, of which two were achieved, three were substantially achieved and one not achieved in FY 2005. The Department continued to improve worker protection and security, as measured by union compliance, employee benefit plan enforcement and administration of unemployment benefit and workers' compensation programs.

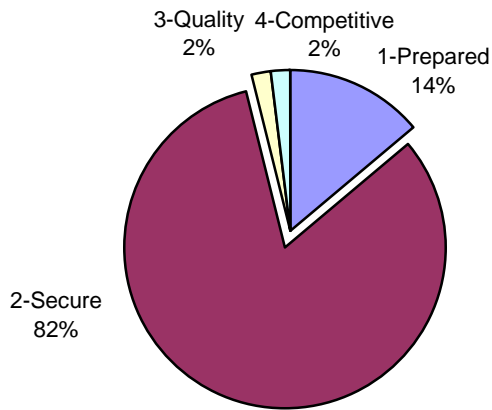
<b>Outcome Goal 2.1 – Increase Compliance With Worker Protection Laws</b> One performance goal achieved and one substantially achieved		<b>FY 2005 Costs (millions)</b>
ESA Wage and Hour Division (05-2.1A)	Goal achieved. Five targets reached.	\$214
ESA Office of Labor Management Standards (05-2.1B)	Goal substantially achieved. One target reached and one substantially reached.	63
<b>Outcome Goal 2.2 – Protect Worker Benefits</b> One performance goal achieved, two substantially achieved & one not achieved		
ETA Unemployment Insurance (05-2.2A)	Goal substantially achieved. Three targets reached, one not reached.	\$34,243
ESA Office of Worker Compensation Programs (05-2.2B)	Goal substantially achieved. Seven targets reached, one not reached.	6131
EBSA Pension and Health Benefit Security (05-2.2C)	Goal achieved. Four targets reached.	160
PBGC Pension Plan customer satisfaction (05-2.2D) <sup>19</sup>	Goal not achieved. One target reached and one not reached.	–

The following charts illustrate DOL's strategic goal net costs in FY 2005, with *A Secure Workforce* shares set apart. The first allocates total Departmental costs of \$49.912 billion; the second allocates an adjusted net cost of \$12.222 billion that excludes major non-discretionary items associated with this goal.<sup>20</sup> Net costs of this goal in FY 2004 (less Income Maintenance) were \$1.383 billion.

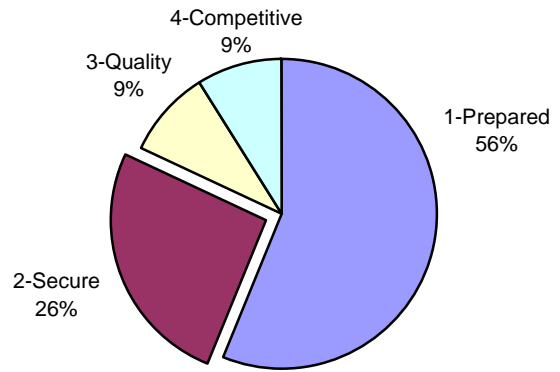
<sup>19</sup> Costs for this goal are not included because the corporation's financial statements are separate from those of the Department and are not included in this document.

<sup>20</sup> The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment (\$31.488 billion) plus disability benefit payments to individuals who suffered injury or illness on the job (\$5.936 billion).

**FY 2005 Strategic Goal 2 - \$40.811 billion  
Percent of Net Cost**



**FY 2005 Strategic Goal 2 - \$3.121 billion  
Percent of Net Cost excluding Income  
Maintenance**



The outcome goals and programs listed above, along with their results, costs, and future challenges are discussed in more detail on the following pages.

## Outcome Goal 2.1 – Increase Compliance with Worker Protection Laws

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

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<b>05-2.1A (ESA)</b> American workplaces legally employ and compensate workers.	Goal achieved. All five targets reached.	\$214
<b>05-2.1B (ESA)</b> Ensure union financial integrity, democracy and transparency.	Goal substantially achieved. One target reached, one substantially reached.	63

### Results Summary

WHD decreased the average number of days to conclude a violation complaint and increased compliance of FLSA prior violators. The DBA wage determination program improved wage determination processing efficiency but experienced a slip from the FY 2004 level of performance with respect to survey-based determinations. DOL did, however, reach its target of issuing 81 percent of survey-based determinations within 60 days. OLMS established a baseline efficiency of union dollars protected per staff day and the percentage of union reports meeting standards of acceptability increased to 94 percent. Better union public disclosure reports resulted from agency compliance assistance efforts and increasing use of electronic reporting formats.

The Wage and Hour Division’s PIECE Plan initiative in Kansas City (Protecting Immigrant Employees with Compliance and Education) provides immigrant workers who work as day laborers with information about their rights under Federal labor standards laws. A key component of this low-wage initiative is active community participation. One such organization is the Westside Community Action Network (CAN), a community policing and neighborhood organization that provides a drop-in center for day laborers. Each month, an investigator from the Wage and Hour Kansas City district office visits the Westside CAN to provide day laborers with basic information on wage and hour protections. Between 20 to 40 day laborers at each visit learn how to maintain records of the hours they work and how much they were paid. The workers also learn how to identify their employer so that appropriate remedies can be pursued when employers fail to pay. This initiative has resulted in over 30 investigations of construction companies, restaurants, and other low-wage industries. Back wages of over \$250,000 have been collected for 200 low-wage workers.

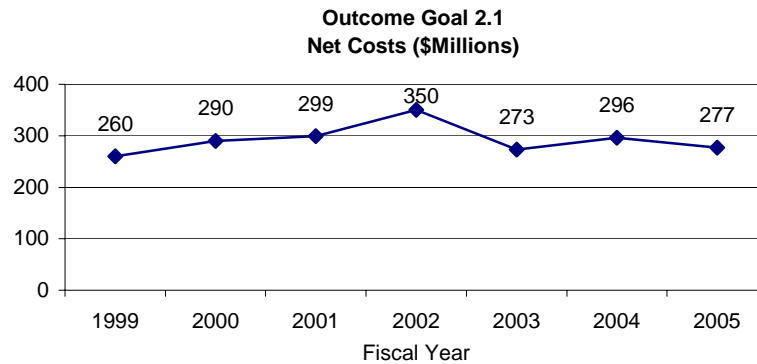


**Photo Credit: DOL ESA**



**Net Cost of Programs**

FY 2005 program costs of \$277 million supported ESA's WHD and OLMS programs. As indicated by the chart, net costs for these programs have been stable for the last few years. The drop from FY 2002 to FY 2003 occurred because the Employee Benefits Security Administration's performance goal was moved to Outcome Goal 2.2.



**Future Challenges**

For Wage and Hour programs, the global economy ensures rapid change in ways that make enforcement more difficult. Effective targeting of investigative resources requires close monitoring of growth patterns. Increased immigration means greater potential for violations because that population is most vulnerable. Finally, competitive pressures limit employers' ability to cover the costs of compliance because they have little influence on market prices. OLMS' continuing concern is securing timely filed reports for unions' public disclosure. To address this challenge, DOL supports amendment to the LMRDA to authorize civil monetary penalties for late filing.

## Protect Workers' Wages

### Performance Goal 05-2.1A (ESA) – FY 2005

*American workplaces legally employ and compensate workers.*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Average number of days to conclude a violation complaint.	189	187	<b>178</b>	<b>Y</b>
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation.	71%	72%	<b>72%</b>	<b>Y</b>
Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA and MSPA. (Garment manufacturing)	N/A	Establish baseline	<b>So. CA 54% NYC 76%</b>	<b>Y</b>
Number of wage determination data submission forms processed per 1000 hours	1491	1506	<b>1667</b>	<b>Y</b>
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data.	87%	81%	<b>84%</b>	<b>Y</b>
FY 2005 Costs				<b>\$214 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

#### Program Perspective

ESA's Wage and Hour Division (WHD) enforces laws establishing minimum standards for wages and working conditions. These include the minimum wage, overtime, youth employment provisions of the Fair Labor Standards Act; the Migrant and Seasonal Agricultural Worker Protection Act; and the Family and Medical Leave Act. WHD is also responsible for enforcing field sanitation standards in agriculture and the government contracts prevailing wage statutes, and administering the wage determination provisions of the Davis-Bacon Act and the McNamara-O'Hara Service Contract Act.

WHD's allocation of resources and performance indicators reflect the keys to ensuring worker protections – focusing on industries and employers with the most persistent and serious violations; resolving employee complaints expeditiously and effectively; and ensuring that established wage rates are accurate. By directing resources to compliance efforts in low-wage industries, such as agriculture, construction and garment manufacturing, WHD seeks to protect those low-wage workers most likely to be paid less than legally required or to be employed in unsafe, illegal situations. WHD's efforts in this regard have led to demonstrated successes over the years with increasing compliance rates in industries like health care, garment manufacturing and quick service restaurants. By reducing repeat violations, WHD can achieve lasting compliance on behalf of many employees. WHD ensures responsiveness by reducing the time it takes to resolve employee complaints and ensuring that the resolution of violations promotes future compliance. Timely and accurate prevailing wage determinations encourage efficiency and help ensure government contract workers receive the wages to which they are entitled.

A number of external factors influence WHD's program outcomes. As the supply of and demand for vulnerable immigrant workers increases, the potential for violations increases. Compliance levels in many low-wage industries are also heavily influenced by competitive pressures and by subcontracting arrangements in which smaller companies have little opportunity to influence market prices.

#### Analysis and Future Plans

WHD established a FY 2005 target to reduce the number of days to resolve a violation complaint and was successful in meeting that target. WHD will continue to follow streamlined procedures to ensure early contact with complainants and development of case facts to promote timely resolution of investigations.

In FY 2005, WHD completed its third statistically valid investigation-based compliance survey of prior FLSA violators finding 72 percent of prior violators in compliance. The results improve on the FY 2004 measure of 71 percent. WHD is seeing the impact of recently employed strategies such as investigation accountability standards, strategic use of penalties, and effective publicity.

WHD's traditional measurements of compliance in low-wage industries have been in garment manufacturing, health care and agriculture. In FY 2005, WHD saw the percent of New York City garment workers employed in compliance increase from 62 to 76 percent. In Southern California, the percent of garment workers employed in compliance fell from 63 to 54 percent. The balance of three strategies – compliance assistance; partnerships and collaborative efforts; and enforcement promote long-term compliance in these low-wage industries.

In FY 2006, WHD will undertake its first investigation-based compliance survey in a broad cross section of low-wage industries. The survey will provide WHD with a baseline measure of the percent of low-wage workers employed in compliance with the FLSA. Future performance targets and measures of improvements in the percent of low-wage employees employed in compliance will be determined from the survey results. The results will lead to strategies for addressing “off-the-clock” violations and will enhance WHD's Overtime Security Enforcement Task Force efforts. WHD continues to work on upgrades in information technology to see performance success in the wage determination program.

### **Management Issues**

Data used to report performance against goals are derived largely from the WHD Investigative Support and Reporting Database (WHISARD). A FY2004 independent analysis by the University of Tennessee found 90 percent or greater consistency between WHISARD data and case file information on 25 of 33 data elements used for performance reporting. Another source of performance data is Wage Hour's statistically valid and independently reviewed investigation-based compliance surveys. Wage determination measures are derived from Automated Survey Data and Wage Determination Generation Systems, manually and through the [www.dol.gov](http://www.dol.gov) Web site.

WHD is monitoring legislative proposals that would expand the use of compensatory time to the private sector and create a new temporary worker program. If successful, both will impact WHD's employee complaint and low-wage compliance goals.

WHD completed three program evaluations in FY 2005 focusing on the agency's budget and performance integration and its compliance assistance efforts. The first, *Findings from Employers Pocket Guide on Youth Employment: YouthRules! Telephone Survey*, conducted by the private research firm Westat (Study 15 in Appendix 2), found that while the publication was deemed useful by readers, it was not relevant to many of the employers in the census, as they do not employ young workers. In response, DOL is encouraging WHD field offices to target employers with young workers. A second evaluation, *The Fair Labor Standards Act: Executive, Administrative, and Professional Exemptions Seminar Evaluation*, also conducted by Westat (Study 16 in Appendix 2), found the seminar to be both informative and prompted attendees to perform additional research on overtime security laws. *Budget and Performance Integration Model Evaluation*, conducted by the private research firm ICF Consulting (Study 17 in Appendix 2), found that WHD is well on its way to successfully integrating budget and performance. The evaluation also recommended that the integration will improve upon further use of spreadsheet technology and all currently available data. WHD continues to evaluate performance measures in low-wage industries, focusing on developing models for common compliance strategies across low-wage industries. A second evaluation of the agency's compliance assistance web information is ongoing.

In 2003 a Program Assessment Rating Tool assessment of WHD's Davis Bacon wage determination program found it did not demonstrate results and recommended that WHD launch an external review; convene a work group to develop indicators and targets; modify the wage survey or outreach strategies; and work with stakeholders to identify appropriate regulatory, administrative, or statutory reforms. In response, WHD developed goals and specific numeric targets to ensure program performance improvements and contracted with a contractor to evaluate the Davis-Bacon wage determination process.

## Union Financial Integrity and Transparency

### Performance Goal 05-2.1B (ESA) – FY 2005

*Ensure union financial integrity, democracy, and transparency*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Union dollars protected per staff day	N/A	baseline	<b>\$136,617</b>	<b>Y</b>
Percent of union reports meeting OLMS standards of acceptability for public disclosure	92%	95%	<b>94%</b>	<b>S</b>
FY 2005 Costs				<b>\$63 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

**Goal Substantially Achieved**

#### Program Perspective

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

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

Enforcement of LMRDA union financial integrity protections is another critical OLMS responsibility. A primary performance objective is to reduce union fraud. Union audits and embezzlement investigations are key strategies aligned with that effort. OLMS dedicates more than 50 percent of appropriated resources annually to support a program of audits and criminal investigations to protect the millions of dollars in dues paid by labor union members. OLMS seeks efficiency and program impact in using audit resources to protect union financial integrity. Therefore, the goal to increase union receipts protected relative to staff resources expended on audits supplements the broader union financial integrity goal to reduce union fraud.

#### Analysis and Future Plans

##### *Union Financial Integrity*

OLMS met its target to establish an efficiency measure baseline. Union audits are an essential tool in discovering criminal, as well as civil, violations of the LMRDA, and OLMS is dedicating resources to support the conduct of an effective audit program. At the same time, OLMS seeks efficiency in the use of union audit resources. In FY 2005, OLMS established a baseline measurement of union receipts protected per staff day dedicated to union audits: \$136,617. In the future, OLMS will seek to increase the union receipts protected per staff day to ensure effective use of resources and program impact. OLMS also seeks to reduce the percentage of unions with indicators of fraud to 7.5 percent in FY 2006. A visible union audit presence and a strong criminal enforcement program are principal strategies in reducing union fraud. An audit study to re-measure the union fraud level is planned for FY 2006. For the study, an audit finding of a criminal LMRDA violation, predominantly union funds embezzlement, will count as an indicator of fraud.

##### *Union Transparency*

OLMS substantially reached its union transparency target. Union transparency is critical to promoting union democracy and financial integrity. Union reports meeting standards of acceptability increased to 94 percent in FY 2005. This resulted from the agency's continuing compliance assistance efforts and its increasing use of electronic reporting formats, which include error checks and report validation to help filers prepare complete and accurate

reports. In FY 2006, OLMS will seek to increase the compliance rate to 96 percent by continuing outreach and compliance assistance efforts. Increased use of electronic reporting formats is expected to continue.



OLMS routinely responds to telephone and written inquiries from union officers, employees, and members as well as the general public about the rights of unionized American workers. But OLMS also makes staff members available for in-person discussions. On May 17, 2005, the United Food and Commercial Workers Union (UFCW) Local 555 sponsored an informational meeting in Tigard, Oregon about compliance assistance. The program included presentations and discussions about OLMS and the LMRDA, union officer elections, financial recordkeeping, and locating compliance assistance publications on the OLMS Web site. Twenty-eight members from 13 local unions attended the sessions. The session demonstrated ESA's commitment to a dynamic compliance assistance program. OLMS will continue its outreach to help ensure basic standards of democracy and fiscal responsibility within American labor organizations. In this photo, UFCW member Sandy (left) discusses a compliance assistance handout with OLMS representative Daphne.

**Photo Credit: DOL ESA**

### Management Issues

Performance information for this goal is derived from two agency data systems. The Case Data System includes comprehensive information about OLMS investigations, audits, findings, and subsequent enforcement actions. The labor organization report system (e.LORS) includes information about the timeliness and sufficiency of union reports filed under the LMRDA.

To report performance against DOL's union financial integrity goal, OLMS measures indicators of union fraud. A baseline study in FY 2004 indicated a 9 percent incidence of fraud in unions. Although the level of fraud was not re-measured in FY 2005, annual performance targets are in place and measurement is again planned for FY 2006-2009. Maintaining effective union outreach, a visible audit presence, and a strong criminal enforcement program are essential to increasing union financial integrity. Timely, accurate union financial reports are also essential. The completeness and accuracy of union reports are markedly increasing as a result of compliance assistance efforts and the increasing use of electronic report formats. Additionally, beginning in September 2005 the largest reporting unions will begin to submit the required LMRDA annual financial report on the recently revised LM-2 report form. The new LM-2 form will significantly increase union transparency and promote union financial integrity and democracy. In spite of comprehensive program efforts, securing timely filed reports for public disclosure remains a continuing challenge. To address this challenge, DOL supports amending the LMRDA to authorize civil monetary penalties for late LMRDA filing.

## Outcome Goal 2.2 – Protect Worker Benefits

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

ETA temporarily replaces the wages of the unemployed through the Unemployment Insurance (UI) program, which provides grants to State-operated programs and manages the Unemployment Trust Fund. ETA ensures that States' programs are administered efficiently according to Federal standards and requirements, and manages the trust fund to provide a buffer to volatile cycles in tax revenues and benefit claims.

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

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

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

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<b>05-2.2A (ETA)</b> Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers.	Goal substantially achieved. Three targets reached, one substantially reached.	\$34,243
<b>05-2.2B (ESA)</b> Minimize the impact of work-related injuries.	Goal substantially achieved. Nine targets reached, one not reached.	6131
<b>05-2.2C (EBSA)</b> Enhance pension and health benefit security.	Goal achieved. All four targets reached.	160
<b>05-2.2D (PBGC)<sup>21</sup></b> Improve service to pension plan customers.	Goal not achieved. One target reached and one not reached.	–

### Results Summary

FY 2005 results were very good; 16 of 18 targets in this outcome goal were reached or substantially reached. Generally, measured results were close to targets, with a few exceptions:

- ESA/OWCP's Energy Program Part B Final Decisions processing timeliness was 96 percent vs. a target of 80 percent.
- EBSA's civil corrected to closed case ratio was 76 percent vs. a 66 percent target.
- EBSA received 10,325 applications for its Voluntary Compliance programs against a target of 8340.
- PBGC's customer service score for practitioner callers was 68, compared to a target of 72.

<sup>21</sup> PBGC is not included in the Consolidated Statement of Net Costs, hence the costs of its programs are not reflected here.



While the PBGC practitioner score is one point lower than in FY 2004 and four points below the target, it is worth noting that PBGC scored higher than other Federal agencies that collect payments. PBGC is considering whether to adjust the target in future years.



When Lera of Flatwoods, Kentucky, was presented a \$125,000 check in recognition of her husband’s contribution to our country’s security, she became the first recipient of compensation under the new Part E program of the Energy Employees Occupational Illness Compensation Program Act, which was amended in October 2004. The amendment pays compensation and medical benefits to Department of Energy contractor and subcontractor employees (or eligible survivors) who were harmed by exposure to toxic substances at certain Department of Energy facilities. Lera’s husband worked at the Paducah Gaseous Diffusion Plant between 1952 -77 and died in 1986 of a lung disease. His widow, Lera is among hundreds of beneficiaries who have been compensated under the new program, administered by OWCP. Kentucky Senator Jim Bunning presented Lera with her check in December 2004, accompanied by OWCP Cleveland District Director Annette Prindle, Lera’s son, James, his wife Kay and Sandra (left to right).

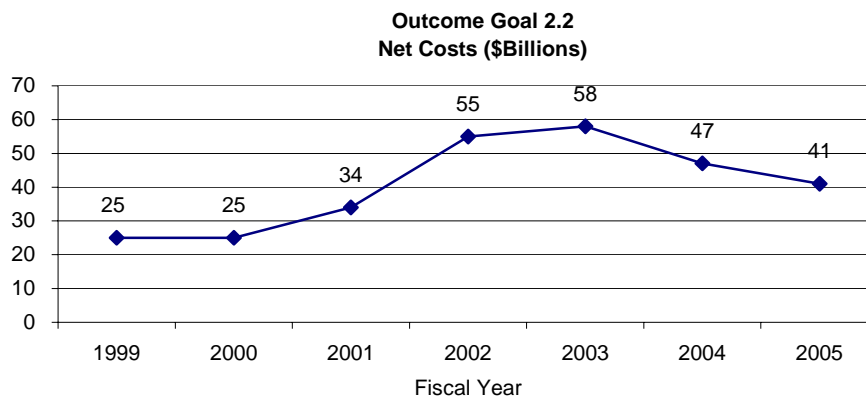
**Photo Credit: DOL ESA**

### Net Cost of Programs

FY 2005 program costs of \$40.534 billion supported ETA's unemployment insurance programs, ESA programs to reduce the consequences of work-related injuries and EBSA efforts to ensure that individuals receive promised benefits. PBGC is not included in the Consolidated Statement of Net Costs, hence the cost of its programs is not reflected here.

FY 2005 program costs decreased by approximately \$6 billion, or 13 percent, from FY 2004. Unemployment Insurance program costs, which account for \$34.243 billion (84 percent) of FY 2005 costs for this outcome goal, dropped due to a decrease in benefits paid – from \$41.424 billion in FY 2004 to an estimated \$31.761 billion in FY 2005. UI Program costs are largely driven by average weekly insured unemployment (AWIU) – the average number of people filing claims for continuing UI benefits each week. The AWIU figure decreased from 3.167 million in FY 2004 to an estimated 2.722 million in FY 2005.

Workers’ compensation costs, which account for most of the remaining costs of this goal (\$6.131 billion, or 15 percent), rose from FY 2004 because DOL assumed Part E of the Energy Employees Occupational Illness Compensation program from the Department of Energy in FY 2005. With this responsibility came a one-time increase in actuarial liability of \$3.5 billion.



### Future Challenges

To improve financial integrity of the (very large) UI system, DOL is concentrating resources on reduction of overpayments and reemployment of claimants via additional Reemployment and Eligibility Assessments (REA) grants to assess UI beneficiaries’ need for reemployment services and their continued eligibility for benefits, and to assure that beneficiaries understand that they must stop claiming benefits upon their return to work. ESA’s OWCP has just taken over Department of Energy contract employees’ claims processing; the agency is hiring staff and

creating systems and procedures to expedite assessment and payment of a backlog of 25,000 claims. PBGC is concerned about adequate funding of existing pension plans, and DOL included in the President's FY 2006 Budget to Congress a proposal to strengthen plan funding rules, improve transparency, and reform the premium structure for defined benefit plans.

## Pay Unemployment Insurance Claims Accurately and Promptly

### Performance Goal 05-2.2A (ETA) – FY 2005

*Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up unemployment tax accounts promptly for new employers.*

Indicators, Targets and Results	FY 2004 Result	FY 2005 Target	FY 2005 Result	Target Reached*
Percent of all intrastate first payments made within 21 days	88.7%	89.9%	<b>90%**</b>	<b>Y</b>
Percent of the amount of estimated detectable/recoverable overpayments that the States establish for recovery	57.4%	59.5%	<b>59%**</b>	<b>S</b>
Percent of new employer liability determinations made within 90 days of the end of the first quarter in which liability occurred	83.6%	82.4%	<b>83%**</b>	<b>Y</b>
Efficiency: Quality-weighted base initial claims per \$1,000 of inflation-adjusted base grant funds	N/A	8.55	<b>8.60**</b>	<b>Y</b>
<b>FY 2005 Costs</b>	<b>\$34,243 Million</b>			

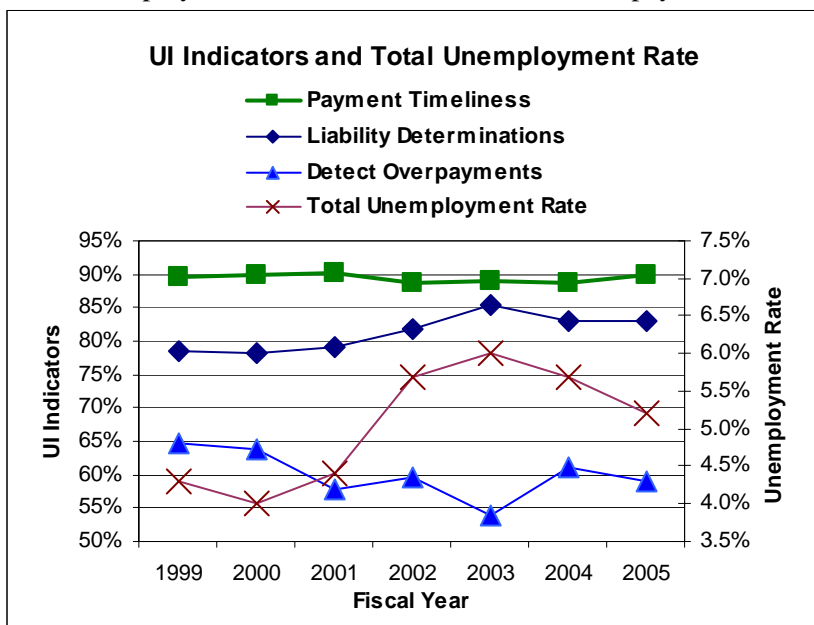
\*Indicator target reached (Y), substantially reached (S) or not reached (N)  
 \*\* Estimated.

**Goal Substantially Achieved**

### Program Perspective

The Federal-State Unemployment Insurance (UI) system ameliorates personal financial hardship due to unemployment by temporarily replacing part of lost wages. UI also stabilizes the economy during economic downturns. For both workers and employers, the program’s success depends upon: timely payment of benefits, prevention or prompt detection of erroneous payments, quickly establishing new employers’ tax accounts to ensure workers’ wages are reported and tax payments to fund benefits are made, and promoting and facilitating benefit recipients’ return to suitable work. States operate their own programs under State laws which must conform to Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, exercises performance oversight, and ensures that States meet requirements of Federal UI laws and regulations. Measuring efficiency and effectiveness of States’ administrative operations is an important aspect of program management.

Economic conditions and the resulting program workloads affect many aspects of UI performance. For example, when unemployment rises, more claims are filed; UI payment timeliness generally declines; and efficiency tends to decrease.



On the other hand, slower creation of new businesses reduces the number of new employer tax accounts, and the timeliness of tax liability determinations generally goes up. In addition, external factors such as natural disasters could have a negative affect on UI performance. Performance targets are based on the Administration’s current economic assumptions.

### Analysis and Future Plans

The UI system performed extremely well, aided by improving economic conditions. Over the year, the number of beneficiaries declined by about 10 percent to 7.9 million. States improved first payment timeliness to the targeted level, maintained new employer status determinations timeliness at above the

targeted level, and improved detection of overpayments. The effects of the Florida hurricanes in early FY 2004 are estimated to have reduced aggregate first payment timeliness by 0.2 percentage points.

DOL continues to improve UI payment integrity by providing funds for States to implement data exchanges with the Social Security Administration (SSA) to identify false and stolen numbers; access data from other State agencies to verify personally identifying information; and gain access to the National Directory of New Hires, an additional tool for swiftly detecting and preventing payments to claimants who have returned to work. For FY 2006, targets for all indicators will be raised. The UI Program continues to demonstrate improved efficiency as evidenced by the result exceeding the FY 2005 target. The Department promoted efficiency through competitive grants for automation and remote systems (e.g., telephone and Internet claims-taking). To date, lack of data has precluded measuring the extent that the UI system is meeting the goal of facilitating UI claimants' reemployment. In 2006, States will begin gathering data for a UI reemployment indicator and a performance target will be set.

Texas Workforce Commission (TWC) toughened work verification of its Unemployment Insurance (UI) claimants. Texas is a national leader in UI work search requirements, insisting on a minimum of three work search contacts per week. Since February 2004, TWC has required 1,000 randomly selected claimants per week to submit their work search logs for the commission's verification. UI-funded employees throughout the agency, including the TWC Executive Director, make weekly calls to employers to verify claimants' work search activity. In addition, TWC's Division of Program Integrity conducts investigations and provides local law enforcement agencies with information to prosecute fraudulent claims. TWC also works with the Texas Office of Attorney General comparing data from its New Hire Cross-match system to identify claimants who have returned to work. These initiatives have significantly reduced UI overpayments in Texas.

**Photo Credit: Larry Temple, Brooks Myers and James Johnson**



### Management Issues

The Office of Inspector General (OIG) expressed concern that the UI overpayment data collected by the Benefit Accuracy Measurement (BAM) unit reflected little improvement in the UI overpayment rates over the past several years. In FY 2004, the OIG listed reducing improper payments and improving the integrity and solvency of the UI program among DOL's top management challenges. In addition to funding identity theft prevention activities and New Hires crossmatches, the Department has promulgated a State-level detection of overpayments core measure with a performance criterion, giving States an added incentive to prevent and detect overpayments. One roadblock to the effectiveness of these tools is the lack of trained State staff to investigate all potential overpayments. The 2006 budget contains a legislative proposal – the Integrity Act – designed to give States the means to obtain funding for integrity activities, including staff, to enhance recovery and prevent overpayments.

To reduce overpayments and facilitate reemployment, DOL awarded Reemployment and Eligibility Assessments (REA) grants to 21 States during FY 2005. The grants have been used to conduct in-person claimant interviews in One-Stop Career Centers to assess UI beneficiaries' need for reemployment services and their continued eligibility for benefits, and to ensure that beneficiaries understand that they must stop claiming benefits upon their return to work. The FY 2006 budget request includes funding to continue this effort and to combat identity theft.

In recent years, UI trust fund solvency has been another major management challenge. Borrowing from the UI trust fund by States has declined since last year, and significant portions of previously borrowed amounts have been repaid. Due in part to improved economic conditions, most States' trust fund accounts had a positive cash flow over the last 12 months, and overall, the funds are more solvent than last year. DOL requested that the OIG review Internal Revenue Service administration charges because of past overcharges.

The Government Accountability Office (GAO) released *Better Data Needed to Assess Reemployment Services to Claimants* in June 2005 (Study 18 in Appendix 2). The report recommended that DOL collect more comprehensive information on reemployment services used by UI claimants and their outcomes. DOL will be collecting additional data that, combined with currently collected data, provide adequate information to guide policies promoting the reemployment of UI beneficiaries.

The GAO issued another report, *Unemployment Insurance Information on Benefit Receipt* (Study 19 in Appendix 2), in March 2005. GAO analyzed the data and information on UI benefits and UI recipients in the past two decades, but offered no recommendations.

The Program Assessment Rating Tool review of the UI program rated it Moderately Effective. Recommendations, which included simplifying performance measures, funding New Hire crossmatch and focusing resources on reemployment through REA's, have been implemented.

## Reduce the Consequences of Work-Related Injuries

**Performance Goal 05-2.2B (ESA) – FY 2005***Minimize impact of work-related injuries*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Lost production days rate (LPD per 100 employees) for Federal Employees' Compensation Act (FECA) cases of the United States Postal Service	147.2	148	<b>135</b>	<b>Y</b>
Lost production days rate (LPD per 100 employees) for FECA cases of All Other Government Agencies	61.9	61	<b>56</b>	<b>Y</b>
Produce compensation benefit savings in the FECA program through the use of Periodic Roll Management	\$24.4 million	\$17 million	<b>\$21 million</b>	<b>Y</b>
The rate of change in the indexed cost per case of FECA cases receiving medical treatment remains below the nationwide health care cost trend	+2.4% vs +8.8%	Trend +8.1%	<b>+2.8%</b>	<b>Y</b>
Targets for five communications performance areas	4 targets	3 targets	<b>3 targets</b>	<b>Y</b>
Average time required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	247	245	<b>254</b>	<b>N</b>
Average percent of Black Lung benefit claims for which, following an eligibility decision by the district director, there are no requests for further action pending one year after the claim is filed	82.2%	76.5%	<b>80.6%</b>	<b>Y</b>
Percent of initial claims for benefits in the Part B Energy Program processed within standard timeframes	92%	80%	<b>80%</b>	<b>Y</b>
Percent of Final Decisions in the Part B Energy Program processed within standard timeframes	99%	80%	<b>94.7%</b>	<b>Y</b>
Pay compensation benefits to 1200 claimants under Part E by the end of the Fiscal Year	N/A	1200	<b>1525</b>	<b>Y</b>
FY 2005 Costs			<b>\$6131 Million</b>	
*Indicator target reached (Y), substantially reached (S) or not reached (N)			<b>Goal Substantially Achieved</b>	

**Program Perspective**

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

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

The Office of Workers' Compensation Programs (OWCP) adjudicates claims; mediates disputes; makes benefit payments; helps with injury recovery and return to work; controls costs; and offers technical and customer services. Program results are influenced by how effectively resources are deployed to these activities. Ten indicators reflect the outcome objectives of OWCP's key mission strategies. Quality Case Management success in FECA is measured



as reductions in lost production days (LPD) rates. Communications goals seek to improve customer access to program information and raise service responsiveness and quality levels. Ensuring claims processing efficiency is central to the objectives of the EEOIC program. Effective mediation of disputes and improved decision quality are measured in the Black Lung and Longshore programs. Financial integrity of the FECA Compensation Fund is the objective of beneficiary roll reviews and medical benefit cost control.

OWCP program goals are impacted by several external factors. FECA and EEOIC are continually challenged by large numbers of cases. Economic and workplace trends change the nature of new injuries and job availability for workers ready to return to duty. For the Longshore program, the potential for greater security threats on American facilities and an increasing volume of War Hazard Act claims require additional planning and resource investment. Medical costs continue to push higher as technology expands and the use of medicines and treatment procedures increase. While business practices become increasingly automated and customer demands for information and assistance grow more sophisticated and accelerated, OWCP capabilities remain limited, and communications are costly.

**Analysis and Future Plans**

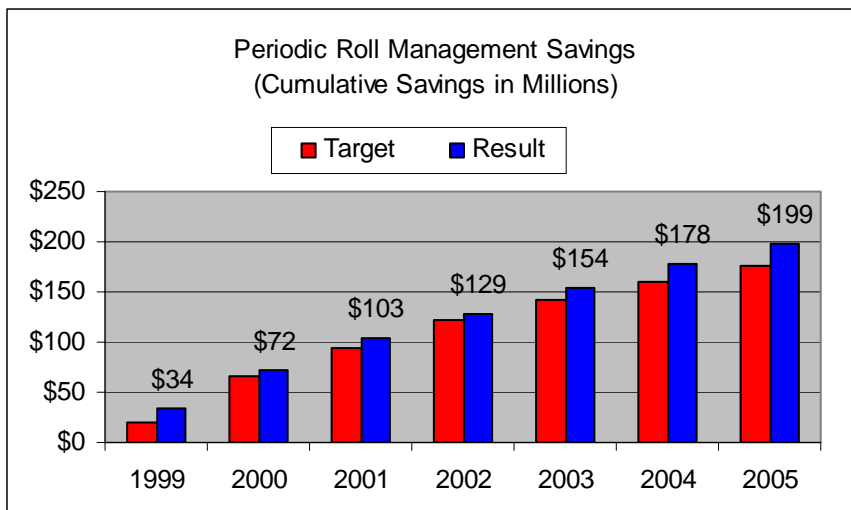
Fulfilling DOL’s commitment to injured workers is measured by the ten indicators. The results discussion is organized into three categories: Return-to-Work, Reducing Program Expenses and Customer Service.

*Returning Injured Employees to Work*

Return-to-work outcomes are expressed as reductions in average Lost Production Days. The FY 2005 results for the USPS and All Other Government LPD rates show significant reductions due primarily to fewer FECA wage-loss disability days paid this year. Overall new FECA cases created were down by nearly 8 percent, which is consistent with a reduction in wage-loss paid. However, the results may also reflect the implementation of FECA’s new automated claims system (beginning January 2005) that temporarily slowed receipt and processing of wage-loss claims and may have depressed the number of lost production days counted for these measures. A major strategy supporting DOL’s LPD goals continued to be Quality Case Management in the FECA program which has saved approximately \$50,000,000 in compensation costs annually. DOL also continued its leadership of the OWCP/OSHA Safety, Health and Return-to-Employment (SHARE) initiative, in its second of three years in FY 2005. Under SHARE, Federal agencies have set individual goals to reduce on-the-job injury rates, speed notification of injuries to DOL, and reduce lost production day rates. The initiative challenges DOL to assist the agencies in those efforts.

*Reducing Program Expenses*

DOL workers’ compensation outcomes can also be measured in financial terms, as these outcomes reflect the efficiency and quality of our benefit payment activities, the impact of case management and benefit services, and the utilization of administrative resources to produce those outcomes.



Periodic Roll Management (PRM) generates benefit cost savings through careful review of cases to determine if continued disability status is warranted, and to determine the reemployment potential of those currently receiving compensation. Through PRM, DOL has saved over \$1 billion since FY 1999, and DOL intends to continue this goal into the future. DOL reached its target by producing \$21 million in savings in FY 2005.

DOL also reached its target of keeping the inflation of Federal Employees’ Compensation Act (FECA) medical costs

below the national rate of health care inflation, as measured by the Milliman USA Health Cost Index. In the past year, the rate of increase in average FECA medical benefit payments rose by only 2.8 percent – well below the national average as reported by Milliman for this year and all recent years. This success results from several

administrative steps DOL has taken in recent years (centralized bill processing, strengthened review of treatment authorization requests, fee schedules and stronger automated edits and other controls). In the long term, the rate of growth in average FECA medical case costs has consistently remained below the growth rate in nationwide costs as measured by the Milliman USA, Health Cost Index. Against that index, FECA has saved nearly \$40 million annually in medical treatment costs since FY 2000.

#### *Customer Service*

OWCP met its Communications goal by reaching three of the five sub-targets, including increased use of electronic services, reducing average caller wait times, and meeting call handling quality standards. OWCP did not reach its target to reduce the time required to resolve disputed issues in Longshore and Harbor Workers' Program contested cases. Disputed issues were resolved, on average, in 254 days against a target of 245 days. There are several reasons for this. First, a higher proportion of disputed cases required referral to the Office of Administrative Law Judges for formal hearings, which increases overall processing time. Second, a correction of coding inconsistencies in some district offices resulted in a slight increase in the average days to resolve disputes at the district office level. In FY 2006, DOL will re-baseline this indicator, add two new disputed case categories (attorney fees and successive employer liability), and revise the target level, while continuing to emphasize swift resolution of Longshore case disputes.

OWCP reached its target to reduce requests for further action following Black Lung benefit eligibility decisions (for claims subject to revised regulations). Performance for this indicator was 80.6 percent, against a target 76.5 percent. The revised regulations for Black Lung benefit claims were designed to produce faster and fairer final benefit determinations without changing eligibility requirements. The result has been an increase in the number of stakeholders who accept the district director's initial decision and decide not to pursue the claim further. Out-year workload projections for the next ten years are also being reviewed in a program evaluation recommended during Black Lung's PART assessment. In addition, the Program is completing a two-year review of all Part B Claims; the first systematic review these claims have received since initial approval by Social Security Administration.

DOL reached its targets for processing timeliness in the Energy Part B program. This program processed 80 percent of initial claims and 94.7 percent of final decisions within standard time frames, against targets of 80 percent for both indicators. DOL also exceeded its target to make 1,200 payments under the new Part E program during FY 2005. In FY 2006, DOL plans to incorporate the processing of new Part E claims in the timeliness indicators and to add a new indicator to significantly reduce the unadjudicated inventory of claims transferred from the DOE under Part E.

Roxann's career as a correctional officer for a Colorado Federal prison came to a violent end in 1999 when she was attacked by an inmate. But her working life didn't end there. With the help of an Office of Worker Compensation Programs' rehabilitation counselor, regular contacts with a rehabilitation specialist and the oversight of a claims examiner, Roxann eventually earned an associate's degree in graphic design and a 3.9 grade point to go with it. She even won a competition sponsored by the Pueblo Colorado Housing Authority, which adopted her graphic design as its official logo. OWCP next helped Roxann identify potential employers and coached her on interview skills. Their teamwork paid off. Through an OWCP reemployment initiative which reimburses new employers 50 percent of rehabilitated workers' initial wages, Roxann found a place to hang her diploma at an area sign shop, where she continues working today.

**Photo Credit: Elsie Sandoval**



#### **Management Issues**

Performance data are extracted from OWCP's automated case management and benefit payment systems, internal managerial audits or other reviews. OWCP maintains strict oversight of data entry, with regular on-site review by district directors and periodic reviews that assess data quality. The OIG has identified the Black Lung Disability Trust

Fund indebtedness as a major management challenge for the Department, and DOL is seeking Congressional sponsorship of a legislative proposal to eliminate the debt. In addition, DOL has developed a legislative proposal which would build return-to-work incentives into the Federal Employees' Compensation Act.

OWCP and OSHA are in the second year of the SHARE initiative, directed at improving Federal agency performance in returning their injured employees to work. SHARE has generated intense interest among the agencies and their progress is being noted in SHARE reports.

In October 2004 Congress transferred benefit coverage to DOL from the Department of Energy for DOE contract employees who became ill from exposure to toxic substances. This component of the program is referred to as "Part E." DOL has moved quickly to hire new staff and process more than 25,000 DOE claims.

Participation with audits of the Department's Office of Inspector General and other outside auditing agencies is a significant activity for OWCP. These studies generally examine OWCP compliance with legal and administrative requirements; impact of new program mandates; management effectiveness; program performance and results; data integrity and systems compliance; legislative and Governmental administrative impacts; and comparison to and OWCP impact on other programs.

Two GAO audits were completed in FY 2005: *Limited Information is Available on the Number of Civilians Exposed in Vietnam and Their Workers' Compensation Claims*; and *Defense Base Act Insurance: Review Needed of Cost and Implementation Issues* (see Studies 20 and 21 in Appendix 2).

The FECA and Black Lung Programs have received PART ratings of Moderately Effective and both continue to implement PART recommendations.

Provide for Secure Pension and Health Plans

**Performance Goal 05-2.2C(EBSA) – FY 2005**

*Enhance Pension and Health Benefit Security*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Ratio of closed civil cases with corrected violations to civil cases closed	69%	66%	<b>76%</b>	<b>Y</b>
Ratio of criminal cases referred for prosecution to total criminal cases	45%	37.7%	<b>45%</b>	<b>Y</b>
Customer Satisfaction Index for participants and beneficiaries who have contacted EBSA for assistance	62	63	<b>67</b>	<b>Y</b>
Voluntary Compliance Programs (Applications)	NA	8,340	<b>14,082</b>	<b>Y</b>
FY 2005 Costs				<b>\$160 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

**Program Perspective**

EBSA is responsible for enforcing the Employee Retirement Income Security Act (ERISA), and the main challenge is to maintain trust and confidence in the employee benefits system. By achieving successful civil and criminal case closure and referral rates, DOL shows its success in targeting wrongdoers. DOL also combines an aggressive outreach and education program with a highly motivated and trained staff of customer assistance experts in the field of pension and health laws. By directly assisting plan participants and beneficiaries in understanding their rights and protecting their benefits, we help workers monitor their own benefit rights.

EBSA oversees benefit security for nearly seven million plans, 150 million participants and beneficiaries, and in excess of \$4.5 trillion in assets with a relatively modest budget of \$131 million dollars and approximately 880 FTE to achieve its performance goal of enhancing pension and health benefit security. Externalities, such as the economy and tax policy, have a significant impact on whether employers opt to offer benefits, and whether employees choose to participate and to what extent.

---

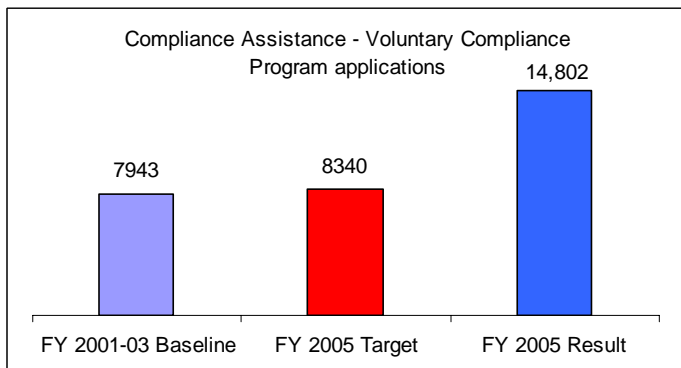
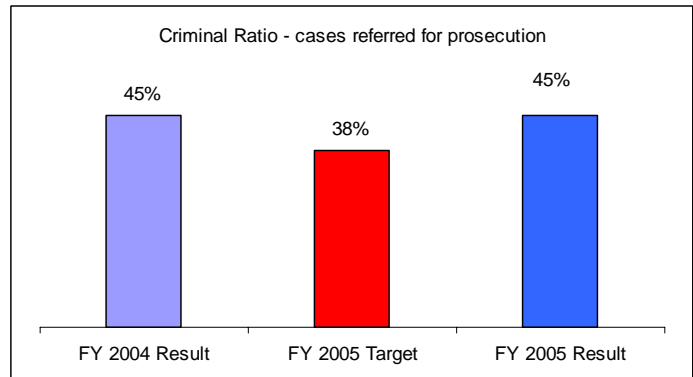
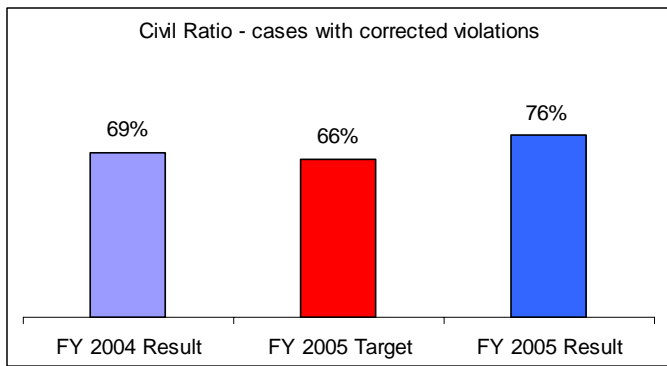
An Edison, New Jersey company filed for bankruptcy protection and terminated approximately 950 employees. As a result, the company began liquidating its assets. However, after months of waiting, the workers never received their 401(k) plan distributions. The Department investigated a complaint and the company admitted it had not distributed the benefits. After the Department’s intervention, the company began distributing benefits which ultimately totaled in excess of \$3.7 million.

---

**Analysis and Future Plans**

DOL achieved its goal to Enhance Pension and Health Benefit Security. In addition to meeting its criminal case, civil case, customer service and voluntary compliance targets, DOL obtained monetary results of over \$1.6 billion – the second highest in agency history. Monetary results are a product of EBSA’s investigative and participant assistance activities. DOL investigated a number of high profile, resource intensive cases with far reaching effects on the participant benefits community. Benefit Advisors responded to over 99 percent of all written inquiries within 30 days of receipt and responded to over 99 percent of telephone inquiries by the close of the next business day.





In addition to long-term targets for civil and criminal ratios, we have added annual targets to reflect success with respect to national enforcement initiatives, which may change from year-to-year based on strategic priorities. EBSA worked with The Gallup Organization (Gallup) to refine the long-term target for their customer service satisfaction index consistent with other industry standards and experience. EBSA also added an internal compliance assistance measure that will demonstrate success in voluntary compliance programs such as the Voluntary Fiduciary Correction Program and their Delinquent Filer Voluntary Compliance Program.

Over a four-year period, an employee of an Atlanta-area investment adviser, entrusted with safeguarding the investment and management of employee benefit plans, is alleged to have stolen in excess of \$5.4 million from numerous employee benefit plans. The stolen funds were allegedly used to take personal vacations, acquire vacation real estate, and to purchase extensive collections of wine, art, jewelry and other expensive home furnishings. To conceal her alleged theft, she occasionally used assets stolen from one plan to temporarily fund another plan and then prepared and distributed false account information to plan trustees and participants. As a result of an EBSA investigation, the employee was indicted with various wire fraud, theft, money laundering and embezzlement charges.

**Management Issues**

EBSA’s Enforcement Management System (EMS) provides the data used to measure the enforcement ratios. EMS and EBSA continually receive high marks for data integrity and quality. EBSA’s quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance reviews on randomly selected closed cases. In the participant assistance area, Gallup performed the evaluation and provided the customer satisfaction score. The voluntary correction program data is maintained in the EMS and the Delinquent Filer Voluntary Compliance tracking system.

EBSA has acted on recommendations from its PART assessments in FY 2004 and FY 2005 by conducting evaluations and regulatory reviews. DOL contracted with Gallup to evaluate EBSA’s participant assistance program (Study 22 in Appendix 2). EBSA was provided detailed performance information that helped improve their customer satisfaction score. In addition, with Gallup’s assistance, EBSA conducted targeted training to address employee weaknesses and share best practices. Finally, field offices developed plans to continue improving their customer satisfaction scores. In FY 2006, Gallup will perform a follow-up study of EBSA’s participant assistance program. As noted in Appendix 2, GAO published a report in June 2005, *Government Actions Could Improve the Timeliness and Content of Form 5500 Pension Information* (Study 24 in Appendix 2). EBSA and PBGC are working with IRS to collect pension plan information more efficiently through electronic filing. EBSA has established a regulatory review program that sets forth a process for identifying initiatives for review; provides for cost and benefit evaluation of identified regulations and exemptions; and explores modifying or eliminating those rules for which costs and administrative burdens outweigh benefits. In *EBSA Should Mandate Electronic Filing Of the Form 5500 to Improve Data Accuracy* (Study 23 in Appendix 2), the Office of Inspector General (OIG) recommends that mandating electronic filing will improve the collection of employee benefit plan information. EBSA concurs with OIG’s recommendation and has issued a Notice of Proposed Regulation in the Federal Register to require electronic filing.

## Provide Timely and Responsive Services to Customers

### Performance Goal 05-2.2D (PBGC) – FY 2005

*Improve service to pension plan customers.*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Customer Satisfaction score for practitioner callers	69	72	<b>68</b>	<b>N</b>
Customer Satisfaction score for responding to trustee plan participants' inquiries	78	78	<b>79</b>	<b>Y</b>
FY 2005 Costs <sup>22</sup>			–	

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

**Goal Not Achieved**

#### Program Perspective

The Secretary of Labor chairs the Pension Benefit Guaranty Corporation's Board of Directors, and PBGC protects the retirement incomes of 44.4 million American workers in 31,200 defined benefit pension plans. As insurer, PBGC monitors the financial health of defined benefit plans, minimizing risk of loss to the insurance program, to pension plans and to participants. When underfunded plans terminate, PBGC must trustee them and assume responsibility for paying benefits. PBGC is currently monitoring some 4,152 active plans with underfunding approaching \$74.3 billion.

PBGC is now the trustee of nearly 3,500 defined benefit plans that have failed since 1974, and provides timely and uninterrupted payment of pension benefits to over 600,000 participants. In 2005, PBGC assumed responsibility for an additional 270,000 plan participants, increasing the total number of participants for which PBGC is responsible for current and future pension benefits to over 1.5 million. A large influx of customers with service demands puts a strain on their ability to handle the workload and improve service. Providing exceptional service is an important part of PBGC's mission.

PBGC's efforts are measured by the American Customer Satisfaction Index (ACSI), from which PBGC receives useful information about its customers' expectations and needs. PBGC improves processes and adjusts performance targets to achieve or exceed benchmark results and meet growing customer expectations.

As a customer-focused agency, PBGC allocates resources to provide exceptional service to customers and stakeholders. Approximately seventy-eight percent of funds are allocated to serving participants, while twenty-two percent are used to provide services to plan sponsors and pension practitioners. PBGC chose the practitioner and participant performance indicators to help identify areas for improving quality of service provided to customers. To assess its effectiveness, PBGC uses the ACSI survey methodology, which provides comparisons to both private businesses and the federal government.

#### Analysis and Future Plans

##### *Practitioner Performance Indicator*

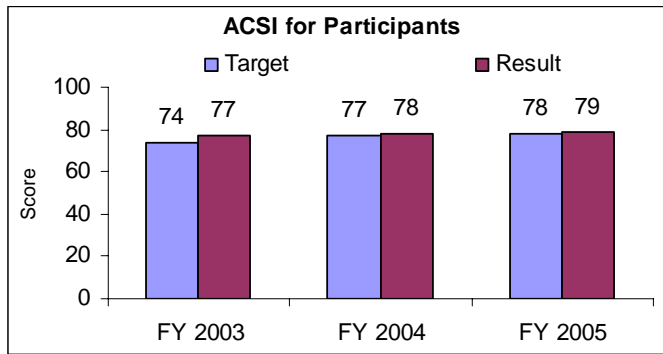
PBGC did not achieve the target for practitioner callers. PBGC has made substantial improvements in services to this customer group that should be reflected in higher customer service figures. For example, PBGC now offers online filing of premium payments through its self-service system called My Plan Administration Account (My PAA), which enables improved data accuracy and easier filing preparation. In addition, practitioners can now file financial information electronically through PBGC's e-4010 application. PBGC has also released a redesigned Web site in 2005, [www.pbgc.gov](http://www.pbgc.gov), which significantly improved site navigation enabling pension practitioners and the media to quickly find information and guidance. While the overall rating for practitioners dropped one point to 68, it remains higher than other Federal agencies with similar financial collection responsibilities. Notable customer service improvements include increased scores in both ease of reaching the right person and making premium

<sup>22</sup> PBGC is not included in the Consolidated Statement of Net Costs, hence the costs of its programs are not reflected here.



refunds timely and accurate. PBGC continues to examine ways to improve customer service and increase efficiency. Efforts are already underway to overhaul the premium accounting system, further empowering customers to interact electronically with the PBGC.

*Participant Performance Indicator*



PBGC achieved an ACSI score of 79 for participants in trustee plans, exceeding the target of 78. This is one point higher than its 2004 score of 78 and seven points higher than the 2004 national ACSI of 72 for the Federal government. By using the ACSI, PBGC can identify the service elements that have a greater impact on customer satisfaction. For example, PBGC experienced a significant increase in *accuracy of resolution* in 2005 over the previous three years, due to a continued focus on resolving customers' concerns quickly and accurately.

In 2005, PBGC expanded online business transactions for participants. In addition to making address changes and requesting electronic funds deposit, participants who access their benefit accounts electronically through the Web-based My Pension Benefit Account (My PBA) can now apply for benefits, designate a beneficiary and submit a request for a benefit estimate.

**Management Issues**

PBGC achieved a score of 79 and was evaluated as Moderately Effective through the PART. To respond to PART recommendations, PBGC doubled its efforts to work closely with DOL, Treasury and other executive branch agencies to develop a comprehensive pension reform proposal. The proposal focuses on strengthening plan funding rules, improving transparency, and reforming the premium structure for defined benefit plans. Pension reform was included in the President's FY 2006 Budget to Congress. As noted in Appendix 2, GAO published a report in June 2005, *Government Actions Could Improve the Timeliness and Content of Form 5500 Pension Information* (Study 24 in Appendix 2). PBGC and EBSA are working with IRS to collect pension plan information more efficiently through electronic filing.

In 2005, PBGC restructured its organization to focus more on managing risks and minimizing losses for the insurance program. Newly created offices will increase PBGC's effectiveness in identifying troubled plans and assisting their sponsors in complying with funding requirements. A steady workload increase resulting from newly terminated plans with large numbers of participants continues to present PBGC with challenges. Despite that, providing exceptional service to customers remains a key goal at PBGC. Constant upgrades to technology will enable PBGC to provide better and faster service to participants. For example, PBGC began implementing a customer relationship management system to track customer interactions from the telephone, e-mail, fax, incoming and outgoing correspondence, and Web-based transactions. All these efforts are expected to yield positive results over the next cycles of improvement and evaluation.

## Strategic Goal 3: Quality Workplaces

### *Foster Quality Workplaces that are Safe, Healthy and Fair*

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

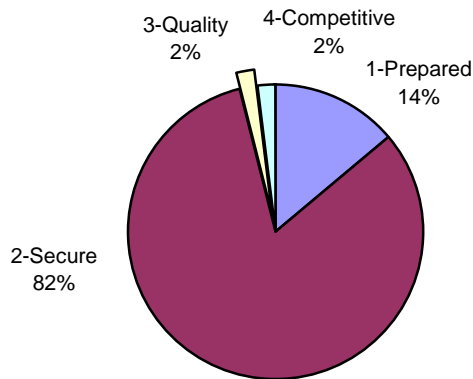
The Department's performance in achieving *Quality Workplaces* is determined by accomplishments organized at the outcome goal level and measured at the performance goal level. Three broad objectives – Outcome Goals 3.1, 3.2 and 3.3 – support Strategic Goal 3, and they contain six performance goals (see table below). In FY 2005, the Department achieved two of these goals, substantially achieved one and did not achieve three. Results, though clearly not meeting expectations in all cases, were more positive than negative. Fatalities occurred slightly more frequently than in the prior year, but overall injury and illness incidence rates continued to fall. For the fourth straight year, based on preliminary data, the United States mining industry set its best safety record since such statistics were first compiled in 1910. MSHA did not meet its target to establish three additional mining safety and health measures – two for noise exposure and one for silica exposure. These baselines will be established in December 2005, using FY 2005 data. Illegal discrimination by contractors remained very rare, and veterans' cases were resolved timely despite increased volume and complexity of complaints due to reserve mobilizations connected with the war in Iraq. DOL-funded international labor programs continued to demonstrate success by, for example, removing thousands of children from exploitation and improving work conditions for the vast majority of those targeted for assistance.

<b>Outcome Goal 3.1 – Reduce Workplace Injuries, Illnesses, and Fatalities</b> Two performance goals not achieved		<b>FY 2005 Costs</b> <b>(millions)</b>
OSHA/MSHA fatality reduction (05-3.1A)	Goal not achieved. MSHA target reached and OSHA target not reached.	\$823
OSHA/MSHA injury and illness reduction (05-3.1B)	Goal not achieved. OSHA target reached and five MSHA targets not reached.	115
<b>Outcome Goal 3.2 – Foster Equal Opportunity Workplaces</b> One performance goal achieved & one not achieved		
ESA Federal contractors' compliance with equal opportunity laws (05-3.2A)	Goal achieved. Two targets reached.	\$99
VETS reduce service members' reemployment issues (05-3.2B)	Goal not achieved. One target reached and two not reached.	16
<b>Outcome Goal 3.3 – Reduce Exploitation of Child Labor, Protect the Basic Rights of Workers, and Strengthen Labor Markets</b> One performance goal achieved & one substantially achieved		
ILAB eliminate worst forms of child labor internationally (05-3.3A)	Goal substantially achieved. Four targets reached, one not reached.	\$74
ILAB improve work conditions internationally (05-3.3B)	Goal achieved. Five targets reached.	43
Other (other ILAB programs)		7

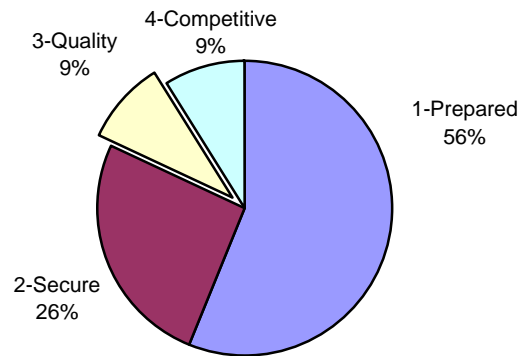
The following charts illustrate DOL's strategic goal net costs in FY 2005, with *Quality Workplaces* shares set apart. The first allocates total Departmental costs of \$49.912 billion; the second allocates an adjusted net cost of \$12.222

billion that excludes major non-discretionary items associated with Strategic Goal 2.<sup>23</sup> Net costs of this goal in FY 2004 were \$1.021 billion.

**FY 2005 Strategic Goal 3 - \$1.062 billion**  
**Percent of Net Costs**



**FY 2005 Strategic Goal 3**  
**Percent of Net Cost excluding Income Maintenance**



The outcome goals and programs listed above, along with their results, costs, and future challenges are discussed in more detail on the following pages.

<sup>23</sup> The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment (\$31.488 billion) plus disability benefit payments to individuals who suffered injury or illness on the job (\$5.936 billion).

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

The Department's two occupational safety and health agencies – the Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA) – are doing more than ever to create opportunities for employers to work with them in partnerships and other cooperative relationships. In these innovative relationships, the Department is helping more workplaces become safer and more productive.

For example, OSHA's Strategic Partnership Program, OSHA and its partners agree to work cooperatively to address critical safety and health issues. This innovative approach is proving to be an effective tool for reducing fatalities, injuries, and illnesses in the workplace. Working together, OSHA, employers, and employees identify the most crucial safety and health problems to address and craft a Partnership agreement that may be national, regional or local in scope. Partners agree upon individual responsibilities, identify strategies, and establish goals and performance measures to verify results. Other interested parties, including unions, trade associations, local/state governments, OSHA's free on-site consultation projects, and insurance companies, are often brought into a Partnership to contribute expertise and resources. The Partnership program, like all of OSHA's cooperative programs, makes efficient use of taxpayer dollars by leveraging non-OSHA resources to accomplish tasks such as training employees, mentoring, creating compliance materials and developing site-appropriate safety and health management systems.

MSHA also has achieved success through developing strategic partnerships with unions, associations, and State governments. These partnerships foster the sharing of expertise and best practices between MSHA, States, safety professionals, and mine operators. In addition MSHA works cooperatively with the mining industry, labor, and the States to *encourage innovation*. For example, MSHA is working to prevent hearing loss by working collaboratively with the National Institute for Occupational Safety and Health and the Coal Noise Partnership. Together, they are developing noise control solutions for the coal mining industry's most pervasive noise problems and promoting the identification and investigation of promising noise control technologies. MSHA is also developing mechanisms and opportunities to promote innovations in noise control engineering and distributing outreach materials to transfer knowledge to mine operations experiencing noise compliance challenges.

The performance goals related to this outcome goal directly measure reductions in workplace injuries, illnesses and fatalities, across general industries and specifically within mining.

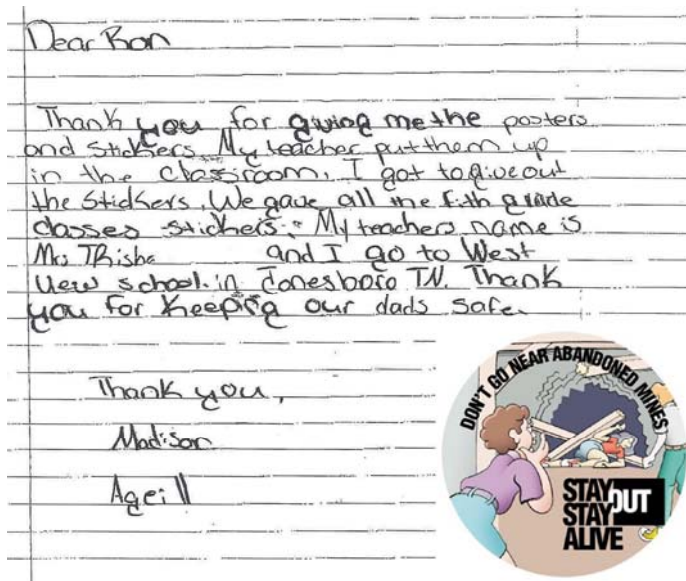
Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<b>05-3.1A (OSHA/MSHA)</b> Reduce work-related fatalities.	Goal not achieved. MSHA target reached and OSHA target not reached.	\$823 <sup>24</sup>
<b>05-3.1B (OSHA/MSHA)</b> Reduce work-related injuries and illnesses.	Goal not achieved. OSHA target reached and five MSHA targets not reached.	

### Results Summary

In FY 2005, for industry sectors covered by the Occupational Safety and Health Act, the three-year workplace fatality average rate rose slightly to 1.71 per 100,000 employees, missing the target rate of 1.52. Preliminary third quarter FY 2005 data indicate that the mine industry fatality incidence rate injuries also rose slightly – to .018 incidents per 200,000 work hours. This rate was lower, however, than the target of .0215. Occupational injury and illness rates fell again this year, to an estimated 1.5 days away from work per 100 workers against a target of 1.7. The preliminary FY 2005 data for the mining industry all-injury rate of 3.82 per 200,000, though a record and lower than in FY 2004, did not reach the FY 2005 target of 3.48. Coal mine health as measured by exposure of miners to coal dust reversed a positive three-year trend with a slight increase in non-compliant samples, missing the targeted reduction by 10.1 percent. MSHA did not meet its target to establish three additional mining safety and health indicators, which measure exposure to silica dust and noise. These baselines will be established using FY 2005 data and will be incorporated into the President's FY 2007 budget.

<sup>24</sup> As the same activities contribute to reductions in both injuries and fatalities, costs are not separable between the fatality reduction performance goal (3.1A) and the injury/illness reduction performance goal (3.1B).

Both agencies employ strategies that aim to reduce all injuries and illnesses, especially those that are life-threatening, and focus compliance assistance and enforcement efforts on the most hazardous industries and practices. OSHA credits its success in reducing injury and illness rates in part to its Voluntary Protection Programs – joint efforts of OSHA, employers and employees – and to Site-Specific Targeting, a key enforcement strategy that identifies individual employers with the highest injury and illness rates. MSHA has made significant contributions toward continued reduction of mine industry injuries and fatalities by implementing strategies that alter employer and worker behaviors to create safer, healthier work conditions.

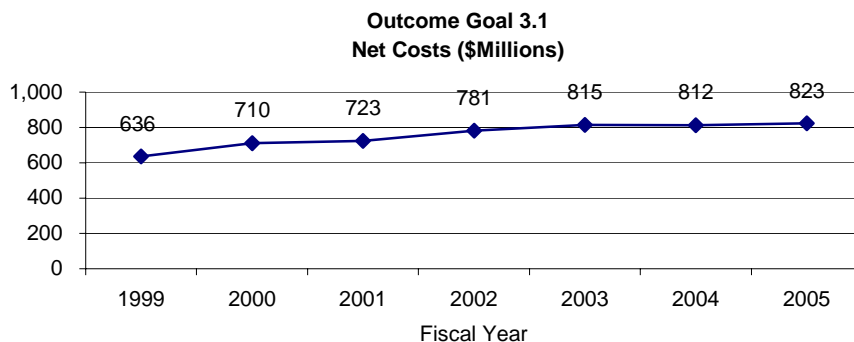


"Stay Out-Stay Alive" (SOSA) is a national public awareness campaign aimed at warning children and adults about the dangers of exploring and playing on active and abandoned mine sites. Every year, dozens of people are injured or killed in recreational accidents on mine property. MSHA launched SOSA in 1999 to educate the public about the existing hazards. MSHA's Mine Safety & Health Inspector, from Metal and Nonmetal's Southeastern District conducted a SOSA meeting at a Jonesboro, Tennessee elementary school in April 2005. The elementary school is located approximately eight miles from mining operations. MSHA handouts such as stickers, posters and other reading material were distributed to the approximately 150 students. Students were instructed not to play, swim, or ride four-wheelers on abandoned or active mine sites. Madison, an eleven-year-old fifth grade student sent a letter to the MSHA inspector, thanking him for keeping dads safe. Madison's father and grandfather are superintendents at two of the mines in Tennessee.

**Photo credit: Donald Starr**

**Net Cost of Programs**

FY 2005 program costs of \$823 million, which supported OSHA and MSHA programs to reduce worker fatalities, injuries, and illnesses, is 1.4 percent higher than FY 2004 costs of \$812 million. Cost containment efforts, including operating and administrative efficiencies, have kept safety and health compliance assistance and enforcement costs relatively flat for the last couple of years.



**Future Challenges**

OSHA and MSHA continue to face challenges in establishing performance measurement systems. This major management challenge is covered in the management discussion and analysis section of this report.

OSHA, in response to the Program Assessment Rating Tool review in FY 2002, continues to review its regulatory process in an attempt to make it as efficient as possible. Also, OSHA is exploring tools that will enable rapid response and more accurate targeting of investigation and enforcement activities.

For FY 2006, MSHA's initiatives, programs and strategies will continue to focus on prevention. The general challenge for mine safety is that coal production and perhaps mining of aggregates will continue to grow and lead to an increased number of inexperienced operators and miners who will need assistance understanding and learning how to mitigate safety and health risks.



## Reduce Occupational Fatalities

### Performance Goal 05-3.1A (OSHA/MSHA) – FY 2005

*Reduce work-related fatalities*

Indicators, Targets and Results	FY 2004 Result	FY 2005 Target	FY 2005 Result	Target Reached*
Rate of workplace fatalities (for sectors covered by the Occupational Safety and Health Act) <sup>1</sup> (OSHA)	1.67	1.52	1.71**	N
Mine industry fatal injury incidence rate (MSHA)	.017	.0215	.018**	Y
FY 2005 Costs <sup>2</sup>				<b>\$823 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\*Estimated

**Goal Not Achieved**

#### Program Perspective

The Department’s mission to assure the safety and health of the Nation’s workers and miners is carried out by OSHA and MSHA. OSHA and MSHA track fatality rates because the incidence of fatalities relative to the number of workers exposed is more meaningful than the numbers of fatalities alone. OSHA tracks the rate of fatalities per 100,000 workers. MSHA uses the fatal incidence rate (number of mining fatalities per 200,000 hours worked) to measure its impact on mine fatalities.

The nature of the work environment is continually changing as our nation’s thriving economy creates demand for workers in new sectors of the economy. A booming construction sector and expanding use of cell phones and High Definition Television (HDTV) and wireless communications are trends that influence the potential for fatal workplace falls. With increased demand for coal and aggregates, new mines are being opened and existing ones expanded. Mines continue to be inherently hazardous workplaces. Unseen geologic instabilities, constantly changing terrain, and the prevalence of large and complex haulage and mining equipment are only a few of the factors that make maintaining mine safety challenging.

The oil and gas industry employs hundreds of thousands of people in the U.S. and is a vital component of the national and global economy. However, there were sixty nine fatalities and hundreds of injuries in the industry in 2004. Recognizing the potential for catastrophic accidents, OSHA has designated oil and gas field services as a target area of emphasis in its Strategic Plan. The Agency is working to provide employers and oil and gas workers with information and assistance in complying with OSHA and industry standards while staying as safe as possible. An OSHA eTool identifies common hazards and possible solutions in oil and gas field services, enabling employers and employees to reduce incidents that could lead to fatalities. Regions have initiated local emphasis programs for the industry, a two-pronged approach consisting of outreach and inspection. OSHA also has united in an Alliance with the American Petroleum Institute and the National Fire Protection Association to provide workers in the industry with training, knowledge and guidance.



OSHA’s and MSHA’s resource outlays correlate with their missions and they adjust strategies and emphases as the circumstances change. OSHA contributes to reducing on-the-job deaths by intervening at workplaces where it has evidence that fatalities are most likely to occur and by responding to reports of potentially life-threatening workplace hazards. MSHA’s enabling legislation requires that the agency inspect underground mines four times per year and surface mines two times a year. Both OSHA and MSHA

<sup>1</sup> For this goal the baseline is the average fatality rate for July 1999 – June 2002 (July 1999-June 2000, July 2000–June 2001, and July 2001–June 2002, respectively) and the result is the average fatality rate for 2003-2005 (July 2002– June 2003, July 2003– June 2004, July 2004– June 2005, respectively).

<sup>2</sup> As the same activities contribute to reductions in both injuries and fatalities, costs are not separable between the fatality reduction performance goal (3.1A) and the injury/illness reduction performance goal (3.1B).



analyze fatalities to identify emerging fatality patterns and to determine where best to conduct interventions. Even though fatality rates have been declining over the long term, we must drive them even lower. OSHA's and MSHA's aggressive long-term targeted fatality rate reductions reflect their commitment to send workers and miners home healthy and safe every day.

### Analysis and Future Plans

DOL did not meet its combined OSHA and MSHA fatality reduction goal, as the reduction in workplace fatalities rate target was not reached. While MSHA significantly exceeded its performance target, OSHA did not achieve its targeted rate of workplace fatality reduction. DOL uniformly maintains that even one workplace fatality is one too many. Even though fatal injury rates remain historically low, DOL is concerned that 2004 data show a small increase in workplace fatality rates. OSHA will continue to take every step necessary to ensure the safety of workers.

Refinements to fatality data collection methods are ongoing. DOL conducts quarterly reviews of performance against its strategic goals and remains committed to reducing fatalities through strong and fair enforcement, the provision of outreach, education and compliance assistance, and the promotion of cooperative programs.

The table below shows annual deaths, employment, and fatality rates for the construction industry and for all private industry covered by OSHA, and illustrate use of a three-year moving average of fatality rates to smooth year-to-year fluctuations.

Estimating Year (July-June)	Construction Fatalities	Construction Employment (thousands)	Construction Fatality Rates	Total Fatalities	Total Employment (thousands)	Total Fatality Rates
2000	736	6704	10.98	1729	109,989	1.57
2001	749	6823	10.98	1846	111,368	1.66
2002	744	6774	10.98	1773	109,524	1.62
2003	741	6692	11.07	1827	108,519	1.68
2004	784	6809	11.51	1849	108,786	1.70
2005	808	7100	11.38	1940	110,874	1.75
<b>2000-2002 BASELINE</b>	<b>743</b>	<b>6767</b>	<b>10.98</b>	<b>1783</b>	<b>110,294</b>	<b>1.62</b>
<b>2002-2004 AVERAGE</b>	<b>756</b>	<b>6758</b>	<b>11.19</b>	<b>1816</b>	<b>108,943</b>	<b>1.67</b>
<b>2003-2005 AVERAGE</b>	<b>778</b>	<b>6867</b>	<b>11.32</b>	<b>1872</b>	<b>109,393</b>	<b>1.71</b>

Data sources are the OSHA Integrated Management Information System (IMIS) for the number of fatalities and Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) for the employment data.

DOL's efforts to reduce fatalities often directly correlate to its injury and illness reduction objectives. Decreasing exposures to occupational hazards through direct intervention, promoting a safety and health culture, and maximizing effectiveness and efficiency are all goals that guide OSHA's tactical plan. OSHA analyzes trend data to identify and target new areas of emphasis which increases the impact of its direct intervention activities. This approach led OSHA to target its resources strategically on five national emphasis programs and over 140 local emphasis programs that address the safety and health issues that present the greatest current threats to safety. Based on extensive analysis, OSHA has also selected seven priority industries for special focus, both in terms of enforcement and compliance assistance.

The U.S. workforce includes 19.9 million Hispanics and that number is growing. Workplace fatalities among Hispanics increased every year from 1995 to 2001. To address this trend, OSHA initiated its Hispanic Outreach effort in 2001. The initiative provides training and local outreach, disseminates Spanish-language publications and

electronic tools, and works through its cooperative programs to significantly expand outreach to Hispanic workers and businesses. Fatalities dropped each of the first three years of OSHA's Hispanic Outreach undertaking, but increased again in 2004. OSHA continues to pursue its outreach efforts and will identify new approaches for reducing deaths and injuries among Hispanic workers.

Preliminary data for the third quarter of FY 2005 indicates that MSHA exceeded its target for reducing the fatality injury incidence rate among miners. Accidents in the Nation's mines claimed the lives of 40 workers – 16 coal miners and 24 metal/nonmetal miners. For the fourth straight year, the United States mining industry set its best safety records for both fatal and non-fatal injury incidence since statistics were first compiled in 1910. This tremendous progress is a direct result of the diligence and commitment of miners, mine operators, and the employees of the Mine Safety and Health Administration, who together ensure that mines are increasingly safe places to work. While we are proud of the progress the industry has made, MSHA is constantly examining its strategies and looking at outcomes to determine how we can help the mining industry drive fatality, injury and illness rates down to zero.

For FY 2006, MSHA will continue to gear its initiatives, programs and strategies aimed specifically at fostering a culture of prevention, instilling safety as a core value, and making safety part of every task in the mining workplace. This includes strategies targeted at changing the behaviors and working conditions which contribute to injuries and fatalities. MSHA's highly effective blend of enforcement, compliance assistance, technical support, education and training constitute a balanced approach to mine safety and health.

MSHA's collaborative approach of building strategic alliances with trade associations, labor unions, professional societies and other like-minded organizations leverages the advantages of working together, rather than separately, to reach our common health and safety goals for the mining industry. These stakeholder groups have joined with MSHA in the agency's Strategic Alliance program to combine resources and experiences to achieve a safer and healthier mining industry. The National Stone, Sand and Gravel Association (NSSGA); the Industrial Minerals Association—North America (IMA-NA); the National Safety Council (NSC); the International Union of Operating Engineers (IUOE); the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers (Ironworkers); the Bituminous Coal Operators Association (BCOA) and the National Mining Association (NMA) have all demonstrated their commitment to fostering worker health and safety in the mining industry by signing alliance agreements. MSHA will continue to work with State governments in partnerships such as the Substance Abuse Summit, in which the States of Kentucky, Virginia, and West Virginia held a free one-day substance abuse summit for individuals involved with coal mining operations and activities in the Southern Appalachian region. This kick-off meeting brought together a coalition of government, mining industry, labor, miners, and public health experts to share information, expertise and experiences in dealing with substance abuse in mines and the community.

One of the ways that MSHA works to prevent mining accidents is by providing information on "best practices" for mine safety. For example, pushing coal on a surge pile can be a dangerous job because of the potential for hidden voids to develop as coal is withdrawn from underneath the pile. Nineteen miners lost their lives in surge pile accidents between 1980 and 1999. Following a fatal accident in 1999, MSHA worked with the mining industry to develop a set of "best practices" to prevent this type of accident. Information packets were distributed to the industry with preventative engineering measures and training materials. Since this initiative, no fatal surge-pile accidents have occurred due to hidden voids and at least four miners have been rescued unharmed from potentially dangerous situations.

**Photo credit: Pittsburgh Technical Support, MSHA**



### Management Issues

MSHA evaluated its efforts to deliver services and support to miners working for independent contractors. This evaluation was driven by MSHA's desire to improve the health and safety of independent contract mine workers who

represent an increasingly greater proportion of mining fatalities. This evaluation provided information regarding the feasibility, utility, and benefits of collecting more detailed information about independent contractors working on mine property.

OSHA has begun peer reviews for technical and scientific data used to support new significant regulatory development in response to the agency's FY 2002 review under the Program Assessment Rating Tool. OSHA, pursuant to Section 610 of the Regulatory Flexibility Act and Section 5 of Executive Order 12866, must conduct lookback studies on OSHA standards, taking into consideration public comments about rules, the continued need for them, their impacts, complexity, and whether there are redundant or conflicting regulations.

In FY 2005, a lookback review of the Ethylene Oxide standard was completed, with a determination that it should remain in effect with new guidance materials created (see Study 27 in Appendix 2). Another study completed in FY 2005, *Evaluation of OSHA's Voluntary Protection Programs* (Study 28 in Appendix 2), concluded that VPP sites may have a leveraging effect in their dissemination of safety and health information to other establishments in like industries both within their own corporations and outside.

Two evaluations, GAO's *Safety in the Meat and Poultry Industry, While Improving, Could Be Further Strengthened* (Study 25 in Appendix 2) and DOL OIG's *OSHA Correctly Denied ED&D's Incomplete NRTL Application* (Study 26 in Appendix 2) were completed in FY 2005. As a result of these studies, OSHA is examining expansion of criteria for site-specific targeting and improving its oversight and evaluation procedures for national testing laboratories.

The FY 2005 *Evaluation of the Mine Safety and Health Administration's Efforts to Deliver Services and Support to Miners Working for Independent Contractors* (Study 29 in Appendix 2) concluded that mine operator use of contractors to lower their costs and liability is increasing and that data on the contractor accidents and hours worked are under-reported.

OSHA estimates progress towards its fatality-reduction goal using Integrated Management Information System (IMIS) data from July of the previous fiscal year through June of the current fiscal year. The Agency relies on IMIS fatality data rather than Bureau of Labor Statistics (BLS) data because of a one-year lag in BLS Census of Fatal Occupational Injuries data availability and because IMIS data provide a better measure of workplace deaths under OSHA jurisdiction. OSHA continues to evaluate its programs and measurements in furtherance of meeting the fatality reduction goal and to pursue methods of collecting data more quickly.

## Reduce Workplace Injuries and Illnesses

### Performance Goal 05-3.1B (OSHA/MSHA) – FY 2005

*Reduce work-related injuries and illnesses*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Rate of workplace injuries and illness (OSHA)	1.6**	1.7	<b>1.5**</b>	<b>Y</b>
Mine industry all-injury incidence rate (MSHA)	4.07	3.48	<b>3.82**</b>	<b>N</b>
Percent of respirable coal mine dust samples exceeding the applicable standards for designated occupations (MSHA)	10.2	10.1	<b>10.7</b>	<b>N</b>
Percent of silica dust samples with a C/E ratio <sup>1</sup> of at least 0.5 (MSHA)	N/A	Establish baseline	<b>To be established</b>	<b>N</b>
Percent of noise samples in metal and non-metal mines with a C/E ratio of at least 0.5 (MSHA)	N/A	Establish baseline	<b>To be established</b>	<b>N</b>
Percent of noise samples above the citation level in coal mines (MSHA)	N/A	Establish baseline	<b>To be established</b>	<b>N</b>
FY 2005 Costs <sup>2</sup>				<b>\$823 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\*Estimated

**Goal Not Achieved**

#### Program Perspective

The Department's occupational safety and health agencies, OSHA and MSHA, are committed to working with employers to reduce injuries and illnesses. OSHA's strategies for reducing injuries and illnesses include the use of strong, fair and effective enforcement, outreach, education, compliance assistance, free and confidential consultation services, partnerships and cooperative programs. MSHA, through safety and health enforcement and compliance assistance, and in partnership with the mining community, works to reduce occupational injuries and illnesses and health hazards among our Nation's miners. MSHA's primary indicator for this goal is an all-injury incidence rate, which is a calculation of all mining injuries and fatalities, per 200,000 mining hours worked.

Both OSHA and MSHA are committed to expanding outreach, education and compliance assistance. OSHA uses its Web site for compliance assistance, and continually strives to make it more accessible – such as a recently added Spanish Compliance Assistance page. DOL estimates that 60 million web visitors used MSHA's Web site in FY 2005, representing a 10 percent increase over last year. OSHA also uses electronic resources for outreach and compliance assistance. There are now more than 57,000 subscribers to OSHA's bi-weekly electronic newsletter *QuickTakes*, and the agency projects that more than 335,000 will receive training in 2005 through OSHA-sponsored programs, including the Outreach Training Program, the OSHA Training Institute, the Education Centers and the training grants program.

Small mines have historically had acute safety challenges. To assist small mines in their safety efforts, MSHA created a Small Mines Office. The Small Mines Office helps smaller operations that might not otherwise have the resources to have a full-fledged safety program. Since its inception, the Small Mines Office has helped over 3800 mine operators develop written safety and health plans that are tailored to fit their mining operations. As a result, the small mine operators assisted by the Small Mines office have fatality rates of four times less than those not assisted by the program. MSHA, in cooperation with the National Mining Association, recognizes companies with outstanding safety performance every year with the Sentinels of Safety award program that is designed to help

<sup>1</sup> C=concentration result; E=enforceable level

<sup>2</sup> As the same activities contribute to reductions in both injuries and fatalities, costs are not separable between the fatality reduction performance goal (3.1A) and the injury/illness reduction performance goal (3.1B).



MSHA and the mine operators reach a shared vision of no lives lost and no injuries sustained. MSHA showcases Stakeholder Best Practices on its Web site. These best practices were assembled by teams of industry representatives who won a Sentinels of Safety award or were runners-up in their categories.

MSHA is also tracking a goal to reduce the percent of respirable coal dust samples exceeding the applicable standards for designated occupations. This goal addresses reducing the incidence of black lung disease. See Management Issues for a discussion of the goals for which baselines were established in FY 2005.

### Analysis and Future Plans

OSHA reached its injury and illness reduction target. OSHA continues its Site-Specific Targeting, a key enforcement strategy that identifies individual employers with the highest injury and illness rates. Targeted employers receive letters from OSHA informing them of their high rates. The letters are accompanied by suggested methods for reducing injuries and illnesses and an offer of free safety consultation services. Some sites receive inspections in conjunction with the letters. An evaluation of the Site-Specific Targeting initiative found that companies receiving only the letter, with no inspection, reduced injuries and illnesses by approximately 5 percent over the three years following receipt of the letter. Sites that were actually inspected in addition to the letter had injury and illness declines ranging from 12 to 13.8 percent over the three years following the inspection.

OSHA also continues to expand its cooperative programs. In the last two years, participation in the Voluntary Protection Programs (VPP) has increased by over 34 percent. To facilitate further growth in the program, OSHA launched OSHA Challenge and VPP Corporate in 2004 and plans to introduce VPP for Construction in 2006. The results VPP sites achieve are consistently impressive, including avoidance of over 8500 Total Recordable Cases in 2004. For example, Dow Company's VPP sites have a 33-percent lower injury and illness rate than their non-VPP sites and the United State Postal Service's VPP sites have a 21-percent lower rate than their non-VPP sites. The growth in all of OSHA's cooperative programs means more employers and employees are being reached. OSHA partnerships, joint efforts of OSHA, employers and employees, now cover over 4800 employers with over 566,000 employees and OSHA also has 69 national and 367 local Alliances.



OSHA's Consultation Program, celebrating 30 years of service in 2005, delivers free and confidential occupational safety and health analysis to small businesses that request their services. Consultants help employers identify and correct hazards and assist companies in developing and maintaining effective safety and health management systems. They also offer on-site and off-site training. More than 28,000 Consultation visits will be performed in 2005. Companies that participate in the Consultation Program and achieve a high degree of safety and health performance are eligible for SHARP, Consultation's Safety and Health Achievement Recognition Program. De Bourgh Manufacturing Company of La Junta, Colorado, a custom athletic, corridor, and industrial wardrobe locker manufacturer employing 110 workers, had been targeted for OSHA compliance inspections due to their high injury rates. De Bourgh had upwards of 30 recordable incidents in 1997. They began

participating in OSHA's Consultation Program in Colorado in 1999. The company first achieved SHARP in 2000 and has been re-certified each year since. To date, the company boasts a Total Recordable Case (TRC) Rate of less than 1.0 and a Days Away, Restricted, and/or Transfer (DART) Rate of 0.0. Also newsworthy, De Bourgh's insurance costs have dropped significantly and their already low Experience Modifier Rate (<1.00) is expected to drop even lower this year.

**Photo credit: OSHA**

DOL's all-injury incidence rate for the mining industry was reduced by 6 percent from the FY 2004 rate, according to preliminary FY 2005 third quarter data, although the target of 3.48 was not met. Through the third quarter of FY 2005, there were 3552 injuries in coal mines as compared to 3723 injuries through the third quarter of FY 2004. Injuries in metal/nonmetal mines were 4954 compared to 5000 in FY 2004.

MSHA's indicators for reducing respirable coal dust, silica dust, and noise exposures greatly exceeded MSHA's targets over the last two years for coal and silica dust, and over the last three years for noise. Subsequently, for FY 2005, MSHA established a more aggressive target for coal dust, and also established new baselines for silica dust and noise. The target was not reached for respirable coal mine dust exposures. Factors which most likely influenced this performance include competitive pressures to increase production while containing costs. This competitive dynamic leads to increased use of technically complex mining equipment; expanded mining operations leading many miners to work longer shifts and experience greater fatigue. Additionally, the high costs and limited supplies of oil and natural gas make coal mining more profitable. In turn, higher coal prices and increased profit margins push operators to open new mines, expand existing mines or resume mining operations at previously closed sites. Baselines for the three additional health indicators, which measure exposures to silica dust and noise in both metal and non-metal mines and coal mines, were not established in time for this report. They will be incorporated into the President's FY 2007 budget.

Efforts to improve safety and health for the nation's miners include not only mine inspections, but a variety of MSHA initiatives and programs. For example, during mine rescue or recovery operations, mine rescue teams are presented with many challenges that affect their ability to respond effectively without unnecessarily jeopardizing their own safety and health. Explosions, fires, flooding, and accumulations of methane and other toxic gas all present significant risk when exploring a mine. The lack of knowledge regarding the geological integrity and environmental conditions of the mine also hinder rescue and recovery efforts. The MSHA robot has already proved to be a valuable resource to aid rescue teams in search and rescue activities. It was deployed to Arlington, VA with the MSHA rescue teams following the terrorist strikes on 9-11. It was also used in the exploration of a gold mine, where hazardous conditions caused the death of two miners. The robot now has been equipped with gas measuring instrumentation for use in potentially explosive environments. The new version was used to explore a mine fire in which the mine was sealed for several weeks. The MSHA robot explored the mine slope entry and in the fire area providing valuable video information and gas readings before mine rescue teams were sent in to recover the mine; thus improving the overall safety of the recovery operation.



### Management Issues

OSHA uses BLS data to estimate the results for this goal. BLS data used are the latest available, but nonetheless, are from 2003. In FY 2005 OSHA began a contracted project aimed at developing a framework for a predictive model to enhance its data capabilities. The predictive model would collect and use a variety of data sources to forecast illness and injury rates by industry sector so that OSHA can apply its resources in a timely manner to reduce illness and injury incidence. The anticipated outcome of this project is a management tool providing guidance to strategic planners for maximizing the results of Agency programs given varying levels of resources. OSHA plans to begin developing the model on a limited basis in FY 2006 and then to further expand its capabilities and scope in the out years. OSHA's intent is to enhance the effectiveness of its use of available data, with improved targeting serving as the most reasonable, cost-effective means of reducing injuries and illnesses.

To achieve the ambitious goal of reducing the days away from work case rate by 20 percent, OSHA targets resources toward areas where these injuries and illnesses are occurring at a high number and rate. The OSHA Data Initiative gathers and compiles occupational injury and illness information from establishments in high-hazard industries, providing OSHA the ability to identify workplaces with elevated rates. OSHA then uses this information to direct both outreach and enforcement resources to places where intervention activities can have the greatest impact on reducing injury and illness rates.



MSHA's revision of its silica dust measure for metal and non-metal mines in FY 2006 will be based on a newly established baseline in FY 2005. The new indicator will measure MSHA's progress in identifying and controlling excessive silica exposures that adversely affect miner health. As with MSHA's new silica performance measure, the new noise indicator will measure MSHA's effectiveness in identifying and controlling miners' overexposure to noise in coal and metal and non-metal mines.

MSHA safety and health compliance specialists conduct dust and noise samples following well established procedures. Quality control processes assure accuracy and reliability of performance data. Anticipated performance challenges on the horizon include dealing with ever-changing mining environments that are relying more and more on larger, more mechanized and technically advanced equipment. More important, however, is the expected, continued increase in coal production that will result in an increased number of smaller operators with less experience and generally less sophisticated safety and health programs than their larger industry counterparts. These new operators will likely employ many new and untrained miners who are vulnerable to safety and health risks, who often lack the necessary skills obtained from training and experience, and who may not speak English as their primary language. MSHA recognizes the need to use all the tools provided in the Mine Act – enforcement, education and training, and technical support, all of which include compliance assistance – to continue and expand current successes as well as achieve our goal of zero injuries, illnesses and fatalities in the mining industry of the 21<sup>st</sup> century. MSHA is undergoing a profound culture change – to a culture of prevention. The agency has strengthened compliance assistance and incorporated this concept in everything that MSHA does.

FY 2005 evaluations that pertain to this goal are discussed under Management Issues section in the fatality goal narrative (05-3.1A) and are listed in Appendix 2.

## Outcome Goal 3.2 – Foster Equal Opportunity Workplaces

The Department is committed to fostering workplaces that provide equal opportunities to all working Americans. DOL pursues this commitment through two performance goals addressing equality in the workplace. The Employment Standards Administration's (ESA's) Office of Federal Contract Compliance Programs (OFCCP) protects the employment rights of thousands of American workers by enforcing laws and providing compliance assistance regarding equal employment opportunity in companies that do business with the Federal government. DOL's Veterans' Employment and Training Service (VETS) administers the Uniformed Services Employment and Reemployment Rights Act (USERRA), which protects the employment and reemployment rights of uniformed service members who encounter barriers in civilian employment related to their service. VETS educates employers and service members about rights established by the law and it investigates complaints filed by veterans who believe their rights have been violated.

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<p><b>05-3.2A (ESA)</b> Federal contractors achieve equal opportunity workplaces.</p>	Goal achieved. Both indicator targets reached.	\$99
<p><b>05-3.2B (VETS)</b> Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment.</p>	Goal not achieved. One target reached and two not reached.	16

### Results Summary

As indicated in the table above, DOL achieved one performance goal under Outcome Goal 3.2 and did not achieve the other. In FY 2005, the incidence of discrimination among Federal contractors was well below the target. Likewise, compliance among Federal contractors in all other aspects of equal employment opportunity easily exceeded the target. However, both rates are slightly worse than those observed for FY 2004. OFCCP believes this may reflect improved targeting of non-compliant contractors. VETS fell short of 90 and 120-day case resolution targets as a result of greater case work demand and increased Reserve claimants involved in our nation's war effort. Fortunately, these delays did not prevent VETS from reaching the one year timeliness target.

The Office of Federal Contract Compliance Programs (OFCCP) presents annual awards to recognize workplaces with exceptional equal opportunity environments. The awards give the Department an avenue to develop partnerships with Federal contractors and encourage equal opportunity environments.

The Secretary of Labor's Opportunity Award was given in March 2005 to the Cinergy Corporation of Cincinnati, OH for a proliferation of Internet-based communication tools used in day-to-day business operations. Exemplary Voluntary Efforts (EVE) awards were presented to Entergy Corporation of New Orleans and Ivey Mechanical Company of Kosciusko, MS. Pride Industries, Roseville, CA, was recognized for being the nation's largest private sector employer of individuals with disabilities.

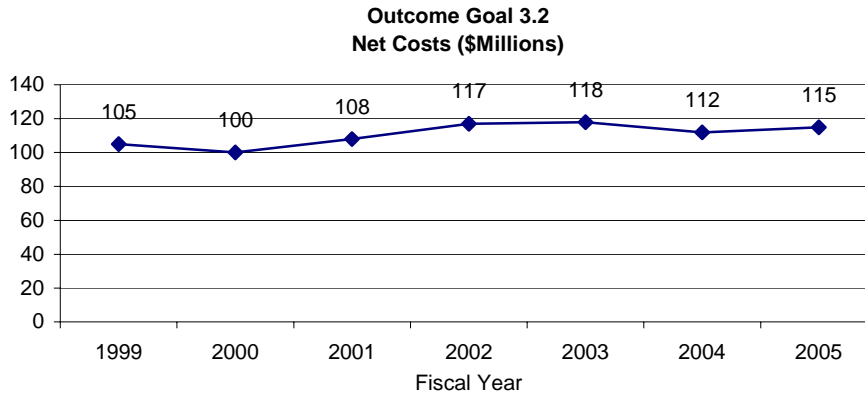
Non-profit Exemplary Public Interest Contributions (EPIC) awards recipients included The Alaska Works Partnership, Inc., which helps rural Alaskans, Alaskan Natives, and women find jobs in the construction trade industry. Other EPIC recipients were Brooklyn, NY's Black Veterans for Social Justice, Inc.'s Homeless Veterans Reintegration Program; The Greater Sacramento Urban League; and Life's Work of Western Pennsylvania, Pittsburgh.

**Photo Credit: DOL ESA**



**Net Cost of Programs**

FY 2005 program costs of \$115 million supported programs to assure that Federal tax dollars are not used to discriminate in the workplace or in the availability of program services. Costs associated with this goal have been virtually constant for several years.



**Future Challenges**

OFCCP’s enforcement strategy continues to focus on systemic discrimination in the workplace. Successful case litigation requires lengthy, intensive studies and analyses of large databases; formal depositions; and investigation of other case-related information. Identification of likely violations is therefore a priority for the contractor compliance program. DOL obtained the assistance of a research firm to evaluate the effectiveness of the Equal Opportunity Survey as an instrument for identifying contractors engaged in systemic discrimination. Several recommendations were made for improved procedures; options are being reviewed. Another study expected to be completed by the end of this calendar year focuses on refining the OFCCP discrimination prediction model. Finally, in order to reduce unnecessary regulatory burdens on compliant contractors, OFCCP proposed and published in a *Notice of Proposed Standards* new guidelines for self-evaluation of compensation practices, which are pending review.

VETS expects further increases in USERRA claims from Guard/Reserve utilization related to the War on Terrorism. In anticipation of increasing workload, beginning in FY 2006 VETS will monitor Guard and Reserve mobilization and demobilization figures from the Department of Defense in a new Progress Index. The Progress Index is a comprehensive set of compliance assistance performance indicators that prioritizes the relative impact of each indicator. The index will be focused primarily on the two key USERRA responsibilities: reemployment and discrimination. Also, to improve USERRA guidance for all stakeholders, VETS is publishing regulations early in FY 2006 to clarify many key aspects of USERRA.

## Foster Equal Opportunity Workplaces

### Performance Goal 05-3.2A (ESA) – FY 2005

*Federal contractors achieve equal opportunity workplaces*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Incidence of discrimination among Federal contractors	1%	7%	<b>2%</b>	<b>Y</b>
Compliance among Federal contractors in all other aspects of equal opportunity workplace standards	91%	62%	<b>86%</b>	<b>Y</b>
FY 2005 Costs				<b>\$99 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

#### Program Perspective

ESA's Office of Federal Contract Compliance Programs (OFCCP) administers and enforces three equal employment opportunity laws which prohibit Federal contractors from discriminating on the basis of race, color, religion, gender, national origin, disability, and protected veterans' status. Executive Order 11246, as amended; Section 503 of the Rehabilitation Act of 1973, as amended; and 38 U.S.C. 4212 of the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended, require Federal contractors take steps to ensure equal employment opportunities.

Based on the principle that employment opportunities generated by Federal dollars should be equally available to all Americans, these legal authorities are an integral part of nearly all Federal contracts, subcontracts, federally assisted construction contracts, and the Federal procurement process. By monitoring and evaluating equal opportunity compliance in Federal contractors' workforces, DOL protects the employment rights of thousands of able American workers who may be otherwise unfairly excluded from the workplace.

OFCCP strategically directs resources toward identifying and removing protected workers' barriers. OFCCP's budgetary resources are allocated to both enforcement and compliance assistance. The indicators of discrimination incidence and compliance among targeted contractors portray the extent to which Federal contractors achieve equal opportunity workplaces, which is OFCCP's performance goal. OFCCP has developed a logic model to draw better connections between its budgetary resources and the achievement of its performance indicators and goal. Further, OFCCP has calculated unit costs for program outputs on a national, regional and individual compliance officer basis.

#### Analysis and Future Plans

DOL typically monitors between four to six percent of the known Federal contractor universe each year and focuses its enforcement activities on finding and resolving systemic discrimination. DOL adopts this strategy to prioritize enforcement resources for the worst offenders; encourage employers to self-audit their employment practices; and achieve maximum leverage of resources. In FY 2005 DOL completed 2730 compliance evaluations. These evaluations focused on large contractors to identify and resolve systemic discrimination violations. While DOL is responsible for enforcing nondiscrimination and equal opportunity requirements, the protection of civil rights is not dependent solely on finding violations. DOL's compliance emphasis and the assistance it provides encourages contractors to examine their own employment practices.

DOL has modified the contractor selection system, incorporating recommendations from a 2003 study on effectiveness. DOL will gather performance results from completed FY 2005 compliance evaluations and use these results to evaluate the efficacy of the study's recommendations. DOL achieved its target of reducing the incidence of discrimination among Federal contractors to 7 percent; however, DOL notes that FY 2005 results are slightly higher than those for FY 2004. DOL believes this increase may be attributed to a modification of the contractor selection system used in FY 2005 that may have better targeted non-compliant contractors. The 86 percent rate for compliance among Federal contractors in all other aspects of Equal Employment Opportunity standards exceeds the FY 2005 target of 62 percent; nonetheless, the five percentage point difference between the FY 2004 result of 91 percent and the FY 2005 result may also be attributed to the modified selection system. DOL exceeded its performance goal during FY 2003-FY 2005 as indicated in the accompanying chart.

In addition, DOL is considering a new “contracts first” initiative for centralizing the agency’s responsibility to verify contractor jurisdiction before a compliance evaluation can be conducted. This initiative will further streamline the contractor selection process and allow more resources to be directed toward compliance. This initiative uses Federal databases with information on awarded Federal contracts as the primary source for determining the universe of Federal contractors subject to the laws enforced by the OFCCP and to potential compliance evaluations. Use of these data will significantly reduce the amount of field staff enforcement hours used to research contract coverage for jurisdiction purposes.

OFCCP’s program-related strategies to ensure that Federal contractors achieve equal employment workplaces are shaped by external factors and trends such as the total number of Federal contractors; company acquisitions and mergers; and turnover in the Federal contractor community and the need to determine contractor jurisdiction efficiently.

### **Management Issues**

OFCCP’s performance data are based on information contained in its case management information system. OFCCP plans systems upgrades by: 1) enhancing automated compliance evaluation and class complaint investigation data collection and information management, including historical contractor database and centralized jurisdiction determinations; 2) developing and delivering standardized, statistical tools for compliance officers and managers; and 3) centralizing nationwide managerial cost accounting data collection and reporting capability. OFCCP’s performance data are based on actual accomplishment reported in its Case Management System (CMS). OFCCP has implemented internal controls to ensure the accuracy of its data. These controls include an on-line manual that provides guidance to field staff on entering case completions data, a requirement that completed case data be certified by field managers, cross-referencing preliminary discrimination case closures to ensure complete accuracy, and verification of case findings.

OFCCP’s enforcement strategy continues to focus on finding and remedying systemic discrimination in the workplace. The methods for litigating cases of systemic discrimination require the Federal government to meet a high burden of proof. The costs are substantial. For example, expert witnesses are necessary to support the litigation of complex systemic discrimination cases. Successful case litigation requires lengthy and intensive studies and analysis of large databases; formal depositions; and investigation of other case-related information.

DOL evaluated the effectiveness of the Equal Opportunity Survey as an instrument for identifying contractors engaged in systemic discrimination (Study 30 in Appendix 2). The study provided OFCCP with some suggestions for data analysis which are now under review. DOL hired the Eastern Research Group (ERG) (Study 31 in Appendix 2) to help develop a web-based information system for collecting information on Federal construction contracts, and a prototype system is being evaluated. Another study that is underway focuses on refining the OFCCP discrimination prediction model; conclusions are expected by December 31, 2005.

DOL continually seeks to simplify regulations and reduce regulatory burden on Federal contractors. The most recent regulation change eliminates the requirement for on-site visits to Federal contractors in compliance checks, giving contractors the option to submit their data to OFCCP for inspection. DOL also proposed and published in a *Notice of Proposed Standards* new guidelines for evaluating systemic compensation discrimination under Executive Order 11246 and new guidelines for self-evaluation of compensation practices. Both are pending approval. The proposal and the public comments are being reviewed by ESA and OFCCP executive staff.

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

## Assist Veterans' Return to Jobs After Military Obligations

### Performance Goal 05-3.2B (VETS) – FY 2005

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

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Percent of USERRA cases resolved within 90 days of filing	84.2%	85%	<b>80.4%</b>	<b>N</b>
Percent of USERRA cases resolved within 120 days of filing	91.9%	92%	<b>88.4%</b>	<b>N</b>
Percent of USERRA cases resolved within one year of filing	99.5%	99%	<b>99.8%</b>	<b>Y</b>
FY 2005 Costs				<b>\$16 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>

#### Program Perspective

VETS protects the employment and reemployment rights of persons who are current or past members of the uniformed services, and who encounter barriers in civilian employment related to their service. Legislative authority for protection of these rights is established by the Uniformed Services Employment and Reemployment Rights Act (USERRA).

VETS provides compliance assistance to employers and protected individuals, and investigates individuals' complaints alleging their rights have been violated. VETS seeks to reduce both employer violations and the filing of meritless complaints by protected individuals. The FY 2005 USERRA Performance Goal and associated indicators focus on resolving filed claims. Most violations and meritless complaints could be avoided with greater knowledge of the rights and protections established by USERRA. For this reason VETS has an active compliance assistance program directed to employers and members of National Guard and Reserve units to increase knowledge and understanding of USERRA's significant provisions.

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

#### Analysis and Future Plans

This goal was not achieved. VETS attributes falling short of the 90 and 120-day targets to its increased emphasis on the highest possible quality in customer service. On occasion, highly effective case work demanded more time than the targeted 90 or 120 days. This was especially the case when working with Reserve claimants involved in our nation's war effort. These Reservists and Guard members were not always readily available to consult with VETS on case-related matters due to their war-related duties, locations, and movements. Ultimately, VETS did demonstrate progress in FY 2005 toward the overall goal by exceeding the one year timeliness target.

Tracking the percentage of cases resolved in a timely manner addresses just one dimension of challenges under USERRA. VETS plans a more specific goal statement and more useful indicators for FY 2006 which will better reflect its USERRA responsibilities. The new goal statement is "Reduce USERRA violations in reemployment, discrimination, and other areas, and reduce meritless complaints by protected individuals, originating from service members' military obligations conflicting with their civilian employment." VETS has developed a comprehensive "USERRA Progress Index" to sharpen how it measures reduction of violations and meritless complaints. The Progress Index will use rigorously documented indicators and targets that measure cases and assistance (non-case-related contacts). These indicators will be consolidated and weighted in a manner that prioritizes the relative impact of each indicator, yielding an indexed measure of demonstrated progress against violations and meritless complaints.



The new Progress Index is focused on the predominant sector of USERRA activity: National Guard and Reserve components. Since FY 1997, claims from the Guard/Reserve comprised 81 percent of all USERRA claims; in FY 2004, 87 percent were Guard/Reserve claims. VETS expects this trend to continue and possibly increase due to Guard/Reserve mobilizations/demobilizations relating to the ongoing War on Terrorism. To account for the increasing demand for USERRA compliance and USERRA assistance, Guard and Reserve mobilization and demobilization figures from the Department of Defense will be used in the Progress Index.

Other entities engaged in USERRA support affect USERRA violations and meritless complaints, and yet are outside the scope of VETS' efforts. These include the Employer Support of the Guard and Reserve (ESGR) and the U.S. Office of Special Counsel (OSC) in its ongoing Federal USERRA demonstration. As such, the Progress Index will not measure the USERRA impact of ESGR, OSC, or any other external entity.



Nebraska Director for Veterans' Employment and Training Service (VETS) participates in the annual Employer Support for Guard and Reserve (ESGR) meeting. Each year, Nebraska VETS and ESGR team together and provide basic USERRA technical assistance, briefings and presentations at military mobilizations and demobilizations. These informative sessions range from entire units to individual service members. This team shares a common mission to work continuously towards improving an already successful approach to assisting service members in Nebraska. This approach was evident during the 2005 annual meeting. A highlight of the meeting was introducing the "Five Star Employer" program. The program invites employers to sign a "Statement of Support" which defines their commitment to supporting

service members while in uniform. The program recognizes the employer's actions with certificates and news releases to the public. The Nebraska program capped off its successful year by adding 16 new Ombudsmen to increase its total to 67 members.

### Management Issues

To improve USERRA guidance for all stakeholders and thereby facilitate progress in all performance indicators, VETS is initiating USERRA regulations for the first time. These new regulations (to be published in the Code of Federal Regulations) will help to clarify many key aspects of USERRA, including: specific USERRA protections; VETS role with respect to interested individuals and organizations; and procedures necessary to implement the Act's protections. As a result of its FY 2005 efforts compiling and analyzing comments received in the Notice of Proposed Rulemaking process, VETS anticipates finalizing its new USERRA regulations early in FY 2006.

A study of 19,000 Guard and Reservists released in October 2004, *Survey of USERRA Issues for Returning Military Members*, found that USERRA provides valuable protections to employees in the civilian workforce who also perform military duties (see Study 32 in Appendix 2). Over 80 percent of National Guard and Reserve members who have completed active duty return to work with their previous employers, and a majority report having no problems with this return. However, some Guard and Reserve members do encounter problems. Based on the findings, VETS changed the way USERRA information is provided to both the employer community and the men and women who are protected by the law.

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

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

ILAB-supported international technical assistance programs are unique in that they focus on raising living standards through labor and workplace-related interventions. In FY 2005, these programs focused on supporting initiatives to combat the trafficking and commercial sexual exploitation of children; promote education in developing and tsunami-stricken countries; increase compliance with labor laws; reduce the impact of HIV/AIDS on workers; and fulfill the Department's role in negotiating international trade agreements.

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<b>05-3.3A (ILAB)</b> Contribute to the elimination of the worst forms of child labor internationally.	Goal substantially achieved. Four targets reached, one not reached.	\$74
<b>05-3.3B (ILAB)</b> Improve living standards and conditions of work internationally.	Goal achieved. All five targets reached.	43
Other (other ILAB programs)		7

### Results Summary

FY 2005 was another successful year for ILAB, as all but one of ten performance indicator targets were reached. Accomplishments include:

- Removal or prevention, through education and training, of an estimated 150,708 children from exploitive work as a result of DOL-funded International Labor Organization projects
- Enrollment of 98,394 children in education programs supported by DOL's Child Labor Education Initiative
- Credit to DOL-funded projects for improving working conditions for 83 percent of targeted workers
- Improved economic situation for over half of individuals targeted by DOL for assistance

In each of these cases, performance was remarkably better than in FY 2004. For most other indicators, FY 2005 was the baseline year (first year of data). The indicator not reached was for children completing programs. DOL believes this is due to many enrollees not having an opportunity to finish multi-year programs. Another indicator, retention of children in these same programs, supports this analysis; the FY 2005 result was 80 percent vs. a target of 65 percent.

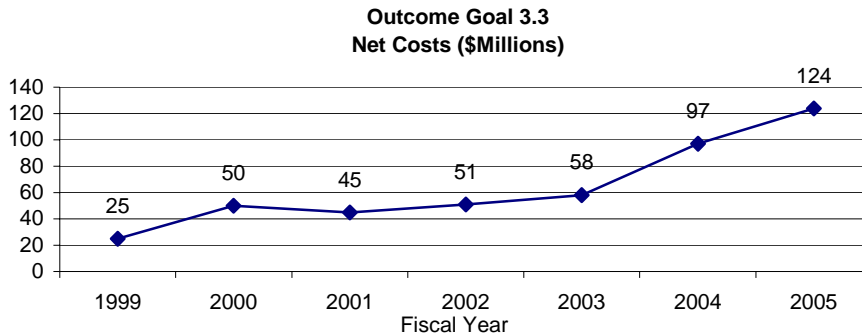
As part of the Department of Labor-funded project, Community-based Innovations to Reduce Child Labor through Education (CIRCLE) implemented by Winrock International, Dos Generaciones, a local Non-Governmental Organization, is helping children get out of hazardous work in the municipal garbage dump in Managua, Nicaragua and into classrooms. A project survey revealed that most of the children working in the garbage dumps are between the ages of seven and twelve; and three out of every five are girls. In order to keep children from working in the garbage dump, Dos Generaciones is collaborating with children, parents, teachers, and other community leaders to increase public awareness about the hazards of child labor and the importance of education.

**Photo credit: Winrock International and Dos Generaciones**



**Net Cost of Programs**

FY 2005 program costs of \$124 million supported ILAB’s efforts to reduce the worst forms of exploitive child labor internationally and to address core international labor standards issues. These program costs represent a \$27 million (28 percent) increase from FY 2004 costs of \$97 million. This year’s increase follows a large jump from FY 2003-2004. The recent growth in spending is attributable to the wave of increased budget authority and obligations from FY 2001-2003 that are just now being expended through ILAB’s grants to foreign entities. ILAB grants traditionally have their highest expenditures 2 to 3 years after grants are obligated.



**Future Challenges**

ILAB’s technical assistance programs were assessed as Adequate in the FY 2006 PART cycle. The principal finding of the PART was the need for more data to assess the impact of ILAB’s programs. ILAB has received funding from OASAM for an evaluation of the overall impact of ILAB’s programs. This evaluation will include an assessment of how ILAB programs complement or compare to other government-funded international assistance programs.

## Reduce Child Labor in Developing Countries

### Performance Goal 05-3.3A (ILAB) – FY 2005

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

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Number of children prevented or withdrawn from child labor and provided education or training opportunities as a result of DOL-funded International Labor Organization projects	90,200	116,000	<b>150,708</b>	<b>Y</b>
Number of countries with increased capacities to address child labor as a result of DOL-funded International Labor Organization projects	26	20	<b>39</b>	<b>Y</b>
Number of target children enrolled in education programs as a result of ILAB's Child Labor Education Initiative	N/A	50,000	<b>98,394</b>	<b>Y</b>
Percent of children retained in education programs as a result of ILAB's Child Labor Education Initiative	N/A	65%	<b>80%<sup>1</sup></b>	<b>Y</b>
Percent of children completing education programs as a result of ILAB's Child Labor Education Initiative	N/A	50%	<b>38%<sup>2</sup></b>	<b>N</b>
FY 2005 Costs				<b>\$74 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)			<b>Goal Substantially Achieved</b>	

#### Program Perspective

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

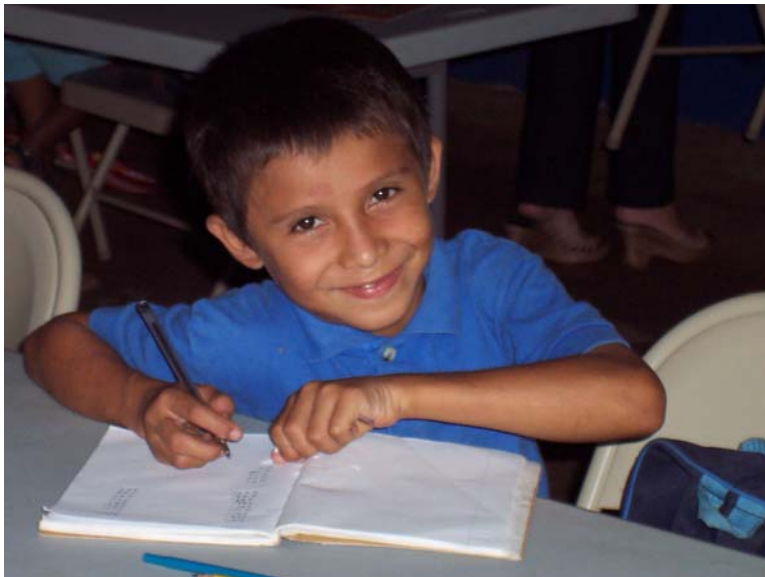
ILAB measures the progress of its ILO-IPEC projects on two levels: community-based direct interventions benefiting individual children and families; and country-level activities to build institutional capacity and strength. EI indicators focus on the educational enrollment of children who have been withdrawn or prevented from exploitive child labor, and their retention and completion of ILAB-funded educational programs. ILAB establishes its annual targets for its indicators through close consultations with grantees and analysis of baseline information, individual project targets, past performance and external factors.

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

<sup>1</sup> Includes all children enrolled in Education Initiative projects in FY 2001 and FY 2002. Children who have completed the EI project are not included.

<sup>2</sup> Reflects children who were enrolled in FY 2001 Education Initiative projects prior to FY 2005.





Thanks to a U.S. Department of Labor grant to Creative Associates International, this boy is participating in a community education center, which provides tutoring, nutritional supplements, and recreation for children at risk of working in sugar cane and melon harvesting. The education center is run by Casa Esperanza, a Panamanian non-governmental organization.

**Photo credit: Creative Associates International and Casa Esperanza**

### Analysis and Future Plans

The goal was substantially achieved; ILAB reached four of five indicator targets. In 2005, ILAB funded a total of 26 projects to combat child labor world wide and to increase access to basic education with a special focus on children exploited in the worst forms of child labor. These

projects support the Administration’s foreign policy objectives and fulfilled the U.S. Government’s responsibilities under international trade agreements.

In 2005, 150,708 children were removed or prevented from exploitive work through the provision of education or training opportunities in ongoing ILO-IPEC programs funded by DOL, exceeding the target of 116,000 children. An additional 98,394 children were withdrawn or prevented from entering the worst forms of child labor and enrolled in educational or training opportunities by ongoing Child Labor Education Initiative (EI) programs funded by DOL, exceeding the target of 50,000 children. Since 2001, USDOL-funded ILO-IPEC and Child Labor Education Initiative projects have removed or prevented approximately 600,000 children from exploitive work and given them meaningful alternatives to child labor.

Preventing and withdrawing children from the worst forms of child labor in the long-term depends on a country’s willingness and ability to address the issue and sustain the efforts even after projects end. In FY 2005, DOL-funded ILO-IPEC programs increased the capacity of 39 countries to address child labor, exceeding its target of 20. Increasing capacity to address child labor is defined by a country’s legal framework, public policy and monitoring of child labor. One example of a country that increased its capacity to address child labor is Morocco, where with assistance from ILO-IPEC, its government established and published new labor code bylaws that identify hazardous forms of work for children.



DOL, through a cooperative agreement with a Zambian non-governmental organization that assists Zambia’s most vulnerable children (including child laborers and children orphaned by AIDS), is implementing a project, “Combating Child Labor through Education,” to withdraw children from hazardous child labor, rehabilitate them in transitional school settings, and reintegrate the children into government education programs. The project also provides parents with literacy and income-generating skills to enable them to support their children’s educational needs, and prepares communities to take responsibility for the problem of child labor. In the photograph, students in a transitional classroom in Chiparamba acquire the basic skills they will need in order to be placed in a government school.

**Photo credit: Rebecca Macina**

In addition to measuring the number of children withdrawn or prevented from entering the worst forms of child labor and enrolled in educational or training opportunities, EI projects also measure the retention and completion rates of the children enrolled. In 2005, the retention of children enrolled in FY 2001 and FY 2002 EI projects was 80 percent, exceeding the target of 65 percent. In 2005, 38 percent of children enrolled in FY 2001 projects completed an EI project, below the target of 50 percent. Because this is the first time ILAB has reported on this indicator, no baseline data existed for establishing this target. In addition, since EI projects are typically four-year projects, many children enrolled have not yet completed their programs.

### **Management Issues**

ILAB grantees are required to submit semiannual project-level progress reports including data for each ILAB indicator. ILAB also requires grantees to develop Performance Monitoring Plans specifying sources of data, method and frequency of data collection, responsible personnel, and costs for monitoring project indicators. ILAB corroborates grantee reporting through monitoring visits, project evaluations, and project audits.

During FY 2005, ILAB commissioned a study to synthesize evaluation findings and recommendations of projects supported by the Department's technical assistance program with ILO-IPEC. The study (Study 33 in Appendix) highlighted trends in evaluation observations, findings, and recommendations.

In Fiscal Years 2002 and 2003, the Office of Inspector General (OIG) identified the lack of project level coverage for DOL programs in Single Audits (OMB Circular A-133) as a major management challenge faced by DOL grantor agencies. In September 2004, ILAB began working, in consultation with the OIG, with an accounting firm to conduct independent reviews of its child labor technical assistance projects. These studies examined grantees' compliance with Federal and DOL grant rules and regulations, and verify the accuracy of project-level GPRA performance data. ILAB scheduled nine reviews in FY 2005, and will produce a report summarizing findings and lessons learned from each. An additional 20 reviews are scheduled for FY 2006.

ILAB's technical assistance programs (child labor and core labor standards) were assessed as adequate in the FY2006 PART cycle. The principal finding of the PART was the need for more data to assess the impact of ILAB's programs. ILAB has received funding from DOL to evaluate ILAB's programs, including an assessment of how ILAB programs complement or compare to other government-funded international assistance programs.



## Improving Life for Workers Around the Globe

### Performance Goal 05-3.3B (ILAB) – FY 2005

*Improve living standards and conditions of work internationally.*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Percent of beneficiaries who consider a USDOL-funded project to have improved their conditions of work	62%	83%	<b>83%</b>	<b>Y</b>
Compliance with national labor laws, measured through an increase in the number of workers benefiting from improved labor inspections	N/A	Baseline	<b>3.78 million</b>	<b>Y</b>
Percent of targeted individuals whose economic situation has benefited from USDOL project assistance	39%	43%	<b>60%</b>	<b>Y</b>
Increase in the number of targeted workers reporting a reduction in HIV/AIDS risk behaviors	N/A	Baseline	<b>19,500</b>	<b>Y</b>
Increase in the number of workplaces adopting policies and procedures to reduce the level of employment related discrimination against persons living with HIV/AIDS	N/A	Baseline	<b>270</b>	<b>Y</b>
<b>FY 2005 Costs</b>				<b>\$ 43 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Achieved</b>

#### Program Perspective

The Department seeks to ensure that the greatest possible number of workers benefit from a more open world economy. Expanding trade and investment and improving working conditions are mutually reinforcing objectives. Increased trade helps foster economic growth and improves living standards while promoting employment in the U.S. DOL believes more open, stable economies that increase employment and standards of living for people will lead to increased political stability and security.

The indicators for this goal are divided into two categories. The first three indicators, which support the President's



International Trade Agenda, measure the extent of labor law compliance through increased labor inspections, improved economic conditions, and reported improvements to working conditions. The last two indicators gauge DOL's success in promoting HIV/AIDS workplace education. These five indicators represent the long term objectives of the Department's current portfolio of international technical assistance projects not focused on child labor issues.

---

The US Department of Labor is funding job skills and micro-enterprise development projects in Afghanistan, the Northwest Frontier Province of Pakistan, and the Mindanao region of the Philippines – three regions that continue to endure a great deal of political and military conflict. In all three areas, the Department offers a comprehensive training package that identifies and assesses local economic opportunities. It also provides post-training services, including micro-grants for capital start-up or access to micro-credit. A high percentage of graduates of the Department's projects are finding employment, or are self-employed (in Afghanistan 70 percent, Pakistan 89 percent, and in the Philippines 80 percent). Equally important, project beneficiaries are gaining self-esteem and respect for their communities. These projects are increasing the communities' hope for a more prosperous and peaceful future.

---

### Analysis and Future Plans

In FY 2005, the Department focused its technical assistance program on providing monitoring and oversight of projects that include HIV/AIDS initiatives. DOL contributed \$1.25 million to the International Labor Organization to develop a toolkit for the start up of new projects based on the lessons learned from their previous HIV/AIDS education in the workplace projects funded by the Department and to complete and close out existing projects as necessary.

DOL reached all of the targets for this goal. Notably, more than half of targeted individuals feel their economic situation has benefited from DOL Office of Foreign Relations project assistance. In addition, over three quarters of targeted workers credit DOL programs with improving their conditions of work. DOL met its target to establish a baseline measure of compliance with national labor laws. Compliance is defined by an increase in the number of workers benefiting from improved labor inspections.

DOL demonstrated great cost efficiency in its technical assistance programs in FY2005. It cost the Department \$3.52 per worker to improve workplace HIV/AIDS policies and programs. On average, DOL placed workers in employment opportunities for \$66.92 per worker in project countries, including in the Republic of Iraq. These costs include DOL administrative as well as project expenditures.

At the May 2004 workshop for the US-China Labor Law Cooperation Project, Chinese and U.S. Department of Labor participants reviewed and proposed modifications to draft regulations for Labor and Social Security Inspections. Premier Wen Jiabao signed this legislation into law in November 2004. This marked the first time in Chinese history that a major regulation was assisted by a DOL-sponsored bilateral cooperation project during the commenting and deliberation stage, a process that is usually conducted internally and often in secrecy.



### Management Issues

ILAB collects GPRA performance data directly from its contractors and grantees, the implementing partners, through project-specific quarterly progress reports. The Department requires its contractors and grantees to develop Performance Monitoring Plans, which specify sources of data, method and frequency of data collection, responsible personnel, and costs for monitoring project indicators. Program staff review progress reports and follow up with the implementing partners when data inconsistencies appear. When feasible, ILAB uses other methods to corroborate contractor and grantee reporting, such as monitoring visits, mid-term and final project evaluations, and project audits. ILAB used cost efficiency measurements for the first time this year to assess program performance. The Cost Analysis Manager, a tool designed by the Department's Office of the Chief Financial Officer, and implementers' financial status reports supply the financial information for the cost efficiency measurements.

During FY2005, the Office of Foreign Relations (OFR) conducted twelve final evaluations and ten mid-term evaluations. Each mid-term evaluation validated project objectives and provided recommendations to improve project performance and long-term sustainability. Each final evaluation examined good practices and lessons learned at the project level in OFR's three program areas.

ILAB's technical assistance programs (child labor and core labor standards) were assessed as Adequate in the FY 2006 PART cycle. The principal finding of the PART was the need for more data in order to assess the impact of ILAB's programs. In response, ILAB submitted a proposal and received funding from the Department for a program-wide evaluation of the overall impact of ILAB's programs. The evaluation, which is scheduled to begin by the end of fiscal year 2005, will include an assessment of how ILAB's activities complement or compare to other government-funded international assistance programs.



## Strategic Goal 4: A Competitive Workforce

### *Maintain Competitiveness in the 21<sup>st</sup> Century Economy*

The Department strives to keep our country's workforce competitive in a global economy by helping workers acquire the skills they need for the new jobs being created in high-growth industries and by reducing unnecessary burdens of labor laws and regulations. To facilitate continued economic growth, DOL promotes demand-driven workforce investment strategies at every level – local, State and Federal – and to embrace new methods of engagement with strategic partners, including employers, industry associations, community colleges, and the public workforce system. Regulatory reviews consider whether changes are needed in the structure or application of existing law, and enforcement strategies emphasize compliance assistance, targeting the most egregious problems and expanding use of electronic reporting.

Two outcome goals support *A Competitive Workforce*. Programs administered by the Employment and Training Administration (ETA) support Outcome Goal 4.1 by supplying timely and relevant workforce information, helping employers fill gaps in the labor market with foreign workers, providing reemployment assistance for workers displaced by shifts in international trade and encouraging innovative strategies for making workforce systems more demand-driven, i.e., focused on high-growth industries and occupations. The Office of the Assistant Secretary for Policy (OASP) conducts oversight of Department wide efforts to improve the cost-effectiveness of labor market regulations in connection with the second outcome goal.

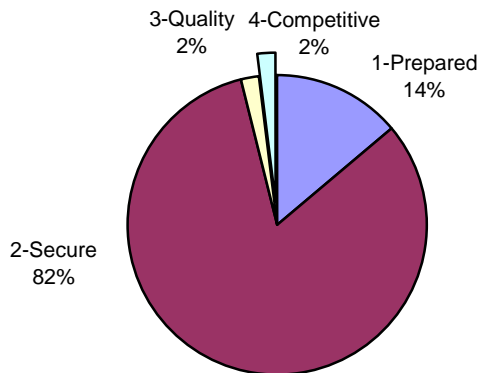
In FY 2005, Workforce Information outcomes generally met or exceeded expectations. Foreign Labor Certification and Trade Adjustment Assistance demonstrated improved results, despite missing some targets. DOL regulatory programs made progress in conducting reviews of whether rules are current and minimize burdens on compliant employers; significant revisions were proposed or published in the areas of child labor and pension plans.

<b>Outcome Goal 4.1 – Build a Demand-Driven Workforce System to Address Worker Shortages and Equip Workers to Adapt to the Competitive Challenges of the 21<sup>st</sup> Century</b> One performance goal substantially achieved & two goals not achieved		<b>FY 05/PY 04 Costs (millions)</b>
ETA Workforce Information (04-4.1A)	Goal substantially achieved. Five targets reached, one not reached.	\$106
ETA Foreign Labor Certification (05-4.1A)	Goal not achieved. Three targets reached, one not reached.	60
ETA Trade Adjustment Assistance (05-4.1B)	Goal not achieved. Two targets reached, two not reached.	846
Other (Pilots, Demonstrations, Research and Evaluations, and H-1B Technical Skills Training)		151
<b>Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden</b> One performance goal achieved		
OASP Flexible Regulations and Workplaces (05-4.2A) <sup>31</sup>	Goal achieved. Four targets reached.	–

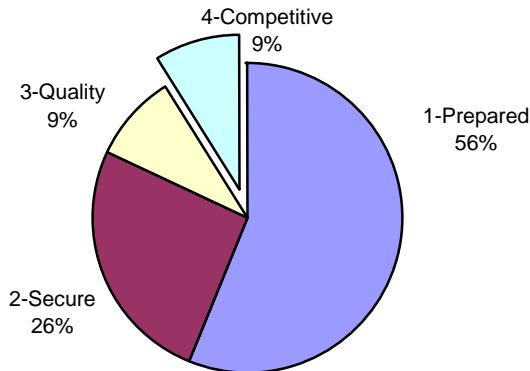
<sup>31</sup> The costs of achieving DOL's results in maximizing regulatory flexibility are distributed throughout the department's regulatory agencies, as it is part of their costs of operations.

The following charts illustrate DOL’s strategic goal net costs in FY 2005, with A *Competitive Workforce* shares set apart. The first allocates total Departmental costs of \$49.912 billion; the second allocates an adjusted net cost of \$12.222 billion that excludes major non-discretionary items associated with Strategic Goal 2.<sup>32</sup> Net costs of this goal in FY 2004 were \$6 million.

**FY 2005 Strategic Goal 4 - \$1.163 billion  
Percent of Net Costs**



**FY 2005 Strategic Goal 4  
Percent of Net Cost excluding Income Maintenance**



The outcome goals and programs listed above, along with their results, costs, and future challenges are discussed in more detail on the following pages

<sup>32</sup> The excluded costs are referred to as Income Maintenance – unemployment benefit payments to individuals who are laid off or out of work and seeking employment (\$31.488 billion) plus disability benefit payments to individuals who suffered injury or illness on the job (\$5.936 billion).

## Outcome Goal 4.1 – Build a Demand-Driven Workforce System to Address Worker Shortages and Equip Workers to Adapt to the Competitive Challenges of the 21<sup>st</sup> Century

To succeed in today's rapidly changing global economy, employers need access to workers with the right skills at the right time, and workers need access to flexible, efficient training that helps them upgrade existing skills or attain those skills to obtain quality jobs. To support those needs, it is imperative that the workforce investment system support activities that are driven by local employer demand, and that it prepares workers to take advantage of new and increasing job opportunities in high-growth/high-demand and economically vital industries and sectors of the American economy.

This outcome goal includes three performance goals and other initiatives administered by the Employment and Training Administration (ETA). Programs that correspond to the performance goals listed in the table below disseminate information to employers and job seekers on opportunities, expedite visa applications for employers who need to hire foreign workers, and assist workers who lose their jobs due to foreign competition. The President's High Growth Job Training Initiative (HGJTI) uses partnerships with employers, public workforce agencies, education and training providers, and economic development organizations to model the demand-driven approach to workforce development via demonstration of new and innovative workforce strategies. It has targeted industries such as advanced manufacturing, automotive, biotechnology, construction, energy, financial services, geospatial technology, health care, hospitality, information technology, retail, and transportation. In addition, the Career Voyages Web Site informs young adults, their families, career advisors, and career changers about the in-demand occupations within high growth, emerging and vital industries.

Goal (Agency) and Statement	Performance Summary	FY 05/PY 04 Costs (millions)
<b>04-4.1A (ETA)</b> Build a demand-driven workforce system by increasing access to workforce information.	Goal substantially achieved. Five targets reached, one not reached.	\$106
<b>05-4.1A (ETA)</b> Assist employers in meeting their workforce needs by providing them with expeditious determinations on their applications to hire foreign workers.	Goal not achieved. Three targets reached, one not reached.	60
<b>05-4.1B (ETA)</b> Increase the employment, retention and earnings replacement of workers dislocated in important part because of trade who receive trade adjustment assistance benefits.	Goal not achieved. Two targets reached, two not reached.	846
Other (Pilots, Demonstrations, Research and Evaluation, and H-1B Technical Skills Training).		151

### Results Summary

Although just one of three performance goals was substantially achieved, significant progress was made in this period, as evidenced by results at the indicator level (ten of 14 targets reached). Workforce Information job listings, resume searches and O\*NET resource quality and traffic all posted impressive increases. O\*NET is DOL's Occupational Information Network. Job searches fell; this may be a desirable outcome since it could be due to an improving economy. Foreign Labor Certification (FLC) improved over FY 2004 on both of its processing indicators but missed one of the targets due to an unanticipated increase in demand. Trade Adjustment Assistance (TAA) continued to improve participants' employment, retention and earnings, but two of these indicators fell short of targets. The program exceeded its efficiency (cost per participant) target by a significant margin, however.

A significant number of the projects funded under HGJTI are in their first year of performance; hence DOL has limited outcome data at this time. Grantees will be reporting on elements such as number of participants successfully completing training, job placements, retention, wage increase and earnings, and impact of capacity building activities (e.g., products developed and individuals impacted). The Department plans to evaluate all HGJTI grants, including those awarded in Program Year (PY) 2004.



The President's High Growth Job Training Initiative is playing a crucial role in the Gulf region's response to Hurricane Katrina. In an immediate response to the hurricane, DOL's Employment and Training Administration awarded \$12 million in grants under the President's HGJTI to Alabama, Louisiana, Mississippi, and Texas. These grants will be used to train workers in industries that are critical to the economic recovery of the Gulf region, including construction, energy, health care, transportation and safety-security. Additionally, DOL created a Katrina-specific job web site for employers to post available jobs. Within days after the Hurricane struck, <http://www.jobsearch.org/katrinajobs> listed over 95,000 jobs. DOL also worked with private sector staffing companies and outplacement firms to identify potential partnerships with the public workforce system in support of hurricane recovery.



Renee triumphed in setting her new career through the TAA program. For 15 years, Renee worked in production before she was laid off because her job was moved to Mexico. After she enrolled in the TAA program, Renee entered the nursing program in June 2003. Despite the loss of her two closest family members, and financial difficulty during school years, Renee successfully completed her program with guidance and assistance by the TAA program and its staff. When she graduated in May 2005 with her Registered Nurse (RN) degree, Renee immediately started working as an RN at the hospital. She is currently taking a telemetry class to expand her skill and knowledge base. She is now earning \$21.50 per hour compared to \$14 at her production job! Also, she feels great satisfaction from helping others.

**Photo credit: Artine Jones and Renee Thompson**

### Net Cost of Programs

Although only one of the performance goals is new<sup>33</sup>, this is the first year costs have been allocated to this outcome goal. Most of the net costs of \$1.163 billion are associated with the Trade Adjustment Assistance program (\$846 million).

### Future Challenges

In PY 2005, Workforce Information efforts will focus on fully integrating services into State and local planning, decision-making and service delivery to businesses and job seekers in programs funded by the Workforce Investment Act and the Wagner-Peyser/VETS-funded employment services. FLC continues implementation of fraud detection/prevention measures and development of new procedures to eliminate backlogs. TAA, in order to improve data quality, will assist States with use of the Wage Record Interchange System.

To ensure that all ETA programs are effectively equipping today's workers to succeed in the 21<sup>st</sup> century, the Department is integrating its demand-driven approach across many program areas through targeted competitive grants. In PY 2005, DOL expects to report outcomes for the following initiatives:

- Youth Offender Grants – targeting solutions that prepare at-risk youth for high-growth jobs;
- Community-Based Job Training Grants – building the capacity of our nation's community college system to provide training in locally identified high growth/high demand industries; and
- Hispanic and Limited English Proficiency Grants – providing training in high growth occupations.

<sup>33</sup> Workforce Information was previously part of the One-Stop system employment services performance goal in Outcome Goal 1.1. Foreign Labor Certification has been added to the list of goals reported on in this report due to its strategic significance. Trade Adjustment Assistance was in Outcome Goal 1.1 in FY 2004.

## Better Decision-making Through Workforce Information

### Performance Goal 04-4.1A (ETA) – PY 2004

*Build a demand-driven workforce investment system by increasing accessibility to workforce information*

<b>Indicators, Targets and Results</b>	<b>PY 2003 Result</b>	<b>PY 2004 Target</b>	<b>PY 2004 Result</b>	<b>Target Reached*</b>
The number of job openings listed with the public labor exchange (with State Workforce Agencies and America's Job Bank)	12.8 million	12.994 million	<b>14.675 million</b>	<b>Y</b>
The number of job searches conducted by job seekers in America's Job Bank	169 million	170.788 million	<b>138.567 million</b>	<b>N</b>
The number of resume searches conducted by employers in America's Job Bank	8 million	8.090 million	<b>9.249 million</b>	<b>Y</b>
Percent of new requirements ratings for O*NET-SOC occupations	15%	15%	<b>22%</b>	<b>Y</b>
Percent of O*NET-SOC occupations for which updated data are released	15%	15%	<b>22%</b>	<b>Y</b>
Web site visits to O*NET	2.7 million	2.77 million	<b>3.91 million</b>	<b>Y</b>
PY 2004 Costs				<b>\$106 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

**Goal Substantially Achieved**

#### Program Perspective

The State and National workforce information system supports the goal of a demand-driven workforce by facilitating efficient and effective functioning of labor markets in a competitive economy. DOL contributes by creating and broadly disseminating current, local information on high growth industries and occupations. This information is critical for planning and delivering demand-driven workforce services. Customers include employers, job seekers, and State and Local Workforce Investment Boards (WIBs), who find this service useful for business, education, economic development and individual career decisions. The workforce information system consists of:

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

Resources supporting this goal are used for technical assistance and emerging occupation research, to operate the web sites and to keep the databases current. The AJB utilization indicators show how well it is operating as a forum for connecting labor demand with supply. O\*NET performance indicators gauge effectiveness in keeping the database of occupational competency ratings current with dynamic occupations and industries.

The state of the economy and national labor market conditions – the number of jobs and workers available – strongly influence performance levels for the AJB indicators. For example, during PY 2003, the job openings indicator exceeded its target significantly as the economic expansion picked up steam and the nation's unemployment rate dropped from 6.2 percent to 5.6 percent, whereas the same target was missed in PY 2002, when the economic expansion was just beginning. External factors that could affect O\*NET performance are changes in public demand for O\*NET information or in public participation in the data collection effort.

### Analysis and Future Plans

The Department substantially achieved its performance goal for the workforce information system. Results for each of the indicators under this goal reached or exceeded the targets, with the exception of the America's Job Bank job searches indicator. The job and resume search indicators and baselines were established in PY 2003. With the benefit of another year's data, these indicators appear to be more strongly influenced by economic conditions than originally believed. It now appears that an artificially high baseline was set for the job searches indicator, as the unemployment rate and hence the job search activity was higher during that period. This is supported by the fact that the lowest monthly count for job searches in the baseline year (PY 2003) is still higher than the count for any month in PY 2004. As the economic climate improved throughout PY 2004, it is logical to expect a decline in the number of individuals searching for work. There also appears to be an inverse relationship between the job search and resume search indicators; as the number of job searches declined, the number of resume searches increased, with the resume search target being exceeded by 1.2 million. This is also consistent with a relatively stronger economy, as businesses become more proactive in searching for individuals as the labor market tightens.



CareerPoint, the One-Stop Career Center in Holyoke, MA, delivers outstanding services to job seekers with significant barriers, particularly those with disabilities. At the center, Paul and Sarah explore America's Job Bank at the adjustable-height workstation equipped with large screen monitor, trackball mouse and assistive software. Paul has also met with the benefits specialist and job developer, and has attended the Job Club for Persons with Disabilities, which was offered by the center. In addition to standard job seeker services and assistive technology, members of CareerPoint's Disability Team are currently developing a model for serving persons with severe disabilities.  
**Photo Credit: Sarah Etelman, Paul Acosta, Leslie Dehey**

In response to these findings, the target for the job searches indicator will be adjusted for PY 2005, to a 1 percent increase over the PY 2004 result. The target for the O\*NET site visits indicator adjusted upwards to 3.87 million because demand for this information has exceeded initial estimates.

While the targets for updating and releasing new O\*NET data were both exceeded this year, these rates will not be adjusted as data collection nears completion and more rare or hard-to-locate occupations make up a larger share of the remaining sample. Adjustments to targets are expected to make improved performance challenging, but achievable, while further discussion is held on whether or not these are the appropriate indicators of performance for this activity in future.

In PY 2006, DOL's challenge will be fully integrating workforce information services into State and local planning, decision-making and service delivery to businesses and job seekers in programs funded by the Workforce Investment Act (WIA) and the Wagner-Peyser/VETS-funded employment services. To further this integration, ETA will begin collecting and reporting data on the impact of workforce information on participant employment outcomes.

### Management Issues

Performance data for these indicators are considered complete and reliable. Data for the O\*NET indicators are gathered and validated by internal management information systems and a data warehousing project was completed last program year at the America's Job Bank Service Center against which queries are now run to provide accurate counts of the number of job openings received and job and resume searches conducted on America's Job Bank.

The Government Accountability Office (GAO) released a report on the WIA in February 2005: *Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs* (Study 3 in Appendix 2). The report examined employers' awareness and use of One-Stop services, including AJB. While AJB was discussed in the report, the GAO did not make any recommendations that addressed AJB.

The workforce information system was included in the FY 2004 PART assessment of the Wagner-Peyser employment services, and was rated Adequate. None of the PART findings and recommendations addressed workforce information, the COS or O\*NET.

## Address Worker Shortages

### Performance Goal 05-4.1A (ETA) – FY 2005

*Assist employers in meeting their workforce needs by providing them with expeditious determinations on their applications to hire foreign workers.*

Indicators, Targets and Results	FY 2004 Result	FY 2005 Target	FY 2005 Result	Target Reached*
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	99%	100%	100%	Y
Percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing	N/A	baseline	57%	Y
The average cost for processing a new PERM application	N/A	baseline	\$523	Y
Percent of the H-2B applications processed within 60 days of receipt	70%	90%	85%**	N
FY 2005 Costs				<b>\$60 Million</b>
*Indicator target reached (Y), substantially reached (S) or not reached (N)				<b>Goal Not Achieved</b>
**Estimated based on three quarters of data				

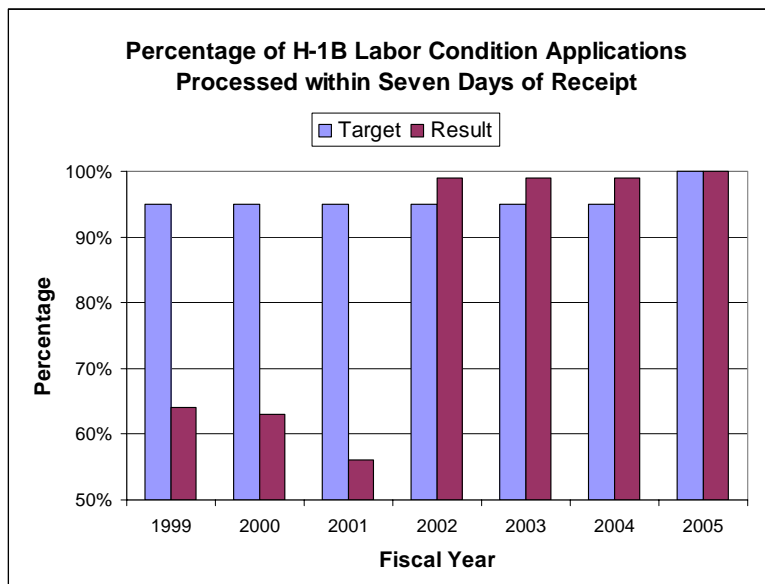
#### Program Perspective

The Department’s Foreign Labor Certification programs permit U.S. employers to hire foreign workers on a temporary or permanent basis when no American workers are available, able, willing or qualified. Employers file applications with the Department on behalf of workers they seek to employ on a temporary basis through the H-1B, H-1B1, E-3, H-2B, H-2A and D-1 programs. In addition, through the Permanent Employment Certification (PERM) program, employers can secure permanent residence in the U.S. for a foreign worker based on the employer’s permanent need for specific job skills. Employers are increasingly using visa programs to meet their needs. Recently, demand has exceeded capacity to properly certify applications. Consequently, DOL has made it a priority to improve efficiency while maintaining a high standard of program integrity. Thus, H-1B, H-2B and PERM application processing indicators measure improvement in timeliness and cost-effectiveness.

#### Analysis and Future Plans

As indicated in the table above, the goal was not achieved, but three of the four targets were reached. The H-1B Specialty (Professional) Workers Program’s application process was automated in Fiscal Year (FY) 2002 as part of an ongoing effort to streamline foreign labor programs. Automated application has significantly improved the H-1B Program’s overall performance – application processing increased from a low of 56 percent of applications being processed within seven days of receipt in FY 2001 to 100 percent of applications in FY 2005 (see chart to the right). The program is now in compliance with the statutorily required seven-day timeframe, and meets employer expectations for timely processing of H-1B applications. Furthermore, virtually all Labor Condition Applications (LCAs) filed using the Department’s web-based online system are processed within a few hours of their receipt, and the average processing time for LCAs filed using the H-1B fax system is 23 hours.

The Department continues to make improving the overall performance of the PERM program a





major priority. A key accomplishment during FY 2005 was launching the online PERM system. This new system, which reduces application processing times by automation, went into effect in March 2005. The results of two indicators related to the new PERM system – the percentage of applications resolved and an average cost per processing a new PERM application – will serve as baselines and determine targets for FY 2006. The online PERM system is dramatically transforming the program from a labor intensive application processing approach, relying on State and Federal staff; to a streamlined processing model that utilizes electronic filing technology. DOL established two national processing centers in FY 2005 to provide the infrastructure needed to improve overall application processing efficiency.



---

In March of 2005, the Permanent Labor Certification Program successfully launched its new system, known as the Program Electronic Review Management System (PERM). Employers are no longer filing the applications in a paper format or waiting for a long period to hear the result of their applications. This new system provides an online application which is accessible at any time and anywhere. Processing time has been significantly reduced by eliminating the State role in processing applications. To ease the transition period, help desk support for the PERM system is also available.

**Photo Credit: Courtney Chung and Steve Beeson**

---

Although the processing times for temporary non-agricultural H-2B applications have significantly decreased at both the State and Federal levels, they have not kept pace with employer demand for H-2B workers. As a result, a few employers seeking to hire H-2B foreign workers continue to experience delays. To address this concern in FY 2005 the Department of Labor deployed a new Oracle-based H-2B tracking system and consolidated the Federal processing role at our two centralized national processing centers located in Atlanta and Chicago. These changes should streamline and improve overall DOL administration and accountability of the H-2B program.

### **Management Issues**

In its FY 2004 report, the Office of Inspector General (OIG) listed integrity of the Foreign Labor Certification programs among DOL's top management challenges. Fraud prevention continued to be top ETA priorities in FY 2005. Fraud cases involve applications filed on behalf of fictitious companies, the fraudulent use of legitimate companies without their knowledge, and the collection of fees from fraudulent applications filed on behalf of foreign workers. As in previous years, DOL continuously takes steps to improve overall program integrity and employer compliance by developing a fraud detection/prevention system that uses a database of public records to validate applicant information and identify signs of risk or fraud. DOL is also considering the use of other safeguards to authenticate the identity of an employer and to maintain the integrity of the application process.

In 2004, the H-1B and Permanent programs were assessed under the PART. The Permanent program was rated Adequate and the H-1B program was rated Moderately Effective. For the H-1B program, the assessment recommended that DOL strengthen the Labor Condition Applications process with anti-fraud protections and implement new security standards, as appropriate. The Department is collaborating with the Departments of Homeland Security and State in a multi-agency data sharing effort to identify, address and deter H-1B and other visa fraud. The key findings and recommendations for the PERM program PART included developing new procedures to eliminate the application backlog, streamlining the certification process, detecting and preventing fraud, developing appropriate performance measures, and redirecting funds. To eliminate a backlog of more than 340,000 permanent applications, DOL developed a new data entry and application processing system and dedicated two new facilities to this task as mentioned in the Analysis and Future Plans section above.

## Help Trade-Affected Workers Find New Jobs

### Performance Goal 05-4.1B (ETA) – FY 2005

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

Indicators, Targets and Results	FY 2004 Result	FY 2005 Target	FY 2005 Result	Target Reached*
Percent of participants employed in first quarter after program exit	63%	70%	65%**	N
Percent of participants employed in first quarter after exit who are still employed in the third quarter after exit	89%	89%	91%**	Y
Average percent of pre-separation earnings for those employed in the third quarter after program exit	74%	80%	75%**	N
The average cost per training participant in FY 2005 (including training services, job search and relocation allowances, and income support)	N/A	\$16,000	\$13,358**	Y
FY 2005 Costs				<b>\$846 Million</b>

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

\*\*Estimated

**Goal Not Achieved**

#### Program Perspective

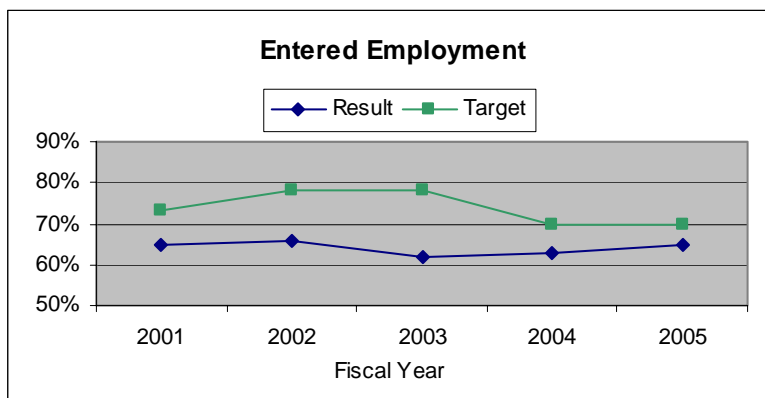
DOL's Trade Adjustment Assistance (TAA) program provides reemployment services to workers who lose their jobs due to increased imports or shifts in production to foreign countries. TAA's goal is to return workers to suitable employment as quickly as possible. The TAA program's success is measured by the extent to which it helps individuals to regain economic self-sufficiency by quickly securing and maintaining employment.

The TAA program is one component of seamlessly-integrated products and services, including those funded under the WIA Adult and Dislocated Worker programs and the Wagner-Peyser Act. The comprehensive readjustment services and benefits offered by the TAA program include job search and relocation allowances, occupational, on-the-job, and customized training, and remedial education, income support, and the Health Coverage Tax Credit, as well as wage insurance for qualifying workers under Alternative Trade Adjustment Assistance. The One-Stop system provides employment counseling, assessment, and placement services to TAA participants.

The four key indicators used to measure the TAA program's success are the common performance measures for job training programs. The entered employment indicator tracks the program's progress in quickly returning participants to employment. The retention measure indicates whether participants who quickly obtain jobs are able to sustain employment. The earnings replacement indicator tracks the program's success at returning participants to employment at wages close to those earned prior to layoff. The average cost per training participant helps the program manage towards lower cost levels while continuing to achieve results. Successful integration lowers this cost and increases the number of people served.

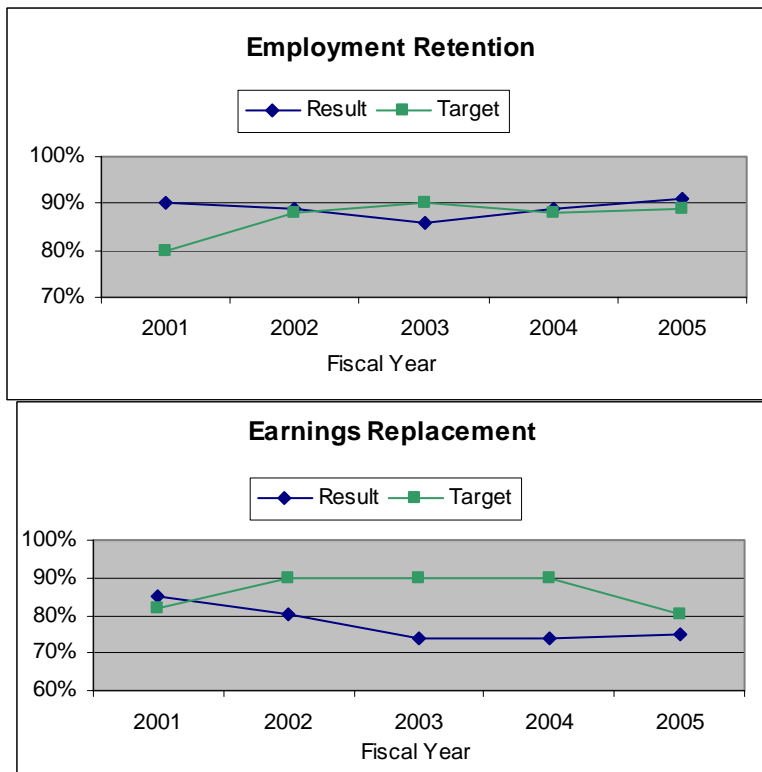
#### Analysis and Future Plans

In FY 2005, the TAA program achieved modest improvements in all three outcomes measured, exceeding the target for employment retention but falling short of targets for entered employment and earnings replacement. The average cost target was also reached. Improved results reflect the Department's efforts to integrate services to meet the needs of all trade-affected dislocated workers, ensure that they have access to the full





range of reemployment services offered through the One-Stop system, and manage funds to reach more customers. Improvements may also have been discovered via efforts to more accurately capture program outcomes (see discussion of data in the Management Issues section below).



During FY 2006, the Department will continue to implement common performance measures for all job training programs. The common performance measures will eliminate barriers to seamless integration caused by separate reporting definitions and measures under different programs. New reporting instructions and additional training on the new reporting system will provide another opportunity for the Department to emphasize the importance of reliable performance data. In addition, the Department has undertaken a multi-state study on co-enrollment to more accurately inform the system of the effects of co-enrollment on performance.

**Management Issues**

Although performance data being reported are the best available and comparable to prior years, the Department continues to find evidence that all States are not fully cooperating with our efforts to collect quality data. This has the effect of understating outcomes, particularly for entered employment. DOL has taken several actions to

further improve the quality of performance reporting. In May 2005, DOL established ten TAA performance principles designed to raise awareness of the importance of performance in the TAA program, and to help States focus on an integrated service strategy that will lead to strong performance achievement. The Department also issued an advisory to States that provided guidance on using the Wage Record Interchange System, capturing employment data through supplemental data sources, and using the correct exit date for TAA participants. This guidance is expected to lead to improvements in the accuracy and reliability of reported outcomes in FY 2006. In addition, implementing the common performance measures for job training programs will reduce the reporting confusion caused by definitions that differ between programs, and thereby increase the accuracy and reliability of TAA data.

The Government Accountability Office (GAO) report *Reforms Have Accelerated Training Enrollment, but Implementation Challenges Remain*, issued in September 2004, recommended that DOL monitor the implementation of certain provisions of the TAA Reform Act and propose legislative changes if necessary (Study 35 in Appendix 2). DOL has taken steps to assess the challenge of implementing the new legislation and to formulate new strategies.

The Office of Inspector General (OIG) recently conducted a data validation review of TAA program data (Study 36 in Appendix 2). The OIG found that the date of exit for the TAA program could not be substantiated with source documentation, and recommended that ETA take steps to ensure accurate recording of exit dates. ETA has clarified definitions and added requirements consistent with the new common measures, and has conducted three national training sessions on these issues.

In 2004, DOL contracted for a five-year net-impact study of the TAA program in order to obtain a more comprehensive understanding of the effects of the TAA program on trade-affected workers' employment outcomes.

During 2003, the TAA program was assessed under the PART, and was rated Ineffective. In response to the review's PART recommendations, the Department drafted the revised TAA regulations; conducted six leadership forums on the integration of assistance for dislocated workers between the TAA program and the WIA Dislocated Worker program; and developed and implemented a new funding formula to improve financial management practices with respect to TAA training expenditures.

## Outcome Goal 4.2 – Promote Workplace Flexibility and Minimize Regulatory Burden

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

Outcome Goal 4.2 indicators measure DOL's success in creating a more competitive economic environment through promotion and development of a regulatory structure that is congruent with the modern workplace. Comprehensive reviews are under way or planned for key laws and regulations governing labor standards, pensions, health care, and worker safety to determine their appropriateness. Wherever possible, DOL will follow up with changes to reduce regulatory burden to improve productivity and competitiveness, while simultaneously protecting worker rights, benefits, and safety. DOL has already made strides in modernizing its regulatory approach by 1) reinvigorating and emphasizing compliance assistance through outreach, education, and innovative programs designed to prevent violations; 2) targeting our enforcement efforts to address the most egregious problems; and 3) expanding electronic options for employers to meet their reporting obligations.

Goal (Agency) and Statement	Performance Summary	FY 2005 Costs (millions)
<p align="center"><b>05-4.2A (OASP)</b></p> Maximize regulatory flexibility and benefits and promote flexible workplace programs	Goal achieved. Four targets reached.	See Net Cost of Programs below

### Results Summary

In FY 2005, DOL reached targets associated with regulatory flexibility, flexible workplaces and cost-effective practices. DOL did not have an opportunity to pursue its goal of increasing access to health care benefit plans.

DOL published milestones for 19 regulatory initiatives that address Goal 4.2 purposes during FY 2005. Highlights include:

- ESA's Wage and Hour Division published a final rule to clarify and update child labor regulations and reflect changes in the workplace and recent amendments to the law which will eliminate confusion for employers, youths and their parents;
- ESA's Office of Federal Contract Compliance published final rules that eliminate requirements to visit employers when conducting compliance checks;
- ETA proposed changes to regulations that will greatly streamline procedures for applying for H-1B Visas in Specialty Occupations; and
- OSHA is currently conducting reviews on standards regulating excavations, methylene chloride, and occupational exposure to lead in the construction industry.

OASP developed a plan that will be used to identify DOL regulatory practices that are not cost effective and establish a baseline unit cost measure for DOL program agencies. The first part of this plan is a literature review of external studies of the cost of DOL regulatory programs. An initial assessment of several of these studies has been made.

### Net Cost of Programs

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

## Promote Flexible Workplace Programs

**Performance Goal 05-4.2A (ASP) – FY 2005***Maximize regulatory flexibility and benefits and promote flexible workplace programs*

<b>Indicators, Targets and Results</b>	<b>FY 2004 Result</b>	<b>FY 2005 Target</b>	<b>FY 2005 Result</b>	<b>Target Reached*</b>
Develop plan to review significant regulations for maximum flexibility	N	Develop plan	Y	Y
Establish criteria and timeline for regulatory reviews	N/A	Establish criteria and timeline	Y	Y
Baseline unit cost. Develop plan to identify practices that are not cost-effective	N/A	Develop plan	Y	Y
Identify and publicize best practices for, and models of, flexible workplace practices	N/A	Develop Studies	Y	Y
Increase the percent of small employers with access to health care benefit plans <sup>34</sup>	N/A	N/A	N/A	N/A
FY 2005 Costs <sup>35</sup>			–	
			<b>Goal Achieved</b>	

\*Indicator target reached (Y), substantially reached (S) or not reached (N)

**Program Perspective**

The Office of the Assistant Secretary for Policy (OASP) coordinates and tracks DOL's achievement of this goal in part through its role in directing the compilation and publication of the Department's Annual Regulatory Plan and Semi-Annual Regulatory Agenda. With OASP's assistance, DOL regulatory agencies have established plans and procedures they use to prioritize their regulatory initiatives to ensure they support this strategic goal. It is important to note, however, that most of the items on the Agenda are either not discretionary (i.e., they are required to implement new statutory requirements or court decisions) or implement policy and program priorities related to the Department's other strategic goals. During the reporting period, the Department had 22 items on its regulatory agenda that were relevant for goal 4.2 purposes and took action on 19 of them. Actions included publishing notices of proposed rulemaking, final rules, interim final rules, etc. In each case, DOL agencies ensured that these actions maximized net benefits, promoted regulatory flexibility, and replaced obsolete provisions with ones that reflect current technology and market conditions and address current business practices.

Each indicator for this performance goal measures DOL's progress in promoting flexibility in ways that are crucial to a competitive workforce: regulatory flexibility and workplace flexibility. The regulatory flexibility indicators ensure that DOL's regulation review plan emphasizes flexibility, is based on meaningful criteria that, where feasible, reflect public input, and corrects current regulatory practices that are duplicative, obsolete or not cost-effective. The workplace flexibility indicators ensure that DOL highlights and publicizes best practices of flexible workplaces and model flexibility practices and that an increasing number of small employers are able to provide their employees with access to health care benefits plans. Regulatory flexibility indicators are not typically impacted by external factors. Performance of the workplace flexibility indicator of small employer access to affordable health care plans is dependent upon passage of Association Health Plan legislation.

<sup>34</sup> This target did not come into play, as its measurement was contingent upon passage of Association Health Plan legislation, which did not occur.

<sup>35</sup> The costs of achieving DOL's results in maximizing regulatory flexibility are distributed throughout the department's regulatory agencies, as it is part of their costs of operations.

### **Analysis and Future Plans**

DOL agencies continue to apply their regulatory review methodologies to make progress on their regulatory Agendas. Their review processes allow opportunities for public input, where appropriate, on both the selection of regulations for review and the outcomes of reviews. In the course of promulgating revised regulations, agencies conduct cost benefit analyses to help assure that the regulations maximize net benefits. DOL published milestones for 19 regulatory initiatives during the fiscal year that address Goal 4.2 purposes. What follows are four examples of these regulatory projects. OSHA is continuing its long-term effort to update standards that either reference or include language from outdated standards developed by industry or professional consensus groups. By eliminating this outdated language, DOL clarifies employer obligations and reduces administrative burdens for both employers and OSHA. EBSA is engaged in reviews of the relative benefits and burdens of existing regulations that govern application and evaluation procedures associated with its granting of prohibited transaction exemptions. Also, EBSA issued a proposed rule that would establish a procedure to allow financial institutions to distribute the assets of abandoned individual account plans to participants and beneficiaries. ESA's WHD published final rules that implement an interactive web based system for disseminating wage rates applicable for work done on contracts covered by the Service Contract and Davis-Bacon Acts.

In the fourth quarter, OASP initiated a regulatory review and clean-up project that will update references in the Code of Federal Regulations. Also in the fourth quarter, OASP began reviewing external studies of the cost of DOL regulations in order to help its analysts develop a baseline unit cost measure for DOL regulatory agencies. An initial review has focused on studies done between 1978 and 2005 that examine the cost of OSHA regulations in particular. Analysts are examining the methodology used in the studies to facilitate OASP's development of a methodology that can be applied to all DOL agencies. Plans are to develop a prototype methodology by the second quarter of FY 2006.

The Women's Bureau's (WB) Flex-Options for Women demonstration project is designed for the WB to partner with employers, including corporate executives, and business owners to mentor other employers in the development of flexible workplace practices. At the conclusion of FY 2005, this project had met 100 percent of its intermediate and outcome measures.

### **Management Issues**

The data used for this performance goal are qualitative. These data are accurate and reliable and are collected as part of OASP's regular management processes. In accordance with the FY 2000 Treasury and General Government Appropriations Act, the Office of Management and Budget (OMB) publishes an annual Report to Congress on the Costs and Benefits of Federal Regulations. For the last several years, the reports have included lists of regulations nominated by the public for reform. DOL obtained public input on how to prioritize its regulatory initiatives in response to OMB's solicitation for nominations for regulatory reform. DOL has considered the public's nominations and has identified those items upon which it will act. Examples of nominated regulations in the 2005 report on the manufacturing sector include ESA's Family and Medical Leave Act regulations and OSHA's Flammable Liquids standard. DOL has completed action on one nomination (Permanent Labor Certification) and has established plans and schedules for taking action on the remaining nominations. The OMB report includes each agency's response to the nominations and the Assistant Secretary for Policy testified before House subcommittees twice during FY 2005 on the Department's progress in responding to the nominations and action plans.



## **Financial Section**



## Chief Financial Officer's Letter



Creating a more efficient and effective government is a continuous endeavor. Unlike a race with a finish line, this is a journey where achievements and successes result from sustained day-to-day efforts to improve how we deliver services to the public and to produce measurable results. Our overall goal must reach beyond accurate and timely information. In the past, Federal financial management has resembled the bystander in the story of the lost hot air balloonist. The bystander accurately tells the balloonist how high he is, but provides nothing useful to help the balloonist find his way. A similar affliction affects the proverbial frog at the bottom of the well, who provides in-depth information but of such narrow scope that it is irrelevant. These stories highlight the need for information that is timely, accurate, and *relevant* with a clear and definable perspective.

Four pillars support much of the Department's success in improving financial management and realizing success on this journey: *leadership, ownership, value, and effectiveness*. These are not passive ideals that can be taken for granted. Even one weak pillar can cause a vital initiative to collapse, impeding the Department's mission to create a prepared, secure, and competitive workforce and quality workplaces.

**Leadership.** Implementing and sustaining necessary institutional initiatives requires the support of senior management. The leadership of Secretary Elaine L. Chao, her senior management team, each Departmental agency head, and every manager is instrumental to the effective stewardship of all DOL programs. Secretary Chao has led and supported our efforts to make sound financial management a priority at the Department—from improving internal controls to forging an environment where integrated financial and performance information correlates with improving program results.

**Ownership.** For an initiative to be sustainable, managers must make a personal investment in the endeavor and do so because they recognize the positive day-to-day impact on their programs. Without embedding ownership, a new initiative often becomes another well-intentioned, but unsustainable, management fix. Ownership also creates an environment where the leader is dedicated to the eventual success of the program. Ownership means management has adopted the initiative as a tool that not only works, but is something with which they want to work.

**Value.** Financial managers must be able to identify the relative value of every management tool. As fiduciary agents of the Federal government, managers' time must be spent in the most efficient and effective manner possible. Finding new tools and processes to make day-to-day operations more efficient is extremely important.

**Effectiveness.** With each initiative, we must evaluate whether the results justify the costs incurred to obtain them. Maximizing each dollar's impact on programs and services is one of our key goals. With finite resources, effectiveness and efficiency become ever more critical to obtaining results.

This past year, our journey has passed several milestones that indicate that we are headed in the right direction. Some highlights include:

- As a Department, we became the first Federal agency to obtain an overall “green” rating for each of the initial five areas of the President's Management Agenda (PMA).
- By the close of FY 2005 we had achieved a sixth “green” rating for our efforts to eliminate improper payments. Our Unemployment Insurance (UI) and Federal Employees Compensation Act (FECA) programs saw a combined reduction of over half a billion dollars in FY 2005, exceeding our targeted goals.
- We received our ninth consecutive clean audit opinion on our consolidated financial statements and our fifth consecutive *Certificate of Excellence* from the Association of Government Accountants (AGA).

- The Department successfully transferred its payroll operations to the National Finance Center as part of the Government-wide e-Payroll initiative to consolidate and standardize Federal civilian payroll services.
- DOL became the first Federal agency to pilot an end-to-end eTravel system, and intends to deploy the full system by the end of FY 2006.

These pillars also are evident in the significant strides we have made to implement managerial cost accounting to determine the “true cost” of provided services. By integrating financial and performance information, program managers and senior executives can evaluate operations more quickly with better information than ever before. Stakeholders recognize the value of this resource in making more informed decisions, and their support of this initiative has contributed to its great success and recognition as a model for other Federal agencies to follow. The use of integrated financial and performance information in day-to-day operational decisions is a true paradigm shift towards greater accountability and responsibility for resource stewardship. Managerial cost accounting supports the production of this Performance and Accountability Report by enabling the Department to report the full costs of our strategic, outcome, and performance goals for the first time.

The four pillars provide essential support for effective internal control. Identifying risks, implementing compensating controls, and monitoring the effectiveness of those controls are essential for ensuring that we use resources effectively to achieve desired results. Every employee of the Department must recognize his or her responsibility to promote internal controls and improve the accountability and transparency of our programs and missions. We have taken this responsibility to heart. I am pleased to report that as I celebrate my fourth year in office, once again the Secretary has assured the President and the Congress that the Department complies with the Federal Managers' Financial Integrity Act (FMFIA). Our continuing challenge is the transformation of internal control into an integral part of the Department's entire cycle of planning, budgeting, management, accounting, and auditing.

As our journey continues, we face new challenges such as responding to the critical national needs that have arisen in the aftermath of recent natural disasters. Our fiduciary responsibilities become ever more crucial as diverse programs require funding from finite resources, meaning that we must continue to extract improved results from shrinking funds. How well we succeed will depend largely on our ability to build upon the positive results we have attained to this point.

The success of each initiative undertaken at the Department of Labor ultimately must be judged by whether the initiative is sustained over time and has become a part of the management culture. There are no shortcuts on our journey to improve financial management and enhance fiscal integrity. A lasting legacy and reaching our goals come only through strong leadership, managerial ownership, programmatic value, and results-driven effectiveness.



Samuel T. Mok  
Chief Financial Officer

November 15, 2005



## Independent Auditor's Report

### To the Honorable Elaine L. Chao Secretary of Labor

The *Chief Financial Officers Act of 1990* (CFO Act) requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations. To meet the CFO Act reporting requirements, the United States Department of Labor (DOL), a Department of the United States Government, prepares annual financial statements, which are subjected to audit.

The objectives of the audit are to express an opinion on the fair presentation of DOL's principal financial statements. Additionally, the objectives include expressing an opinion on DOL's compliance with requirements of the *Federal Financial Management Improvement Act of 1996*, based on an examination.

We have audited the consolidated balance sheets of DOL as of September 30, 2005 and 2004, and the related consolidated statements of net cost, changes in net position, financing, and custodial activity and the combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of DOL's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

### Relationship to the Single Audit Act

The financial statements for the years ended September 30, 2005 and 2004, include:

- costs for grants, subsidies, and contributions primarily with various state and local governments and nonprofit organizations in the amounts of \$9.4 billion and \$10.1 billion, respectively;
- costs for unemployment benefits incurred by state employment security agencies in the amounts of \$32.3 billion and \$41.7 billion, respectively;
- state employer tax revenue of \$33.1 billion and \$30.1 billion, respectively;
- net receivables for state unemployment taxes, reimbursable benefits, and benefit overpayments of \$.9 billion and \$1.0 billion, respectively; and
- reimbursements from state, local, and nonprofit reimbursable employers for unemployment benefits paid on their behalf, in the amounts of \$1.9 billion and \$2.4 billion, respectively.

Our audits included testing these costs, financing sources, and balances at the Federal level only. Pursuant to a mandate by Congress, the examination of these transactions below the Federal level is primarily performed

by various auditors in accordance with the Single Audit Act of 1984, as amended, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The results of those audits are reported to Federal agencies that provide direct grants, and each Federal agency is responsible for resolving findings for its awards.

### **Opinion on Financial Statements**

In our opinion the aforementioned financial statements present fairly, in all material respects, the assets, liabilities, and net position of the DOL as of September 30, 2005 and 2004; and the net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Accompanying Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements of DOL taken as a whole. The accompanying information discussed below is not a required part of the principal financial statements.

The supplementary information included in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections of the Performance and Accountability Report are required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. We have applied limited procedures, performed at the Federal level only, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

The information included in the Secretary's Message, Performance Section, Chief Financial Officer's Letter, 2005 Top Management Challenges Facing the Department of Labor Identified by the Office of Inspector General and the report appendices are presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and, accordingly, we express no opinion on it.

### **Report on Internal Control**

In planning and performing our audit, we considered DOL's internal control over financial reporting by obtaining an understanding of the Department's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may, nevertheless, occur and not be

detected. We noted certain matters, discussed in the following paragraphs, involving the internal control and its operations that we consider to be reportable conditions. However, none of the reportable conditions are believed to be a material weakness.

In addition, we considered DOL's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the agency's internal controls, determining whether they had been placed in operation, assessing control risk, and performing tests of controls as required by OMB Bulletin No. 01-02. The objective of our audit was not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Finally, with respect to internal control relating to performance measures included in the Performance Section, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

## **Reportable Conditions**

### *Incomplete Capitalization of Internal Use Software Costs*

Statement of Federal Financial Accounting Standard (SFFAS) No. 10 requires agencies to capitalize costs related to the development of internal use software, such as direct salary and fringe benefits of federal employees involved and related indirect costs such as overhead, rent, and travel. Our FY 2005 audit identified more than \$53 million of internally-developed software costs that were not appropriately capitalized in accordance with generally accepted accounting principles (GAAP) and DOL policy. Specifically, DOL agencies did not capitalize software development costs, such as the direct salary and fringe benefit costs associated with Federal employees involved with software development, and the related indirect costs such as overhead, rent, and travel. Three of the agencies involved were unaware of the capitalization requirements, and we concluded that the OCFO was not sufficiently monitoring agencies in this regard. Accordingly, we recommended that the Chief Financial Officer (CFO) monitor agency compliance with Federal and departmental accounting requirements for internal use software. Management recorded appropriate adjustments to the year-end financial statements, and agreed to monitor agency compliance and reissue the guidance for capitalizing costs of internally-developed software.

### *Software License Fees Inappropriately Capitalized*

Our FY 2005 audit disclosed that DOL agencies inappropriately capitalized \$6.7 million of software licenses acquired in FY 2005, and \$2.4 million acquired in prior years. The costs of these licenses did not meet the criteria for capitalization established in GAAP, and, accordingly, the costs should have been expensed in the year acquired. We found that DOL's policy manual, the Department of Labor Manual Series (DLMS), did not provide guidance or requirements as to how DOL agencies should account for software license fees, and that the OCFO was not monitoring agencies in this regard. We recommended that the CFO issue relevant written guidance, monitor agency compliance over accounting for software licenses, and record appropriate adjustments in the general ledger. Management agreed with the recommendations and expensed approximately \$4.9 million of license fees in FY 2005 and will research the remaining amounts and make the appropriate adjustments in FY 2006. Management also agreed to issue relevant guidance and monitor agency compliance over accounting for software license costs.

### *Internal Control Weaknesses Noted for Job Corps Real Property*

DOL owns a significant amount of real property, which is capitalized and depreciated in the Department's accounting records, and is reported in the Department's financial statements. In the FY 2003 audit, we reported errors in amounts reported for Job Corps real property, and concluded that ETA did not establish sufficient controls to ensure that capitalized real property was safeguarded and accurately reported in the Capitalized Assets Tracking and Reporting System (CATARS) and the Department of Labor Accounting and Related Systems (DOLARS) general ledger. We recommended that management record property transactions timely and make other improvements over accounting for real property. During the FY 2005

audit, our review of the construction in progress (CIP) account disclosed that the account inappropriately contains completed construction projects. We identified 18 CIP contracts that were completed and should have been transferred from CIP to the buildings or leasehold improvements accounts. The value of these completed projects was \$55.5 million. We identified three additional contracts, valued at \$2.8 million, that were inappropriately recorded in the CIP account (these items were not for construction projects), and six items recorded in the property accounts that had been disposed and should have been written off. The net book value of the disposed items was \$.4 million.

Management responded that they performed a complete review of items in CIP, and moved over 100 old items out of CIP during the year. Additionally, they made changes to their procedures to ensure that newly finished structures entered into CATARS were in accordance with the newly reorganized asset designation and identification system. The documentation of the remaining completed projects was not available until near year-end, and could not be properly entered into CATARS. Management made an adjustment for the value of the completed projects so as to properly present the effect of completing these construction projects. Work for all the remaining projects will be completed by December 31, 2005.

#### *Weaknesses Noted Over ESA Benefit Program Accounting*

The Employment Standards Administration's (ESA) Office of Management, Administration, and Planning (OMAP) performs the accounting for ESA's benefit programs, including Federal Employees' Compensation Act (FECA), Energy Employees Occupational Illness Compensation Program Act (EEOICPA), Longshore and Harbor Workers' Compensation Act (LHWCA), and District of Columbia Compensation Act (DCCA). These accounting procedures include entering transactions in the DOLAR\$ general ledger, reconciling accounts, and working with employing agencies to ensure receivables are paid. Many of these transactions are entered in DOLAR\$ as monthly summary journal entries from various subsidiary records. In FY 2005, we noted several instances when the accounting for these activities was not performed timely, completely, or accurately. OMB Circular A-127 requires agency financial systems to provide reliable and timely information.

In addition, we found that ESA did not maintain its subsidiary system for tracking the balance of Intra-governmental Accounts Receivable for the FECA program. Although the OCFO has maintained other receivable records, ESA was not following up with employing agencies or managing the receivable balances. Without an adequate subsidiary system, ESA cannot properly manage its receivables or accurately report the employing agency balances.

Additionally, ESA did not have a formal process to reconcile its various benefit payment subsidiary systems (FECA, EEOICPA, and LHWCA/DCCA) with amounts reported to Treasury and recorded in the DOLAR\$ general ledger. Although the OCFO performs Funds with Treasury reconciliations, the reconciliations are based on amounts recorded in the general ledger and do not include the detailed payment history databases included in the subsidiary systems. Without a complete and formal reconciliation process, management cannot ensure that its payment subsidiary systems are in agreement with the actual payments reported and reconciled to Treasury.

These accounting and reconciliation problems arose because there was a significant employee turnover in OMAP, and ESA did not have sufficiently detailed or comprehensive written procedures to enable new staff to perform the required activities in an accurate and timely manner. In FY 2005, these weaknesses jeopardized the timely and accurate issuance of the accountability report.

We recommend that the Chief Financial Officer and the Assistant Secretary for Employment Standards: ensure that OMAP develops adequate detailed written procedures that address all significant aspects of its accounting and financial management; ensure that OMAP implements a human resource transition/succession plan which includes a description of key positions and detailed written procedures for the duties assigned to the position; ensure that OMAP and OWCP develops and implements reconciliation procedures for the benefit payment histories and the SF-224, FMS 6653 and the DOLAR\$ general ledger; and ensure that OMAP maintains a current Intragovernmental Receivable subsidiary ledger and establishes



written procedures for collecting the receivables. Management generally concurs and has begun taking steps to address these recommendations.

#### *Errors in FECA Medical Bill Processing*

Our FY 2004 audit disclosed errors in the processing of FECA medical bills, which were attributed to the fact that management did not have a quality assurance and internal audit plan in place prior to implementation of a new medical bill payment system. Both prior to and in response to this finding, management took steps to correct some of the weaknesses identified in the audit. We recommended that management move forward with full implementation of the proposed corrective actions, and adjust the accounting records accordingly. In response, management implemented certain corrective actions to improve processing of medical bills. However, our FY 2005 audit identified that medical bills paid during the year were not consistently priced in accordance with the appropriate fee schedules. We identified that management needs to take additional actions to reduce these errors, including: modify the duplicate pay edit; ensure that version changes to Grouper/Pricer are controlled and documented; improve controls over the fee schedule changes, so that the effective date is not before the implementation date; and strengthen the controls over the manual override function. Management partially concurred with our recommendations, and indicated that corrective actions had already been implemented to resolve these audit findings.

#### *Lack of System to Track FECA Medical Bill Receivables*

Our FY 2004 audit disclosed that ESA did not have a system to track and record medical bill overpayments (receivables), and, accordingly, these receivables were not recorded in the general ledger. Without an effective system, receivables cannot be adequately monitored and managed, and we estimate that the Department's accounts receivable are understated by approximately \$2 million to \$4 million, annually.

In the FY 2004 report, we recommended that ESA develop and implement a system to identify and record receivables resulting from overpayment of medical bills. In response, management indicated that the case management system, inclusive of the receivable system, would be deployed in FY 2005. However, our FY 2005 audit found that the system implementation was postponed to March, 2006.

#### *Lack of Current Medical Evidence to Support FECA Compensation Payments*

We previously reported that ESA's Office of Workers' Compensation Programs (OWCP) did not have adequate controls to ensure that current medical evidence is maintained in the case files to support the continuing eligibility of claimants, which increases the risk of improper payments. This was a result of OWCP not properly following its procedures. We recommended that management implement automated procedures to ensure medical evidence is obtained and reviewed. In our FY 2005 audit, we continued to note a high error rate where case files did not contain current medical evidence. Management developed a corrective action plan that calls for the completion in March 2006 of an automated system to track the status of medical evidence in the case files.

#### *Lack of Strong Application Controls Over Financial Information*

In the FY 2004 audit, we reported that DOL lacked strong application controls over the access to and protection of financial information. Our FY 2005 application controls testing noted the continued presence of numerous weaknesses in the information protection controls over applications. Specifically, we noted consistent weaknesses across the applications tested in the following application control areas:

- Identification and documentation of supporting environments, such as process flow documentation and mapping;
- Application password settings, such as passwords that do not adhere to complexity requirements;
- User access, such as incomplete access request and termination forms;
- Lack of application segregation of duties policies or enforcement of segregation of duties policies;
- User recertification, including lack of user recertification, or incomplete recertification documentation;
- Audit trails, such as lack of monitoring of sensitive application functions and incomplete audit logs; and

- Controls over output to other applications, including reconciliation of control totals and record counts.

These findings are a result of a breakdown in the implementation and monitoring of Departmental processes and procedures for application controls. These application control weaknesses could lead to users with inappropriate access to financial systems, inefficient processes, lack of completeness, accuracy, or integrity of financial data, or the lack of detection of unusual activity within financial systems.

In FY 2004, we recommended that the CIO ensure that the individual agencies correct the specific application control weaknesses identified during the audits, and coordinate efforts with the OCFO to develop and/or enforce procedures and controls to address consistent or systemic application control weaknesses on current and future financial management systems.

The OCIO generally concurred with the recommendations, and devised detailed plans to address the vulnerabilities associated with application and logical security control weaknesses systematically and consistently. In addition, the OCIO indicated that monthly meetings will be held with the effected agencies to ensure that security weaknesses identified in the audit are corrected in accordance with the agencies' respective plans of action and milestones.

#### *Lack of Strong Logical Security Controls*

In prior years, the OIG reported that DOL lacked strong logical security controls to secure the Department's networks and information. The FY 2005 audit identified continuing weaknesses, as follows:

- Technical security standards and policies need to be updated and implemented to include stronger logical security controls. Specifically, patches need to be applied to systems in a timely manner; unnecessary services need to be disabled; and access to sensitive files and directories needs to be restricted.
- Background check policies and procedures need to be created for contract staff and need to be enforced for federal staff to ensure that adequate levels of clearance are maintained for applicable staff.
- Segregation of duties policies need to be created and enforced for general support systems of financial applications.

These findings are a result of a breakdown in the implementation and monitoring of Departmental processes and procedures for logical security controls. These logical security control weaknesses could lead users to gain unauthorized access to the agency applications and data, or potential modification or disclosure of agency data.

In prior years, the OIG recommended that the CIO ensure the specific security weaknesses identified during the audits and reported in various agency reports are addressed by the individual agencies, and enhance the Department's security program to include testing of the noted weaknesses as part of the CIO's new testing process.

The OCIO generally concurred with the recommendations, and devised detailed plans to address the vulnerabilities associated with application and logical security control weaknesses systematically and consistently. In addition, the OCIO indicated that monthly meetings will be held with the effected agencies to ensure that security weaknesses identified in the audit are corrected in accordance with the agencies' respective plans of action and milestones.

#### *Errors Reported by States on ETA 2112 Not Corrected by ETA*

On a monthly basis, states are required to submit form ETA 2112, UI Financial Transaction Summary Unemployment Fund, which provides a summary of transactions for the state unemployment fund. Our audit of UI activity recorded in FY 2005 identified that the state reporting entities did not consistently report certain UI transactions, and that ETA did not effectively review the monthly reports in order to detect and

correct these errors on a timely basis. As a result, the financial statements of the Department were misstated. Specifically, we noted the following:

- One state reported a \$149 million withdrawal from their unemployment fund as a negative deposit, which effectively overstated the amount recorded in DOLAR\$ as UI benefit payment expense.
- One state inappropriately reported private loan proceeds as employer tax revenue, overstating the revenue by \$230 million.
- Other states incorrectly reported Trade Readjustment Assistance, NAFTA and/or TRA funds as UI deposits.

We also noted that the aggregate ending cash balance in the states' benefit payment accounts as reported on the ETA 2112 did not agree to the corresponding advance or accounts payable balances recorded in DOLAR\$. Research into these differences disclosed an estimated \$222 million understatement of benefit payment expense.

We concluded that ETA was not sufficiently monitoring information reported by States on the ETA 2112 reports, and had not provided adequate instructions or training on reporting UI Trust Fund activity. Accordingly, we recommend that additional instructions be provided to the UI reporting entities, procedures be implemented to review data reported on the ETA 2112, and that differences in ending cash balances be reconciled and adjusted as necessary. Management concurred with these findings, and has indicated that various edit checks and reconciliation procedures will be implemented in FY 2006.

#### *OASAM's Procurement Files Lack Sufficient Documentation*

In the FY 2004 audit, we reported that OASAM's procurement files lacked sufficient documentation and were poorly organized. Based on the condition of the files and the lack of critical procurement documentation, it was clear that files were not being maintained in accordance with existing procurement policies and procedures. As a result, management was not able to demonstrate compliance with the sections of the FAR pertaining to contract competition for three contracts. We recommended that management improve record maintenance, establish consistent practices, and develop a monitoring process to ensure compliance with applicable procurement requirements.

In response, OASAM implemented a series of policy and procedural changes designed to improve record maintenance, ensure consistent and compliant procurement practices, and raise awareness and proficiency in the procurement award process. Files were reorganized, and our review of a sample of 10 FY 2005 procurement actions identified a significant improvement in that regard. However, the Office of Procurement Services' (OPS) assessment of FY 2005 procurement activities identified that contract renewal actions were not processed by October 1, 2004 in full compliance with the FAR. For this reason, OPS requested a class sole source and ratification authority for FY 2005 continuing service procurement actions. The request was approved and a Justification for Other Than Full and Open Competition (JOTFOC) was executed retroactive to October 1, 2004.

Because the majority of procurement actions made by OPS in FY 2005 were for continuing services subject to the JOTFOC and/or ratification, we were unable to conclude as to whether or not OPS would be able to produce fully documented and compliant contract awards under routine operating procedures, pursuant to applicable procurement laws and regulations. In addition, the authorizing ratification document indicated that approval was contingent on the receipt of the monthly reports detailing individual contract actions awarded under the authority, along with the planned or actual procurement strategies to assure full FAR compliance next year. We found that OPS did not comply with this provision.

Management believes that the procedural changes made in FY 2005 have resolved the original audit findings, and has stated that the report required by the JOTFOC will be completed by the end of the first quarter of FY 2006. However, we remain unable to conclude whether or not OPS' revised operating procedures would

produce fully documented compliance with applicable procurement requirements since the majority of procurement actions made in FY 2005 were subject to a one-time sole source process.

#### *Inaccurate Grant Accounting*

The OIG previously reported that significant errors were made in amounts recorded for ETA's grants and contracts. These errors were attributed to a lack of sufficient internal control procedures to identify and correct errors on a timely basis. The OIG recommended that management establish procedures to identify and correct accounting errors on a timely basis, including implementation of review procedures and exception reports. ETA management concurred, and implemented various improvements designed to detect potential accounting errors. However, our FY 2005 audit continued to note accounting errors in grants selected for testing, and identified differences in the total costs reported by grantees in ETA's grant cost subsidiary and the corresponding amounts recorded in the general ledger. ETA management concurs with our conclusions, and plans to implement additional procedures to address these audit findings.

#### *Deficiencies in Controls Over Unemployment Insurance (UI) Benefit Overpayments*

The OIG's FY 2001 audit disclosed certain deficiencies in the internal controls over Unemployment Insurance (UI) benefit payments. Specifically, the OIG identified that UI overpayment data collected by the Benefit Accuracy Measurement (BAM) unit reflect significantly higher overpayments than those established as accounts receivable by the states' Benefit Payment Control (BPC) system. The OIG also found that there had been little change in the rate of overpayments (about 8.5 percent) since 1989. The OIG recommended that management develop a plan to use the BAM data as the impetus for improving internal controls over the benefit payment process, and include procedures to identify statistically valid improvements, or lack thereof, in overpayment rates. In response, management implemented corrective actions, including a Government Performance and Results Act (GPRA) goal, which they believed would result in a significant reduction in the detectable, recoverable overpayment rate. However, we found that recent UI data does not reflect improvements in the rate of overpayments or in the rate measured with the GPRA goal. The published UI-benefit overpayment rates for calendar years (CY) 2004, 2003 and 2002 were 9.9 percent, 9.3 percent, and 9.1 percent, respectively, each year reflecting an increase rather than a decrease in the rate of overpayments.

Management believes that the corrective actions taken in response to this finding have resulted in a significant reduction in the detectable, recoverable overpayment rate, and that the fiscal year data presented in this Performance and Accountability Report (PAR) reflects a decline in the overpayment rate from 9.7 percent in FY 2004 to 9.46 percent for FY 2005. These rates are based on data obtained through June 30, 2005, whereas the data obtained for our audit evaluation was based on annual published data for the years ended December 31, 2004, 2003 and 2002. We conclude that six additional months of data is not sufficient evidence to substantiate a permanent downward trend in the UI overpayment rate, and that the overpayment rate reported by management for FY 2005 (9.46 percent) reflects an increase from the rate reported in 2001 with the original audit finding (8.2 percent).

#### *Implementation of Managerial Cost Accounting*

In the FY 2002 audit, the OIG reported that DOL was not in compliance with the requirements for managerial cost accounting (MCA) contained in Statement of Federal Financial Accounting Standards (SFFAS) No. 4. Specifically, DOL had not defined outputs for its operating programs nor developed the capability to routinely report the cost of outputs at the operating program and activity levels. Further, DOL did not adequately link cost information to performance measures at the operating program level for use in managing program operations on a routine basis or use managerial cost information for purposes of performance measurement, planning, budgeting or forecasting.

Management concurred with this finding, and developed a comprehensive plan to implement a Department-wide MCA system that complies with the requirements of SFFAS No. 4. Cost models were developed for substantially all of DOL's agencies and their major programs, the MCA system was certified for processing, and the cost accounting software was installed throughout each of the program agencies.

However, while the department has made significant progress in implementing managerial cost-accounting capabilities, current cost information is not yet being widely used for decision making on a day-to-day basis. Management concurs, and has indicated that the Department's focus during FY 2006 will shift to expanding the use of cost information by managers at all levels for decision making on a day-to-day basis.

### **Other Matters**

We noted other matters involving the internal control and its operations that will be reported to the management of DOL in a separate letter.

### **Report on Compliance With Laws and Regulations Exclusive of the Federal Financial Management Improvement Act of 1996 (FFMIA)**

The management of the DOL is responsible for complying with laws and regulations applicable to the Department. As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the FFMIA. We limited our tests of compliance to those provisions and we did not test compliance with all laws and regulations applicable to the DOL. Providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 01-02.

### **Report on Compliance With FFMIA**

We have examined DOL's compliance with the requirements of FFMIA as of September 30, 2005. These include implementing and maintaining financial management systems that substantially comply with: (1) financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger (SGL) at the transaction level. Management is responsible for DOL's compliance with these requirements. Our responsibility is to express an opinion on DOL's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. These standards include examining on a test basis, evidence about DOL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of DOL's compliance with specified requirements.

In our opinion, as of September 30, 2005, DOL substantially complied with the requirements of FFMIA.

This report is intended solely for the information and use of the management of the U.S. Department of Labor, the Office of Management and Budget, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*R. Navarro & Associates, Inc.*

November 10, 2005

## **2005 Top Management Challenges Facing the Department of Labor Identified by the Office of Inspector General**

Following are the areas the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing the Department of Labor. They involve compliance, accountability and delivery of services and benefits.

- Improving the Integrity of the Procurement System
- Reducing Improper Payments
- Safeguarding Unemployment Insurance
- Maintaining the Integrity of Foreign Labor Certification Programs
- Improving Financial and Performance Accountability
- Improving Systems Planning and Development
- Ensuring Security of Employee Benefit Plan Assets
- Improving Management of Real Property Assets
- Pursuing Reauthorization of the Workforce Investment Act

### **Improving Integrity of the Procurement System**

Ensuring controls are in place to properly award and manage procurements is a challenge to the Department. The current organizational structure lacks separation of duties between procurement and program functions, which facilitates noncompliance with procurement requirements and may result in procurement decisions that are not in the best operating or financial interests of DOL. In addition, our audits have demonstrated that file documentation has not been adequate to support the validity and rationale of procurement decisions and actions. The OIG believes that, until procurement and programmatic responsibilities are properly separated and effective controls put in place, DOL continues to be at risk for wasteful and abusive procurement practices.

The OIG recently completed two audits involving procurement at two DOL agencies, which were conducted as a result of hotline complaints. These audits have shown that problems arise when the procurement function is not independent of program functions. This scenario may result in program officials, instead of contracting experts, driving procurement policy and decisions as our audits identified.

An audit of a contract for encryption software disclosed that the award to a sole-source contractor was not adequately justified. Furthermore, the contract included two additional products that were added without the Department's Procurement Review Board's review and approval. These unapproved modifications significantly changed the contract's scope and cost. The Department ultimately did not use \$3.8 million worth of purchases of encryption products and could not justify its reasons for abandoning the investment.

In another audit, we found that one specific agency's procurement procedures exhibited a pattern of disregard for acquisition requirements and did not adhere to the principle of full and open competition. By operating in such an environment, management was unable to ensure that contracts were in the best interest of the Government, and that all eligible contractors were given the opportunity to compete for the agency's contracts.

Several audits involving procurement by the Department also have demonstrated that procurement files did not contain adequate documentation to support the validity or rationale of procurement decisions and actions. Also, cognizant officials with oversight responsibility for both the program and procurement functions could not demonstrate that their decisions were sound.

The Service Acquisition Reform Act of 2003 addresses a number of issues aimed at improving procurement management, including the requirement for each Federal agency head to establish a Chief Acquisition Officer (CAO) position, to be filled by a non-career employee whose primary responsibility is acquisition management. The Department is taking steps to address the lack of separation of duties in its procurement



function with a recent draft Secretary's Order establishing the position of CAO. To adequately address the OIG's recommendations regarding separation of duties, day-to-day procurement duties should be under the direction of the new CAO, with acquisition being the CAO's primary responsibility.

## **Reducing Improper Payments**

Reducing improper payments in DOL-administered programs, such as Unemployment Insurance (UI) and the Federal Employee Compensation Act (FECA), remains an ongoing challenge for the Department. Improper payments include those made in the wrong amount, to an ineligible recipient, or improperly used by the recipient. The need for Federal agencies to take action to eliminate overpayments is recognized by the President's Management Agenda (PMA) and the Improper Payments Information Act of 2002. Calendar year (CY) 2004 UI overpayments by the states are projected by the Department at \$3.4 billion. The Department estimates FECA overpayments in FY 2004 at \$6.4 million.

### **Unemployment Insurance and the Use of New Hire Data**

The UI program, a Federal-state partnership, is DOL's largest income maintenance program with outlays almost doubling in the past 6 years: from \$24.9 billion in FY 1999 to \$48.9 billion in FY 2004. Benefits for individuals are dependent on state law and administered by State Workforce Agencies, but the program framework is determined by Federal law. In recent years, the OIG has raised concerns about the magnitude and consistency of the overpayment rate in the UI program.

A 2004 OIG audit determined that, although implementing a state new hire directory cross-match was more effective in identifying overpayments than cross-matching against employer wage records, 12 states were not using new hire data at the time. According to ETA, 8 of the 12 states still have not connected to their respective state's new hire database; however, 4 states are expected to implement in the near future. We continue to recommend that the Department provide technical assistance and resources to state UI programs currently not using new hire detection to quickly initiate and/or complete plans for implementation.

The OIG had also recommended that DOL encourage state UI agencies to access the National Directory of New Hires. Access to this database provides states with additional data not available in state directories of new hires, such as new hire information from multi-state employers who report to a single state and new hire information from the Federal government. Last year's passage of the SUTA Dumping Prevention Act enabled states to access the National Directory.

The Department is currently working closely with the Department of Health and Human Services, the Social Security Administration, and the states to determine technical and operational aspects of access to the National Directory. DOL is currently performing a 3-state pilot study to determine if the benefits of using the National Directory to reduce overpayments would exceed the cost of implementation. The Department plans to have the study completed and issue a final report to all 50 states in the fall of 2005.

The OIG urges the Department to continue to offer assistance to the states on the use of both the state and National Directories.

### **Federal Employees' Compensation Act Program Controls**

The OIG considers the risk of FECA overpayments a Departmental challenge. The DOL-administered FECA program impacts the employees and budgets of all Federal agencies. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases.

In previous years, the OIG reported that the Department needs to obtain and review medical evidence on a periodic basis in order to justify continued eligibility for FECA compensation payments. This was due to the fact that the Office of Workers' Compensation Programs did not establish effective controls to ensure that current medical evidence was requested and received in a timely manner, increasing the risk of improper payments. In March 2005, DOL completed the roll-out of its new benefit payment system, iFECS

(Integrated Federal Employee Compensation System). This system automatically tracks the due dates of medical evaluations. Management expects to have an enhanced iFECS system fully operational by March 2006.

## **Safeguarding Unemployment Insurance**

Improving the integrity of the UI program to provide income maintenance to qualified individuals again remains a challenge for the Department. In FY 2004, the UI program paid \$35 billion in temporary income support. Recurring issues faced by the UI program are the adequacy of Unemployment Trust Fund (UTF) resources and identity theft and organized crime activity in the UI program.

### **Unemployment Trust Fund Resources**

Overcharging for UTF administration by the Internal Revenue Service (IRS) poses a major challenge for the Department. Earlier OIG audits demonstrated the UTF was being improperly charged for hundreds of millions of dollars over several years in administrative expenses. The OIG previously recommended that the ETA work with the IRS to adopt an alternative method to allocate costs and seek reimbursement for overcharges. The IRS subsequently reduced the amount of UTF FY 2002 administrative charges.

In FY 2003, the Treasury Inspector General for Tax Administration (TIGTA) reported that the IRS needed to establish an effective process for determining UTF administrative expenses. Based on TIGTA's recommendation, the IRS implemented a new cost methodology in October 2004. Even with this change, the administrative charges for UTF exceeded \$75 million for the first 3 quarters of FY 2005, and at the current rate, the OIG estimates charges will exceed \$100 million for FY 2005. ETA has expressed concern about the complexity of the IRS's new methodology and the magnitude of the administrative charges. The OIG recently requested that TIGTA audit the new methodology's adequacy for charging UTF administrative expenses. We understand that TIGTA is planning an audit in FY 2006.

### **Identity Theft and Organized Crime Activity in Unemployment Insurance Program**

OIG investigations have found increasingly complex, costly and pervasive UI fraud schemes resulting in program losses in the millions of dollars. Many of these schemes include both identity theft and the involvement of multinational non-traditional organized crime groups. For example, a significant OIG investigation revealed the crime group had controlled more than 4,000 check-mailing addresses and used more than 15,000 identities in several states. The defendants were ordered to pay \$59 million for their role in the scheme. In a recent case, several members of a California family were sentenced for various crimes. In this case, one defendant was ordered to pay more than \$7.5 million in restitution for her role in the UI identity theft scheme.

## **Maintaining the Integrity of Foreign Labor Certification Programs**

Reducing the susceptibility of DOL Foreign Labor Certification (FLC) programs to abuse remains a challenge for the Department. These programs permit U.S. employers to hire foreign workers when their admission does not adversely impact the job opportunities, wages, and working conditions of citizens and legal residents. In FY 2004, DOL received approximately 466,000 foreign worker applications for the FLC programs from employers. Abuse of the FLC programs may cause unlawful admission of foreign nationals and incur economic hardship for American workers.

### **Problems with the Labor Certification Process**

The responsibility for approving employers' labor certification applications falls under the jurisdiction of ETA, which is the initial step in the process by which foreign nationals obtain work visas. Unfortunately, a recurring concern of the OIG is the integrity of the foreign labor certification process.

New regulations, which were effective March 2005, provide for the electronic submission of new permanent applications to Federal Processing Centers located in Atlanta and Chicago. The OIG cautions that an

electronic approval, rather than human review of applications by State Workforce Agencies, could potentially increase fraud.

In 2004, the OIG also expressed concerns over both the high volume of backlogged applications and the associated risk of approving questionable applications. Unprocessed applications submitted before March 28, 2005, to ETA regional offices or State Workforce Agencies have been transferred to the ETA Backlog Elimination Centers located in Philadelphia and Dallas. As of August 2005, the Backlog Elimination Centers had 312,438 applications pending. ETA expects to eliminate the backlog by CY 2007. The OIG continues to recommend the Department ensure the processing of backlogged applications does not result in the certification of unqualified applications.

### **Labor Certification Fraud**

Labor certification fraud remains a major OIG concern. Recent OIG investigations have revealed corrupt employers, labor brokers, and lawyers who file fraudulent applications. The prevalence of these cases consistently demonstrates the susceptibility of the program to fraud. For example, one such broker recently submitted more than 900 labor certifications on behalf of Chinese nationals seeking entry into the United States. In this instance, the labor broker had charged foreign workers up to \$90,000 per labor certification.

### **Improving Financial and Performance Accountability**

In order to manage DOL programs for results and fully integrate budget and performance, the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, quality performance data, and useful information from single audits, which cover 90% of its expenditures.

### **Managerial Cost Accounting**

A cooperative effort between the Department's Office of the Chief Financial Officer (OCFO) and the program agencies resulted in the successful development of cost models for most of DOL's major agencies and programs during the latter part of FY 2004. These cost models provide capabilities to integrate program activities, outputs, costs, and non-financial data to provide the basis for reporting useful managerial cost accounting information. Additionally, OCFO, the Office of the Assistant Secretary for Administration and Management (OASAM), and the program agencies are continuing to improve the cost models and related capabilities for integration of cost and performance information.

The Department received high marks on the PMA the past few years for its financial management. To fully realize the benefits of cost accounting, the Department now needs to turn attention to refining its cost models and their related capabilities for integration of financial and programmatic data, and successfully institutionalizing the use of cost accounting information to improve program operations and routinely report program results.

### **Quality Performance Data**

Three recent OIG reviews of the validity of DOL program data identified the need for improvement in the way DOL ensures completeness and reliability of program results data. Also, much of the program results data required by DOL to measure attainment of its strategic plan goals are generated by states and other sources below the Federal level. This presents challenges for ensuring data quality and evaluating program effectiveness. Past OIG audit work has disclosed high error rates in grantee-reported performance data and raised concerns about the use of that data for decision making. ETA has developed a data validation program to improve the reliability of program data. The OIG plans to audit ETA's data validation system in FY 2006.

### **Single Audit**

The Department relies on audits conducted under the Single Audit Act to provide oversight of more than 90% of its expenditures. The OIG is concerned about the adequacy of information DOL receives from these audits, which are conducted by public accountants or state auditors and procured with DOL grant funds. OIG quality control reviews since 2002 have revealed serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable. The OIG is currently participating in the

National Single Audit Sampling Project. This project is designed to: determine the quality of Single Audits by providing a statistically reliable estimate of the extent that Single Audits conform to applicable requirements and standards; and make recommendations to address any noted audit quality issues.

### **Management Controls**

In FY 2005, Office of Management and Budget (OMB) Circular A-123 was amended to provide updated internal control standards applicable to all Federal agencies. The amendment also included new specific requirements for conducting agency management's assessment of the effectiveness of internal controls over financial reporting. Appendix A of A-123 requires that documentation be maintained, not only of the controls in place, but also of the assessment process and methodology that management used to support its assertion as to the effectiveness of the internal control over financial reporting. In addition, Federal agencies will be required to perform monitoring activities that include direct testing of the controls as part of the assessment process. With implementation set at the end of FY 2006, all Federal agencies, including DOL, will be challenged to establish procedures and mechanisms to assess, test, document, and certify that their internal controls are in place and operating effectively.

### **Improving Systems Planning and Development**

Developing efficient and effective systems to perform daily activities remains a significant challenge for the Department. OIG audits have identified that DOL Information Technology (IT) system development life-cycle activities need strengthening in the areas of planning, project management, and decision making. Current system development plans should be structured to include timely reviews of initiatives progress in relation to planned project activities, and significant milestones, especially at key decision points. Project plans should be strengthened to include budget and cost tracking, project timelines, and resources monitoring. Taking these steps would improve DOL's management of IT systems.

The Department's Chief Information Officer needs to take a stronger role to ensure that the agencies adequately plan for system development activities and are providing adequate project management. The Department's agencies should assess their progress in having sufficient numbers of IT and business line personnel obtain certification in the field of project management. These resources will help to assure the future success of DOL IT initiatives and can be leveraged throughout DOL, as warranted, given the importance, size, and complexity of an initiative.

### **Department of Labor Core Financial System Replacement**

The New Core Financial Management System (NCFMS) is an enterprise-wide initiative that will enhance the Department's ability to integrate financial and performance information. By replacing DOL's legacy mainframe based core accounting system (DOLAR\$) with a commercial-off-the-shelf financial management information system, program managers and decision makers throughout the Department will receive more timely, accurate, and useful information to improve results delivered by the programs they administer. DOL will be challenged to develop a system that meets PMA and OMB Requirements. In addition, the NCFMS project will affect all organizations in the Department that currently utilize DOLAR\$, or have systems that interface into DOLAR\$.

### **Emerging Technologies**

DOL is reviewing new technologies to better manage and provide services to the public. In doing so, it is likely to experience new security threats and other events as these new technologies' vulnerabilities are exploited. The Department is currently embracing the new technologies of wireless local-area networks and personal electronic devices, and has started using wireless technology to better serve the needs of the organization. To meet the new challenges that these technologies bring, the Department should have acquisition and implementation plans consistent with protecting informational assets and confidential and sensitive information, while providing the highest level of quality of service and access to needed information. These new technologies will require updated policies and procedures to maintain a high level of operational effectiveness. Close monitoring will be key to ensuring that the promised benefits of these technologies are achieved.

### **Homeland Security Presidential Directive (HSPD) -12**

The Department, as well as all other Federal agencies, must implement a standard system for identifying Federal employees and contractors. This system must implement a secure and reliable method of identification, which has the capability to coordinate access with other Federal agencies and sites. The HSPD-12 has an aggressive implementation date of September 2006. Under this system, agencies will need to provide employees identification cards that will be used to validate and monitor Federal employees and contractors. The General Services Administration is responsible for reviewing and approving third party-solutions available for agencies to procure. However, the HSPD-12 allows agencies to develop or procure non-approved services, which will challenge DOL to implement the new Personal Identity Verification cards (*i.e.*, Smart Cards) that are: secure and reliable forms of identification; issued based on sound and recognized criteria; rapidly authenticated; and strongly resistant to identity fraud, tampering, counterfeiting, and terrorist exploitation. In addition to the challenge of providing this new technology, DOL will also be challenged in managing the implementation, distribution, and maintenance of the Smart Cards.

### **Implementation of Public Key Infrastructure (PKI)**

Despite working the last several years on implementing a PKI solution to secure and authenticate electronic documents within the Department, DOL has yet to identify a PKI solution. During the same period, DOL has twice procured encryption products that need PKI to achieve maximum benefit from these products. Because the use of keys to encrypt, decrypt, and authenticate documents is a complex process, agencies and public organizations may experience difficulties implementing an integrated and effective PKI program. DOL has been challenged to implement a Department-wide PKI system and manage the underlying infrastructure, and is currently exploring other avenues to find the best fit for the Department's needs and environment.

### **Ensuring Security of Employee Benefit Plan Assets**

A major challenge confronting the Department is protecting the benefits of American workers, which includes pensions and health care. The Employment Benefits Security Administration (EBSA) oversees the administration and enforcement of the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA). Under ERISA, the Secretary of Labor is responsible for the rights and financial security of participants in approximately 730,000 private pension plans and 6 million health and welfare plans covered by ERISA. These pension plans hold over \$4.5 trillion in assets and cover more than 150 million American workers. Recent failures in corporate financial management and reporting, as well as in the auditing and oversight of these activities, show the need to enhance worker pension and healthcare security by expanding safeguards and improving benefit plan regulatory enforcement.

#### **Safeguards to Protect Pension Assets**

Improving the process through which employee benefit plans are audited is a serious challenge faced by DOL. As a result of an earlier OIG audit, and on its own initiative, the Department made several improvements to its processes for identifying and correcting deficient employee benefit plan audits. EBSA now reviews the audit quality processes of those firms performing the greatest number of employee benefit plan audits. In addition, it will continue to review individual audits of smaller firms on a sample basis, allowing for more coverage. For those deficiencies identified, the Department has agreed to obtain more corrective action. As for the smaller firms where EBSA will review individual plan audits, the Department implemented procedures ensuring review of the most current work available.

For the audits that the OIG found to be deficient, EBSA has begun a process of reviewing more current audit work of these firms. If the Department finds current work to be deficient, EBSA has agreed to obtain greater documentation of corrective actions from the firms involved.

#### **Pension Plan Fraud**

Ensuring the security of employee benefit plan assets, which are attractive targets to organized-crime groups, remains a challenge for the Department. Recent OIG labor racketeering investigations and the increased activity of EBSA's criminal enforcement program consistently identify the vulnerability of pension assets. The OIG has continued to monitor the integrity of Taft-Hartley plans, which are jointly administered by labor

union and management representatives and have been previously identified as at risk. A typical labor-management case often evolves from the collaboration of management representatives and corrupt union officials. One such case recently led to the 53-count indictment of 32 members and associates of a well-known organized-crime family. Defendants included both a president and a trustee of a local union.

### **Cash Balance Pension Plans**

A 2002 OIG audit found that some cash balance pension plan participants, who had collected the lump sum payments before normal retirement age, were being underpaid benefits. The OIG again raises the issue regarding the methodology used to calculate the benefits. The OIG continues to recommend that EBSA increase the Department's oversight of cash balance pension plans. However, the first step in this direction requires the guidance of the IRS regarding the calculation of participant-accrued benefits on this matter. Disparate interpretations of how accrued benefits are calculated will result in some plan participants continuing to be paid incorrectly. The OIG urges the Department to press the IRS for the necessary guidance to ensure cash balance pension plan recipients receive the benefits they are owed.

### **Corrupt Multiple Employer Welfare Arrangements (MEWAs)**

MEWAs are typically marketed to small businesses as a means of obtaining inexpensive health coverage for their employees. Fraudulent MEWAs, which default on their benefit obligations, are often misrepresented by plan promoters as being maintained under a bona-fide collective bargaining agreement. The OIG continues to recommend EBSA investigate unscrupulous health insurers who are burdening Americans with an increasing number of unpaid medical claims. Therefore, the OIG recommends that the Department continue its efforts to decrease the number of fraudulent MEWAs, in particular by seeking legislative changes to increase its authority to obtain reliable plan information and assess penalties.

## **Improving Management of Real Property Assets**

Improving the accountability for and management of real property is an ongoing challenge for the Department. A Government Accountability Office (GAO) report released in June 2005 noted that the Department has taken actions in response to last year's Executive Order 13327 which addresses the Federal Asset Management initiative to the PMA. A senior real property officer has been designated to, among other things, monitor the real property assets of the Department. However, the GAO report raises the government-wide issue of the lack of reliable and useful property data that are needed for strategic decision making.

### **Job Corps Real Property**

In our FY 2004 report on the Department's internal controls over financial reporting, the OIG noted that ETA did not sufficiently utilize DOL's property reporting and tracking system and did not establish sufficient controls to ensure that Job Corps real property was safeguarded and accurately reported in DOL's tracking system and general ledger systems. In FY 2004, Job Corps real property was valued at \$770 million. ETA is in the process of taking action to ensure the Job Corps real property is accurately reported and restructuring its existing processes to strengthen the property management system.

### **State Workforce Agency Real Property**

In addition, an OIG audit of management controls over Federal equity in State Workforce Agency (SWA) real property found that ETA had not established adequate management controls over accounting for the Department's equity interest in SWAs' real properties. Specifically, ETA's inventory of SWA property was neither accurate nor complete, and ETA did not ensure the states properly handled the proceeds from disposing of SWA properties with DOL equity. We recommended the ETA make control and management of real property a higher priority. ETA has begun to review its existing processes and restructure them to strengthen the property management system. For example, ETA will no longer approve new grantee amortization plans, and will review and renegotiate existing plans on a case-by-case basis.



## **Pursuing Reauthorization of the Workforce Investment Act (WIA)**

WIA authorization expired in 2003, and Congressional reauthorization is still pending. Both the revision and improvement of WIA programs by the Department via the reauthorization process will continue to be a challenge. OIG audits identified areas in which WIA could be improved through changes to increase training provider participation, improve dislocated worker program services and outcomes, better document youth program outcomes, and better assess states' current WIA funding availability. DOL has agreed to our current recommendations, but it is waiting for reauthorization to implement them.

## **Changes From Last Year**

In identifying the most critical Management Challenges faced by the Department each year, the OIG recognizes matters meriting the continued attention of the Department may be omitted from the list. Changes from the Top Management Challenges Facing the Department of Labor from FY 2004 are the addition of Improving the Integrity of the Procurement System and the inclusion of last year's challenge of Information Technology Security Controls within the Challenge of Improving Systems Planning and Development.

E-payroll conversion, one of last year's concerns, was addressed when the Department transferred its payroll system to the National Finance Center in April 2005. The delay in the conversion due to issues raised by the OIG significantly contributed to the Department having only minor issues when the conversion was completed.

One of last year's issues regarding the solvency of Unemployment Trust Fund resources within the challenge of Safeguarding Unemployment Insurance has also been eliminated. When the OIG initially raised this issue, the Trust Fund balance was in steady decline and benefit payments were on the rise. The concern was that the balance could reach a point where Federal money would not be able to cover state shortfalls. But this is no longer the case, because, during the recent recession, the Trust Fund remained solvent and covered state shortfalls as needed.

In the areas of grant accountability, ETA has undertaken a grants management initiative, the results of which the OIG is currently reviewing. While it is not included in this year's Management Challenges, accountability over DOL-awarded grants will continue to merit diligent attention.

## **Annual Financial Statements**



## **Principal Financial Statements and Notes**

## PRINCIPAL FINANCIAL STATEMENTS

---

### Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Circular A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements for FY 2005 and 2004 was performed by R. Navarro & Associates, Inc., Certified Public Accountants. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2005 and 2004 consisted of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2005 and 2004 those resources owned or managed by DOL which are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities) and residual amounts retained by DOL, comprising the difference (net position).
- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2005 and 2004. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 14 to the consolidated financial statements.
- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues and other financing sources for the years ended September 30, 2005 and 2004.
- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL during FY 2005 and 2004, the status of these resources at September 30, 2005 and 2004, and the outlay of budgetary resources for the years ended September 30, 2005 and 2004.
- The **Consolidated Statements of Financing**, which reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2005 and 2004.
- The **Consolidated Statements of Custodial Activity**, which present the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities for the years ended September 30, 2005 and 2004.

**CONSOLIDATED BALANCE SHEETS**  
**As of September 30, 2005 and 2004**  
(Dollars in Thousands)

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	\$ 9,219,660	\$ 9,700,757
Investments (Notes 1-D and 3)	54,952,644	45,446,510
Interest receivable from investments	637,443	580,180
Accounts receivable (Notes 1-E and 4)	3,991,270	3,916,674
Advances (Notes 1-F and 5)	10,812	-
Total intra-governmental	68,811,829	59,644,121
Accounts receivable, net of allowance (Notes 1-E and 4)	1,043,018	1,127,034
Advances (Notes 1-F and 5)	584,139	777,032
Property, plant and equipment, net of depreciation (Notes 1-G and 6)	1,023,422	876,269
<b>Total assets</b>	<b>\$ 71,462,408</b>	<b>\$ 62,424,456</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities (Note 1-I)</b>		
Intra-governmental		
Accounts payable	\$ 16,429	\$ 22,207
Advances from U.S. Treasury (Notes 1-J and 8)	9,186,557	8,740,557
Other liabilities (Note 11)	206,101	194,427
Total intra-governmental	9,409,087	8,957,191
Accounts payable	1,111,031	1,008,450
Accrued leave (Note 1-K)	94,852	99,676
Accrued benefits (Notes 1-L and 9)	1,147,658	1,344,009
Future workers' compensation benefits (Notes 1-M and 10)	564,305	528,068
Energy employees occupational illness compensation benefits (Note 1-N)	7,436,243	2,793,823
Other liabilities (Note 11)	263,233	239,333
<b>Total liabilities</b>	<b>20,026,409</b>	<b>14,970,550</b>
<b>Net position (Note 1-R)</b>		
Unexpended appropriations	8,115,461	8,299,897
Cumulative results of operations	43,320,538	39,154,009
<b>Total net position</b>	<b>51,435,999</b>	<b>47,453,906</b>
<b>Total liabilities and net position</b>	<b>\$ 71,462,408</b>	<b>\$ 62,424,456</b>

The accompanying notes are an integral part of these statements.



**CONSOLIDATED STATEMENTS OF NET COST**  
**For the Years Ended September 30, 2005 and 2004**  
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
<b>NET COST OF OPERATIONS</b> (Notes 1-S and 14)		
<b>CROSSCUTTING PROGRAMS</b>		
<b>Income maintenance</b>		
Gross cost	\$ 45,380,694	\$ 51,437,650
Less earned revenue	<u>(3,144,410)</u>	<u>(3,274,386)</u>
Net program cost	<u>42,236,284</u>	<u>48,163,264</u>
<b>Employment and training</b>		
Gross cost	6,027,121	6,434,017
Less earned revenue	<u>(17,737)</u>	<u>(17,140)</u>
Net program cost	<u>6,009,384</u>	<u>6,416,877</u>
<b>Labor, employment and pension standards</b>		
Gross cost	724,211	700,428
Less earned revenue	<u>(9,860)</u>	<u>(11,475)</u>
Net program cost	<u>714,351</u>	<u>688,953</u>
<b>Worker safety and health</b>		
Gross cost	798,110	801,890
Less earned revenue	<u>(3,690)</u>	<u>(5,207)</u>
Net program cost	<u>794,420</u>	<u>796,683</u>
<b>OTHER PROGRAMS</b>		
<b>Statistics</b>		
Gross cost	531,675	538,105
Less earned revenue	<u>(6,664)</u>	<u>(5,504)</u>
Net program cost	<u>525,011</u>	<u>532,601</u>
<b>Costs not assigned to programs</b>	95,244	98,721
Less earned revenue not attributed to programs	<u>(10,800)</u>	<u>(20,643)</u>
Net cost not assigned to programs	<u>84,444</u>	<u>78,078</u>
<b>Net cost of operations</b>	<u>\$ 50,363,894</u>	<u>\$ 56,676,456</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2005 and 2004**  
(Dollars in Thousands)

	<u>2005</u>		<u>2004</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
<b>Beginning balances</b>	\$ 39,154,009	\$ 8,299,897	\$ 42,260,590	\$ 8,587,666
<b>Budgetary financing sources</b> (Note 1-T)				
Appropriations received		11,100,600		11,510,488
Appropriations transferred		(622,286)		(646,727)
Appropriations not available	-	(326,001)	-	(153,632)
Appropriations used	10,336,749	(10,336,749)	10,997,898	(10,997,898)
Nonexchange revenue (Note 15)				
Employer taxes	40,571,621		37,376,035	
Interest	2,593,415		2,525,135	
Assessments	145,315		145,564	
Reimbursement of unemployment benefits	1,857,193		2,411,887	
Total nonexchange revenue	45,167,544		42,458,621	
Transfers without reimbursement (Note 16)	3,000		3,000	
<b>Other financing sources</b> (Note 1-U)				
Donations	41,760		-	
Imputed financing from costs absorbed by others	108,742		110,344	
Transfers without reimbursement (Note 16)	(1,127,372)		12	
<b>Total financing sources</b>	54,530,423	(184,436)	53,569,875	(287,769)
Net cost of operations	(50,363,894)		(56,676,456)	
<b>Ending balances</b>	<u>\$ 43,320,538</u>	<u>\$ 8,115,461</u>	<u>\$ 39,154,009</u>	<u>\$ 8,299,897</u>

The accompanying notes are an integral part of these statements.

**COMBINED STATEMENTS OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2005 and 2004**  
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
<b>BUDGETARY RESOURCES</b>		
Budget authority		
Appropriations received	\$ 57,248,865	\$ 58,039,574
Borrowing authority	446,000	497,000
Net transfers	(387,115)	(516,879)
Unobligated balance		
Beginning of period	3,577,791	3,173,996
Net transfers	(215)	(37,592)
Spending authority from offsetting collections		
Earned		
Collected	2,545,382	2,645,532
Receivable from Federal sources	57,700	(24,109)
Change in unfilled customer orders		
Advance received	10,756	(5,534)
Transfers from trust funds	3,873,716	3,884,725
Total spending authority from offsetting collections	6,487,554	6,500,614
Recoveries of prior year obligations	408,672	463,631
Temporarily not available pursuant to public law	(9,296,717)	(22,661)
Permanently not available	(496,197)	(207,353)
<b>Total budgetary resources</b>	<u>\$ 57,988,638</u>	<u>\$ 67,890,330</u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred (Note 17)		
Direct	\$ 51,333,636	\$ 61,566,245
Reimbursable	2,782,927	2,746,299
Total obligations incurred	54,116,563	64,312,544
Unobligated balances available		
Apportioned	2,093,925	2,344,404
Exempt from apportionment	-	(5)
Other available	175,310	212,708
Unobligated balances not available	1,602,840	1,020,679
<b>Total status of budgetary resources</b>	<u>\$ 57,988,638</u>	<u>\$ 67,890,330</u>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
Obligated balance, net, beginning	\$ 8,511,826	\$ 9,364,834
Obligated balance, net, ending		
Accounts receivable	(1,473,474)	(1,344,626)
Undelivered orders	5,879,080	6,227,548
Accounts payable	3,603,546	3,628,904
Outlays		
Disbursements	54,081,511	64,693,879
Collections	(6,358,706)	(6,492,578)
Total outlays	47,722,805	58,201,301
Offsetting receipts	(829,392)	(1,549,472)
<b>Net outlays</b>	<u>\$ 46,893,413</u>	<u>\$ 56,651,829</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF FINANCING**  
**For the Years Ended September 30, 2005 and 2004**  
(Dollars in Thousands)

	<b>2005</b>	<b>2004</b>
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
<b>Budgetary resources obligated</b>		
Obligations incurred	\$ 54,116,563	\$ 64,312,544
Recoveries of prior year obligations	(408,672)	(463,631)
Less spending authority from offsetting collections	(6,487,554)	(6,500,614)
Obligations, net of offsetting collections and recoveries	47,220,337	57,348,299
<b>Other resources</b>		
Imputed financing from costs absorbed by others	108,742	110,344
Transfers, net	(1,124,372)	3,012
Exchange revenue not in budget	(6,874)	(71,873)
Trust fund exchange revenue	(783,657)	(823,315)
<b>Total resources used to finance activities</b>	<b>45,414,176</b>	<b>56,566,467</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	536,240	583,394
Resources that finance the acquisition of assets	(167,252)	(102,862)
Allocation transfers to other agencies	(198,524)	(77,215)
Other resources that do not affect net cost of operations	1,128,086	(800,760)
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>1,298,550</b>	<b>(397,443)</b>
<b>Total resources used to finance the net cost of operations</b>	<b>46,712,726</b>	<b>56,169,024</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components requiring or generating resources in future periods		
Increase (decrease) in annual leave liability	(4,823)	1,763
Increase in employee benefits and retirement liabilities	3,556,208	495,628
Other	26,183	(28,273)
Total	3,577,568	469,118
Components not requiring or generating resources		
Depreciation and amortization	54,645	50,106
Revaluation of assets and liabilities	403,376	678,954
Benefit overpayments	(384,421)	(690,746)
Total	73,600	38,314
<b>Total components of the net cost of operations that will not require or generate resources in the current period</b>	<b>3,651,168</b>	<b>507,432</b>
<b>Net cost of operations</b>	<b>\$ 50,363,894</b>	<b>\$ 56,676,456</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY**  
**For the Years Ended September 30, 2005 and 2004**  
(Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
<b>SOURCES OF CUSTODIAL REVENUE</b> (Notes 1-V and 18)		
Cash collection of fines, penalties, assessments and related interest	\$ 130,885	\$ 131,639
Less refunds	<u>(214)</u>	<u>(2,206)</u>
Net cash collections	130,671	129,433
Increase (decrease) in amounts to be collected	<u>10,951</u>	<u>(1,964)</u>
<b>Total sources of custodial revenue</b>	<u>141,622</u>	<u>127,469</u>
<b>DISPOSITION OF CUSTODIAL REVENUE</b> (Note 1-V)		
Net transfers to U.S. Treasury general fund	130,671	129,433
Increase (decrease) in amounts to be transferred	<u>10,951</u>	<u>(1,964)</u>
<b>Total disposition of custodial revenue</b>	<u>141,622</u>	<u>127,469</u>
<b>Net custodial activity</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under three major budget functions: *education, training, employment and social services, health (occupational health and safety), and income security.* DOL's major program agencies, and the major programs in which they operate, are shown below.

**1. Major program agencies**

- *Employment and Training Administration (ETA)*
- *Employment Standards Administration (ESA)*
- *Occupational Safety and Health Administration (OSHA)*
- *Bureau of Labor Statistics (BLS)*
- *Mine Safety and Health Administration (MSHA)*
- *Employee Benefits Security Administration (EBSA)*  
*(Formerly Pension and Welfare Benefits Administration)*
- *Veterans' Employment and Training (VETS)*
- *Other Departmental Programs*
  - *Office of the Assistant Secretary for Administration and Management*
  - *Office of the Solicitor*
  - *Office of the Chief Financial Officer*
  - *Office of the Inspector General*
  - *Bureau of International Labor Affairs*
  - *Women's Bureau*
  - *Office of Disability Employment Policy*

**2. Major programs**

- *Income maintenance*
- *Employment and training*
- *Labor, employment, and pension standards*
- *Worker safety and health*
- *Statistics*

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### A. Reporting Entity - Continued

##### 3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types, as discussed below.

- *Trust funds*

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmens' Compensation Act Trust Fund, established under the authority District of Columbia Workmens' Compensation Act provides compensation and medical payments to District of Columbia employees for work related injuries or death which occurred prior to July 26, 1982.

The Black Lung Disability Trust Fund, established under the Black Lung Benefit Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

- *General funds*

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

- *General funds - continued*

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible workers and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and associated administrative costs.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund, to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease and beneficiaries of employees whose death is attributable to a job related injury. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

• *General funds - continued*

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to the Department of Labor effective October 1, 2003.

• *Revolving funds*

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

• *Special funds*

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1b Funded provides demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The fund is supported by fees paid by employers applying for foreign workers under the H-1b temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

• *Deposit funds*

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

• *Miscellaneous receipt and clearing accounts*

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law, cannot be deposited into funds under DOL control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**4. Inter-departmental relationships**

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

**B. Basis of Accounting and Presentation**

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing, and custodial activities of the U.S. Department of Labor, in accordance with accounting principles generally accepted in the United States of America and the form and content requirements of OMB Circular A-136. They have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All interfund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular A-136 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB Circular A-136 requires budget authority and other resources allocated to another agency to be reported by the transferor of the appropriation in its financial statements unless the allocation transfer is material to the recipient's financial statements. The activity relating to the allocation should be reported in all of the recipient's financial statements, except the Statement of Budgetary Resources, when the allocation transfer is material to the recipient's financial statements. The transferor should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources.

DOL has allocated appropriations to the Department of Agriculture and the Department of Interior in fiscal years 2005 and 2004. These Departments consider this activity material to their respective financial statements, and therefore, DOL reports this activity only in the Combined Statement of Budgetary resources. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Service Administration, and the Agency for International Development, which DOL considers to be immaterial. These amounts are not included in the DOL financial statements.

Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Years Ended September 30, 2005 and 2004**

---

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **C. Funds with U.S. Treasury**

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2)

##### **D. Investments**

DOL trust fund balances not required to meet current expenditures are invested by Treasury in interest bearing securities of the U.S. government. Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities, available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary.

Balances held in the Longshore and Harbor Workers' Trust Fund and the District of Columbia Trust Fund, as well as balances held in the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund and the Backwage Restitution Fund are invested in marketable Treasury securities. These investments are stated at amortized cost, which is equivalent to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary.

Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3)

##### **E. Accounts Receivable, Net of Allowance**

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

###### **1. Intra-governmental accounts receivable**

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

DOL's Federal Employees' Compensation Act Special Benefit Fund provides workers' compensation (FECA) benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Accounts Receivable, Net of Allowance - Continued**

**2. Accounts receivable due from the public**

DOL recognizes as accounts receivable State unemployment taxes due from covered employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

**3. Allowance for doubtful accounts**

Accounts receivable are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. (See Note 4)

**F. Advances**

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 5)

**G. Property, Plant and Equipment, Net of Depreciation**

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. DOL maintains the Capital Asset Tracking and Reporting System (CATARS) to account for Job Corp's PP&E, as well as other general purpose PP&E used by the Department. Internal use software is considered general purpose PP&E.

Real property purchases or improvements and leasehold improvements with a cost greater than \$500,000 and a useful life of 2 or more years, internal use software with a cost greater than \$300,000 and a useful life of 2 or more years, and equipment with a cost of \$50,000 or more and a useful life of 2 or more years are capitalized. PP&E acquisitions not meeting these criteria are charged to expense at the time of purchase. In 2001, PP&E (excluding internal use software) with a cost greater than \$25,000 (\$5,000 for the Working Capital Fund) and a useful life of 2 or more years and internal use software with a cost greater than \$300,000 and a useful life of 2 or more years were capitalized. Prior to 2001, internally developed software in the Working Capital Fund with a cost greater than \$5,000 was capitalized, when the cost was intended to be recovered through charges to other DOL users. Prior to 1996, PP&E with a cost greater than \$5,000 and a useful life of 2 or more years were capitalized. PP&E acquisitions not meeting these criteria were charged to expense at the time of purchase.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**G. Property, Plant and Equipment, Net of Depreciation - Continued**

Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful life. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line method of amortization. (DOL has no operating leases which extend for a period of more than one year.)

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful life.

The table below shows the major classes of DOL's depreciable plant and equipment, and the depreciation periods used for each major classification. (See Note 6)

	<u>Years</u>
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes.

The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

**H. Non-entity Assets**

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**I. Liabilities**

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available for consumption, regardless of whether the available resources have been obligated. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available for consumption. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

**J. Advances from U.S. Treasury**

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund, in the event fund resources are not adequate to meet fund obligations. Spending authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 5.250% to 13.875% at September 30, 2005 and 2004. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8)

**K. Accrued Leave**

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****L. Accrued Benefits**

The financial statements include a liability for unemployment, workers' compensation and disability benefits payable from various DOL funds, as discussed below. (See Note 9)

**1. Unemployment benefits payable**

The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Temporary extended unemployment benefits, which began in 2002, are paid from the EUCA and are financed by Federal unemployment tax and general fund appropriations. New claims for this program ended in January 2004. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

**2. Federal employees disability and 10(h) benefits payable**

The Federal Employees' Compensation Act Special Benefit Fund provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act.

A liability for FECA benefits payable by the Special Benefit Fund to the employees of other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

**3. Black lung disability benefits payable**

The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Accrued Benefits – Continued**

**4. Energy employees occupational illness compensation benefits payable**

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act. DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

**5. Longshore and harbor workers' and District of Columbia disability benefits payable**

The Longshore and Harbor Workers' Compensation Trust Fund and the District of Columbia Workmens' Compensation Trust Fund provide compensation and medical benefits for work related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

**M. Future Workers' Compensation Benefits**

The financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected benefits. The compensation COLAs and CPIMs used in the projections for 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>FY</u>	<u>COLA</u>	<u>COLA</u>	<u>CPIM</u>	<u>CPIM</u>
2005	2.20%	2.03%	4.33%	4.14%
2006	3.33%	2.73%	4.09%	3.96%
2007	2.93%	2.40%	4.01%	3.98%
2008	2.40%	2.40%	4.01%	3.99%
2009	2.40%	2.40%	4.01%	4.02%
2010+	2.40%	2.40%	4.01%	4.02%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### M. Future Workers' Compensation Benefits – Continued

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2005, interest rate assumptions were 4.5% in year one and 5.0% in year two and thereafter. For 2004, interest rate assumptions were 4.9% in year one and 5.2% in year two and thereafter. (See Note 10)

##### N. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of the Radiation Exposure Compensation Act. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of \$150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Compensation of \$50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under of the Radiation Exposure Compensation Act.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants worker's compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of the Radiation Exposure Compensation Act (RECA) to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly administered and paid by the Department of Justice (DOJ).

DOL has recognized a \$7.4 billion and \$2.8 billion liability for estimated future benefits payable by DOL at September 30, 2005 and 2004, respectively, to eligible individuals under the EEOICPA. For fiscal year 2005, the undiscounted liability is \$10.7 billion discounted to a present value liability of \$7.4 billion based on an interest rate of 5.02% projected over a forty-eight year period. For fiscal year 2004, the undiscounted liability is \$4.4 billion discounted to a present value liability of \$2.8 billion based on an interest rate 5.24% projected over a forty-eight year period. The amendments to the EEOICPA to include Subtitle E as described above accounted for approximately \$4.5 billion of the increase in the liability. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**O. Employee Health and Life Insurance Benefits**

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGSLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2005, DOL's contributions to the FEHBP and FEGSLIP were \$73.9 and \$1.9 million, respectively. During 2004, DOL's contributions to the FEHBP and FEGSLIP were \$70.4 and \$1.9 million, respectively. These contributions are recognized as current operating expenses.

**P. Other Retirement Benefits**

DOL employees eligible to participate in the FEHBP and the FEGSLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM, and is offset by DOL through recognition of an imputed financing source. Using cost factors supplied by OPM, DOL recorded ORB expense and imputed financing sources of \$64.8 million in 2005 and \$60.8 million in 2004.

**Q. Employee Pension Benefits**

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with a 10.7% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's matching FICA contributions were \$61.0 million in 2005 and \$58.7 million in 2004.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to 10% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 15% of their gross pay to the TSP. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches 100% of the next 4% contributed. DOL contributions to the TSP are recognized as current operating expenses. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is \$14,000. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Years Ended September 30, 2005 and 2004**

---

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Q. Employee Pension Benefits - Continued**

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized as non-exchange revenue an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 13)

##### **R. Net Position**

DOL's net position consists of the following:

###### **1. Unexpended appropriations**

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that appropriation is closed, five years after the appropriations expire. Multi-year appropriations remain available to DOL for obligation in future periods.

###### **2. Cumulative results of operations**

Cumulative results of operations includes the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

##### **S. Net Cost of Operations**

###### **1. Operating costs**

Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Full costs are reduced by exchange (earned) revenues to arrive at the program's net operating cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by suborganization in Note 14 to the financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**S. Net Cost of Operations - Continued**

**2. Earned revenue**

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements due to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

**T. Budgetary Financing Sources**

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

**1. Appropriations received, appropriations transferred and appropriations not available**

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

**2. Non-exchange revenue**

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below: (See Note 15)

- *Employer taxes*

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to the receiving entity.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****T. Budgetary Financing Sources - Continued****2. Non-exchange revenue - continued**

- *Employer taxes - continued*

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- *Interest*

The Unemployment Trust Fund, Longshore and Harbor Workers' Trust Fund, District of Columbia Trust Fund, the Panama Canal Commission Compensation Fund and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

- *Assessments*

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when due.

- *Reimbursement of unemployment benefits*

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to their employees. These reimbursements are recognized as other non-exchange revenue when due.

**3. Transfers without reimbursement**

Other transfers recognized as financing sources by DOL include the transfer from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 16)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****U. Other Financing Sources**

Other financing sources include nonexchange revenue and other items that do not represent budgetary resources.

**1. Imputed financing**

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

**2. Transfers without reimbursement**

Other transfers recognized as financing sources by DOL include the transfers of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in training programs.

Transfers without reimbursement also include the transfers of liabilities from the Department of Energy and the Department of Justice to the Energy Employees Occupational Illness Compensation Fund. The liabilities were for programs established by the EEIOCPA and RECA. These programs were transferred to DOL by amendments to the EEIOCPA enacted in FY 2005, which expanded coverage for illness or death arising from exposure to toxic substances at the DOE facilities. (See Note 16)

**V. Custodial Activity**

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations, for ETA disallowed grant costs assessed against canceled appropriations and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Consolidated Statements of Custodial Activity. (See Note 18)

**W. Use of Estimates**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**X. Reclassifications**

Certain reclassifications have been made to 2004 financial statements to conform to the 2005 presentation.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 2 - FUNDS WITH U.S. TREASURY**

Funds with U.S. Treasury at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 3,900	\$ -	\$ 27,682	\$ 31,582	\$ -	\$ 31,582
Trust funds	107,154	16,921	(338,941)	(214,866)	(707)	(215,573)
Appropriated funds	2,290,830	1,187,214	5,865,841	9,343,885	-	9,343,885
Other	-	-	-	-	59,766	59,766
	<u>\$ 2,401,884</u>	<u>\$ 1,204,135</u>	<u>\$ 5,554,582</u>	<u>\$ 9,160,601</u>	<u>\$ 59,059</u>	<u>\$ 9,219,660</u>

Funds with U.S. Treasury at September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 3,900	\$ -	\$ 24,280	\$ 28,180	\$ -	\$ 28,180
Trust funds	149,034	53	52,908	201,995	2	201,997
Appropriated funds	2,566,402	655,579	6,179,624	9,401,605	-	9,401,605
Other	-	-	-	-	68,975	68,975
	<u>\$ 2,719,336</u>	<u>\$ 655,632</u>	<u>\$ 6,256,812</u>	<u>\$ 9,631,780</u>	<u>\$ 68,977</u>	<u>\$ 9,700,757</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 3 - INVESTMENTS**

Investments at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
<b>Unemployment Trust Fund</b>				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2006	\$ 2,285,274	\$ -	\$ 2,285,274	\$ 2,285,274
Special issue U.S. Treasury Bonds				
4.625% maturing June 30, 2007	26,000,000	-	26,000,000	26,000,000
4.625% maturing June 30, 2008	19,299,158	-	19,299,158	19,299,158
5.500% maturing June 30, 2006	<u>7,221,451</u>	<u>-</u>	<u>7,221,451</u>	<u>7,221,451</u>
	<u>54,805,883</u>	<u>-</u>	<u>54,805,883</u>	<u>54,805,883</u>
<b>Panama Canal Commission Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Notes				
3.625% to 6.875% various maturities	32,307	711	33,018	32,784
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	<u>44,232</u>	<u>4,941</u>	<u>49,173</u>	<u>49,798</u>
	<u>76,539</u>	<u>5,652</u>	<u>82,191</u>	<u>82,582</u>
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Non-marketable</u>				
One Day Deposit				
3.460% maturing October 3, 2005	60,000	-	60,000	60,000
<b>District of Columbia Trust Fund</b>				
<u>Non-marketable</u>				
One Day Deposit				
3.460% maturing October 3, 2005	3,000	-	3,000	3,000
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
2.920% to 3.160% maturing October 20, 2005	<u>1,625</u>	<u>(55)</u>	<u>1,570</u>	<u>1,570</u>
	<u>\$ 54,947,047</u>	<u>\$ 5,597</u>	<u>\$ 54,952,644</u>	<u>\$ 54,953,035</u>
<b>Entity investments</b>	\$ 54,850,990	\$ 5,652	\$ 54,856,642	\$ 54,857,033
<b>Non-entity investments</b>	<u>96,057</u>	<u>(55)</u>	<u>96,002</u>	<u>96,002</u>
	<u>\$ 54,947,047</u>	<u>\$ 5,597</u>	<u>\$ 54,952,644</u>	<u>\$ 54,953,035</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
<b>Unemployment Trust Fund</b>				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.375% maturing June 30, 2005	\$ 10,238,570	\$ -	\$ 10,238,570	\$ 10,238,570
Special issue U.S. Treasury Bonds				
4.375% maturing June 30, 2005	4,210,119	-	4,210,119	4,210,119
6.250% maturing June 30, 2005	22,266,681	-	22,266,681	22,266,681
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	<u>45,239,381</u>	<u>-</u>	<u>45,239,381</u>	<u>45,239,381</u>
<b>Panama Canal Commission</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Notes				
3.625% to 7.875% various maturities	27,685	450	28,135	28,607
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	49,428	6,494	55,922	58,767
	<u>77,113</u>	<u>6,944</u>	<u>84,057</u>	<u>87,374</u>
<b>Energy Employees Occupational Illness</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
1.720% maturing October 1, 2004	46,833	-	46,833	46,833
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.340% to 1.890% various maturities	69,863	(210)	69,653	69,653
<b>District of Columbia Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.320% to 1.790% various maturities	5,020	(13)	5,007	5,007
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
1.543% to 1.553% various maturities	1,593	(14)	1,579	1,579
	<u>\$ 45,439,803</u>	<u>\$ 6,707</u>	<u>\$ 45,446,510</u>	<u>\$ 45,449,827</u>
<b>Entity investments</b>	\$ 45,353,104	\$ 6,707	\$ 45,359,811	\$ 45,363,128
<b>Non-entity investments</b>	<u>86,699</u>	<u>-</u>	<u>86,699</u>	<u>86,699</u>
	<u>\$ 45,439,803</u>	<u>\$ 6,707</u>	<u>\$ 45,446,510</u>	<u>\$ 45,449,827</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE**

Accounts receivable at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 344,073	\$ -	\$ 344,073
Due for workers' compensation benefits	3,640,388	-	3,640,388
Other	6,809	-	6,809
	<u>3,991,270</u>	<u>-</u>	<u>3,991,270</u>
<b>Entity assets</b>			
State unemployment taxes	871,549	(636,367)	235,182
Due from reimbursable employers	547,623	(31,513)	516,110
Benefit overpayments	1,949,359	(1,737,979)	211,380
Other	10,264	(2,314)	7,950
	<u>3,378,795</u>	<u>(2,408,173)</u>	<u>970,622</u>
<b>Non-entity assets</b>			
Fines and penalties	113,075	(55,807)	57,268
Backwages	27,789	(12,661)	15,128
	<u>140,864</u>	<u>(68,468)</u>	<u>72,396</u>
	<u>3,519,659</u>	<u>(2,476,641)</u>	<u>1,043,018</u>
	<u>\$ 7,510,929</u>	<u>\$ (2,476,641)</u>	<u>\$ 5,034,288</u>

Changes in the allowance for doubtful accounts during 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2004</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2005</u>
<b>Entity assets</b>					
State unemployment taxes	\$ (556,917)	\$ 334,716	\$ (414,166)	\$ -	\$ (636,367)
Due from reimbursable employers	(39,404)	27,088	(19,197)	-	(31,513)
Benefit overpayments	(1,862,710)	524,158	-	(399,427)	(1,737,979)
Other	(2,121)	234	-	(427)	(2,314)
	<u>(2,461,152)</u>	<u>886,196</u>	<u>(433,363)</u>	<u>(399,854)</u>	<u>(2,408,173)</u>
<b>Non-entity assets</b>					
Fines and penalties	(56,326)	20,135	(19,616)	-	(55,807)
Backwages	(10,389)	-	-	(2,272)	(12,661)
	<u>(66,715)</u>	<u>20,135</u>	<u>(19,616)</u>	<u>(2,272)</u>	<u>(68,468)</u>
	<u>\$ (2,527,867)</u>	<u>\$ 906,331</u>	<u>\$ (452,979)</u>	<u>\$ (402,126)</u>	<u>\$ (2,476,641)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued

Accounts receivable at September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 333,918	\$ -	\$ 333,918
Due for workers' compensation benefits	3,572,765	-	3,572,765
Other	9,991	-	9,991
	<u>3,916,674</u>	<u>-</u>	<u>3,916,674</u>
<b>Entity assets</b>			
State unemployment taxes	755,789	(556,917)	198,872
Due from reimbursable employers	659,820	(39,404)	620,416
Benefit overpayments	2,091,586	(1,862,710)	228,876
Other	6,991	(2,121)	4,870
	<u>3,514,186</u>	<u>(2,461,152)</u>	<u>1,053,034</u>
<b>Non-entity assets</b>			
Fines and penalties	115,869	(56,326)	59,543
Backwages	24,846	(10,389)	14,457
	<u>140,715</u>	<u>(66,715)</u>	<u>74,000</u>
	<u>3,654,901</u>	<u>(2,527,867)</u>	<u>1,127,034</u>
	<u>\$ 7,571,575</u>	<u>\$ (2,527,867)</u>	<u>\$ 5,043,708</u>

Changes in the allowance for doubtful accounts during 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2003</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2004</u>
<b>Entity assets</b>					
State unemployment taxes	\$ (524,043)	\$ 307,970	\$ (340,844)	\$ -	\$ (556,917)
Due from reimbursable employers	(36,072)	18,974	(22,306)	-	(39,404)
Benefit overpayments	(1,881,135)	688,846	-	(670,421)	(1,862,710)
Other	(481)	1,061	-	(2,701)	(2,121)
	<u>(2,441,731)</u>	<u>1,016,851</u>	<u>(363,150)</u>	<u>(673,122)</u>	<u>(2,461,152)</u>
<b>Non-entity assets</b>					
Fines and penalties	(51,700)	8,504	(13,130)	-	(56,326)
Backwages	(921)	-	-	(9,468)	(10,389)
	<u>(52,621)</u>	<u>8,504</u>	<u>(13,130)</u>	<u>(9,468)</u>	<u>(66,715)</u>
	<u>\$ (2,494,352)</u>	<u>\$ 1,025,355</u>	<u>\$ (376,280)</u>	<u>\$ (682,590)</u>	<u>\$ (2,527,867)</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 5 – ADVANCES**

Advances at September 30, 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Intra-governmental		
Advances to the Bureau of the Census	\$ 10,812	\$ -
Advances to states for UI benefit payments	489,177	623,172
Advances to grantees and contractors to finance future DOL program expenditures	89,520	146,463
Other	5,442	7,397
	<u>584,139</u>	<u>777,032</u>
	<u>\$ 594,951</u>	<u>\$ 777,032</u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION**

Property, plant and equipment at September 30, 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>			<u>2004</u>
	<u>Cost or Basis</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
<b>Structures, facilities and improvements</b>				
Structures and facilities	\$ 884,117	\$ (356,235)	\$ 527,882	\$ 464,054
Improvements to leased facilities	385,067	(213,858)	171,209	150,788
	<u>1,269,184</u>	<u>(570,093)</u>	<u>699,091</u>	<u>614,842</u>
<b>Furniture and equipment</b>				
Equipment held by contractors	162,064	(156,852)	5,212	6,026
Furniture and equipment	63,135	(37,286)	25,849	29,310
	<u>225,199</u>	<u>(194,138)</u>	<u>31,061</u>	<u>35,336</u>
<b>ADP software</b>	177,463	(69,656)	107,807	52,347
<b>Construction-in-progress</b>	94,464	-	94,464	106,668
<b>Land</b>	90,999	-	90,999	67,076
	<u>\$ 1,857,309</u>	<u>\$ (833,887)</u>	<u>\$ 1,023,422</u>	<u>\$ 876,269</u>

**NOTE 7 - NON-ENTITY ASSETS**

Non-entity assets consisted of the following at September 30, 2005 and 2004:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 59,059	\$ 68,977
Investments	96,002	86,699
Interest receivable from investments	1,095	1,086
	<u>156,156</u>	<u>156,762</u>
Accounts receivable, net of allowance	72,396	74,000
	<u>\$ 228,552</u>	<u>\$ 230,762</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2004</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2005</u>
Intra-governmental Borrowing from the Treasury	\$ 8,740,557	\$ 446,000	\$ 9,186,557
	<u>\$ 8,740,557</u>	<u>\$ 446,000</u>	<u>\$ 9,186,557</u>

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2003</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2004</u>
Intra-governmental Borrowing from the Treasury	\$ 8,243,557	\$ 497,000	\$ 8,740,557
	<u>\$ 8,243,557</u>	<u>\$ 497,000</u>	<u>\$ 8,740,557</u>

Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund. (See Note 19)

#### NOTE 9 – ACCRUED BENEFITS

Accrued benefits at September 30, 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
State regular and extended unemployment benefits payable	\$ 646,473	\$ 869,504
Federal extended unemployment benefits payable	36,338	36,265
Federal temporary extended unemployment benefits	23,620	23,581
Federal emergency unemployment benefits payable	37,714	31,951
Federal employees' unemployment benefits payable	41,885	26,200
Federal employees' unemployment benefits for existing claims due in the subsequent year	<u>145,642</u>	<u>141,022</u>
Total unemployment benefits payable	931,672	1,128,523
Black lung disability benefits payable	51,995	55,542
Federal employees' disability and 10(h) benefits payable	156,570	155,716
Energy employees occupational illness compensation benefits payable	3,812	790
Longshore and harbor workers disability benefits payable	3,234	3,155
District of Columbia disability benefits payable	<u>375</u>	<u>283</u>
	<u>\$ 1,147,658</u>	<u>\$ 1,344,009</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS**

DOL's liability for future workers' compensation benefits at September 30, 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 26,007,693	\$ 25,570,723
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(8,663,963)	(8,379,832)
Department of Navy	(2,725,371)	(2,744,041)
Department of Army	(1,950,173)	(1,937,818)
Department of Veterans Affairs	(1,776,459)	(1,752,895)
Department of Air Force	(1,399,314)	(1,418,832)
Department of Transportation	(1,007,910)	(1,020,500)
Department of Homeland Security	(1,473,295)	(1,398,161)
Tennessee Valley Authority	(580,506)	(594,461)
Department of Treasury	(644,620)	(678,272)
Department of Agriculture	(834,415)	(836,341)
Department of Justice	(926,336)	(829,336)
Department of Interior	(689,306)	(664,856)
Department of Defense, Other	(844,007)	(858,146)
Department of Health and Human Services	(270,354)	(266,389)
Social Security Administration	(284,589)	(288,158)
General Services Administration	(170,113)	(176,351)
Department of Commerce	(173,415)	(179,186)
Department of Energy	(98,479)	(95,184)
Department of State	(60,288)	(59,984)
Department of Housing & Urban Development	(81,613)	(78,622)
Department of Education	(18,082)	(19,882)
National Aeronautics and Space Administration	(62,430)	(68,876)
Environmental Protection Agency	(39,380)	(40,281)
Small Business Administration	(28,967)	(28,436)
Office of Personnel Management	(25,653)	(13,077)
National Science Foundation	(1,381)	(1,465)
Nuclear Regulatory Commission	(8,417)	(8,114)
Agency for International Development	(23,726)	(24,523)
Other	(580,826)	(580,636)
	<u>(25,443,388)</u>	<u>(25,042,655)</u>
	<u>\$ 564,305</u>	<u>\$ 528,068</u>
 <i>Projected liability of the Department of Labor for future FECA benefits</i>		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	\$ 270,255	\$ 228,487
FECA benefits due to eligible workers of DOL and Job Corp enrollees	233,652	236,560
FECA benefits due to eligible workers of the Panama Canal Commission	<u>60,398</u>	<u>63,021</u>
	<u>\$ 564,305</u>	<u>\$ 528,068</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 11 - OTHER LIABILITIES**

Other liabilities at September 30, 2005 and 2004 consisted of the following current liabilities:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Intra-governmental		
Accrued payroll and benefits	\$ 9,666	\$ 8,281
Unearned FECA assessments	44,347	39,261
Non-entity receipts due to U.S. Treasury	57,268	59,542
Amounts held for the Railroad Retirement Board	94,820	86,209
Advances from other Federal agencies	-	1,134
Total intra-governmental	<u>206,101</u>	<u>194,427</u>
Accrued payroll and benefits	45,261	40,833
Due to Backwage recipients	71,632	63,901
Unearned assessment revenue	48,910	48,117
Deposit and clearing accounts	5,503	20,738
Readjustment allowances and other Job Corps liabilities	84,427	58,244
Other advances	7,500	7,500
	<u>263,233</u>	<u>239,333</u>
	<u>\$ 469,334</u>	<u>\$ 433,760</u>

**NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities not covered by budgetary resources at September 30, 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Intra-governmental		
Advances from U.S. Treasury	\$ 9,186,557	\$ 8,740,557
Accrued benefits	13,519	-
Future workers' compensation benefits	230,721	236,559
Accrued annual leave	90,222	94,846
Readjustment allowances and other Job Corps liabilities	84,427	58,244
	<u>418,889</u>	<u>389,649</u>
	<u>\$ 9,605,446</u>	<u>\$ 9,130,206</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 13 - PENSION EXPENSE**

Pension expense in 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 27,034	\$ 43,919	\$ 70,953
Federal Employees' Retirement System	81,359	-	81,359
Thrift Savings Plan	<u>30,824</u>	<u>-</u>	<u>30,824</u>
	<u>\$ 139,217</u>	<u>\$ 43,919</u>	<u>\$ 183,136</u>

Pension expense in 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 31,473	\$ 46,281	\$ 77,754
Federal Employees' Retirement System	72,622	3,199	75,821
Thrift Savings Plan	<u>28,712</u>	<u>-</u>	<u>28,712</u>
	<u>\$ 132,807</u>	<u>\$ 49,480</u>	<u>\$ 182,287</u>

**NOTE 14 - PROGRAM COST**

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2005.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 14 - PROGRAM COST - Continued**

**A. Consolidating Statement of Net Cost by Suborganization**

Net cost by suborganization for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>	<u>Mine Safety and Health Administration</u>
<b>CROSS CUTTING PROGRAMS</b>					
<b>Income maintenance</b>					
Intra-governmental	\$ 213,372	\$ 832,659	\$ -	\$ -	\$ -
With the public	36,697,266	7,627,930	-	-	-
Gross cost	<u>36,910,638</u>	<u>8,460,589</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	(808,541)	(2,354,837)	-	-	-
Public earned revenue	(2,369)	-	-	-	-
Less earned revenue	<u>(810,910)</u>	<u>(2,354,837)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>36,099,728</u>	<u>6,105,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Employment and training</b>					
Intra-governmental	61,766	-	-	-	-
With the public	5,753,511	-	-	-	-
Gross cost	<u>5,815,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	(17,315)	-	-	-	-
Public earned revenue	(422)	-	-	-	-
Less earned revenue	<u>(17,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>5,797,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Labor, employment and pension standards</b>					
Intra-governmental	-	114,598	-	-	-
With the public	-	236,175	-	-	-
Gross cost	<u>-</u>	<u>350,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intra-governmental earned revenue	-	111	-	-	-
Public earned revenue	-	-	-	-	-
Less earned revenue	<u>-</u>	<u>111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>-</u>	<u>350,884</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Worker safety and health</b>					
Intra-governmental	-	-	110,857	-	94,390
With the public	-	-	388,985	-	203,934
Gross cost	<u>-</u>	<u>-</u>	<u>499,842</u>	<u>-</u>	<u>298,324</u>
Intra-governmental earned revenue	-	-	(1,645)	-	(60)
Public earned revenue	-	-	(1,250)	-	(791)
Less earned revenue	<u>-</u>	<u>-</u>	<u>(2,895)</u>	<u>-</u>	<u>(851)</u>
Net program cost	<u>-</u>	<u>-</u>	<u>496,947</u>	<u>-</u>	<u>297,473</u>
<b>OTHER PROGRAMS</b>					
<b>Statistics</b>					
Intra-governmental	-	-	-	177,019	-
With the public	-	-	-	354,656	-
Gross cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,675</u>	<u>-</u>
Intra-governmental earned revenue	-	-	-	(4,057)	-
Public earned revenue	-	-	-	(2,607)	-
Less earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,664)</u>	<u>-</u>
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,011</u>	<u>-</u>
<b>Cost not assigned to programs</b>					
Less earned revenue not attributed to programs	-	-	-	-	-
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 41,897,268</u>	<u>\$ 6,456,636</u>	<u>\$ 496,947</u>	<u>\$ 525,011</u>	<u>\$ 297,473</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

<b>Employee Benefits Security Administration</b>	<b>Veterans' Employment and Training</b>	<b>Other Departmental Programs</b>	<b>Eliminations</b>	<b>Total</b>
\$ 8,284	\$ -	\$ 2,050	\$ (31,667)	\$ 1,024,698
17,179	-	3,291	10,330	44,355,996
<u>25,463</u>	<u>-</u>	<u>5,341</u>	<u>(21,337)</u>	<u>45,380,694</u>
-	-	-	21,337	(3,142,041)
-	-	-	-	(2,369)
-	-	-	21,337	(3,144,410)
<u>25,463</u>	<u>-</u>	<u>5,341</u>	<u>-</u>	<u>42,236,284</u>
-	10,004	238	(26,411)	45,597
-	201,001	601	26,411	5,981,524
-	<u>211,005</u>	<u>839</u>	<u>-</u>	<u>6,027,121</u>
-	-	-	-	(17,315)
-	-	-	-	(422)
-	-	-	-	(17,737)
-	<u>211,005</u>	<u>839</u>	<u>-</u>	<u>6,009,384</u>
39,970	629	32,126	(48,276)	139,047
<u>94,890</u>	<u>12,019</u>	<u>193,804</u>	<u>48,276</u>	<u>585,164</u>
<u>134,860</u>	<u>12,648</u>	<u>225,930</u>	<u>-</u>	<u>724,211</u>
(9,425)	-	-	-	(9,314)
(546)	-	-	-	(546)
(9,971)	-	-	-	(9,860)
<u>124,889</u>	<u>12,648</u>	<u>225,930</u>	<u>-</u>	<u>714,351</u>
-	-	-	(44,792)	160,455
-	-	-	44,736	637,655
-	-	-	(56)	798,110
-	-	-	56	(1,649)
-	-	-	-	(2,041)
-	-	-	56	(3,690)
-	-	-	-	794,420
-	-	-	(16,423)	160,596
-	-	-	16,423	371,079
-	-	-	-	531,675
-	-	-	-	(4,057)
-	-	-	-	(2,607)
-	-	-	-	(6,664)
-	-	-	-	525,011
-	-	98,304	(3,060)	95,244
-	-	(13,860)	3,060	(10,800)
-	-	84,444	-	84,444
<u>\$ 150,352</u>	<u>\$ 223,653</u>	<u>\$ 316,554</u>	<u>\$ -</u>	<u>\$ 50,363,894</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 14 - PROGRAM COST - Continued**

**B. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Benefits	\$ 31,988,265	\$ 54	\$ -	\$ 31,988,319
Grants	4,549,457	-	-	4,549,457
Interest	2,699	-	-	2,699
Other	369,876	287	-	370,163
Gross cost	36,910,297	341	-	36,910,638
Less earned revenue	(810,910)	-	-	(810,910)
Net program cost	36,099,387	341	-	36,099,728
<b>Employment and training</b>				
Benefits	-	25,360	-	25,360
Grants	-	5,480,361	-	5,480,361
Other	-	313,966	(4,410)	309,556
Gross cost	-	5,819,687	(4,410)	5,815,277
Less earned revenue	-	(22,147)	4,410	(17,737)
Net program cost	-	5,797,540	-	5,797,540
<b>Net cost of operations</b>	<u>\$ 36,099,387</u>	<u>\$ 5,797,881</u>	<u>\$ -</u>	<u>\$ 41,897,268</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 14 - PROGRAM COST - Continued**

**C. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 7,493,735	\$ -	\$ -	\$ -	\$ (1,702)	\$ 7,492,033
Interest	674,894	-	-	-	-	674,894
Other	293,662	-	-	-	-	293,662
Gross cost	8,462,291	-	-	-	(1,702)	8,460,589
Less earned revenue	(2,356,539)	-	-	-	1,702	(2,354,837)
Net program cost	<u>6,105,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,105,752</u>
<b>Labor, employment and pension standards</b>						
Benefits	-	12,100	26,328	6,456	-	44,884
Grants	-	-	13	-	-	13
Other	-	82,406	179,639	43,831	-	305,876
Gross cost	-	94,506	205,980	50,287	-	350,773
Less earned revenue	-	-	111	-	-	111
Net program cost	<u>-</u>	<u>94,506</u>	<u>206,091</u>	<u>50,287</u>	<u>-</u>	<u>350,884</u>
<b>Net cost of operations</b>	<u>\$ 6,105,752</u>	<u>\$ 94,506</u>	<u>\$ 206,091</u>	<u>\$ 50,287</u>	<u>\$ -</u>	<u>\$ 6,456,636</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 14 - PROGRAM COST - Continued**

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2004.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 14 - PROGRAM COST - Continued

#### D. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>	<u>Mine Safety and Health Administration</u>
<b>CROSS CUTTING PROGRAMS</b>					
<b>Income maintenance</b>					
Intra-governmental	\$ 211,805	\$ 782,018	\$ -	\$ -	\$ -
With the public	46,152,478	4,285,156	-	-	-
Gross cost	46,364,283	5,067,174	-	-	-
Intra-governmental earned revenue	(899,561)	(2,394,786)	-	-	-
Public earned revenue	(2,300)	-	-	-	-
Less earned revenue	(901,861)	(2,394,786)	-	-	-
Net program cost	45,462,422	2,672,388	-	-	-
<b>Employment and training</b>					
Intra-governmental	56,263	-	-	-	-
With the public	6,164,127	-	-	-	-
Gross cost	6,220,390	-	-	-	-
Intra-governmental earned revenue	(16,876)	-	-	-	-
Public earned revenue	(359)	-	-	-	-
Less earned revenue	(17,235)	-	-	-	-
Net program cost	6,203,155	-	-	-	-
<b>Labor, employment and pension standards</b>					
Intra-governmental	-	107,613	-	-	-
With the public	-	227,619	-	-	-
Gross cost	-	335,232	-	-	-
Intra-governmental earned revenue	-	59	-	-	-
Public earned revenue	-	(1,029)	-	-	-
Less earned revenue	-	(970)	-	-	-
Net program cost	-	334,262	-	-	-
<b>Worker safety and health</b>					
Intra-governmental	-	-	114,460	-	90,874
With the public	-	-	391,575	-	204,182
Gross cost	-	-	506,035	-	295,056
Intra-governmental earned revenue	-	-	(2,352)	-	(11)
Public earned revenue	-	-	(1,839)	-	(1,005)
Less earned revenue	-	-	(4,191)	-	(1,016)
Net program cost	-	-	501,844	-	294,040
<b>OTHER PROGRAMS</b>					
<b>Statistics</b>					
Intra-governmental	-	-	-	179,644	-
With the public	-	-	-	356,809	-
Gross cost	-	-	-	536,453	-
Intra-governmental earned revenue	-	-	-	(4,197)	-
Public earned revenue	-	-	-	(1,307)	-
Less earned revenue	-	-	-	(5,504)	-
Net program cost	-	-	-	530,949	-
<b>Cost not assigned to programs</b>					
Less earned revenue not attributed to programs	-	-	-	-	-
Net cost not assigned to programs	-	-	-	-	-
<b>Net cost of operations</b>	<u>\$ 51,665,577</u>	<u>\$ 3,006,650</u>	<u>\$ 501,844</u>	<u>\$ 530,949</u>	<u>\$ 294,040</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

<b>Employee Benefits Security Administration</b>	<b>Veterans' Employment and Training</b>	<b>Other Departmental Programs</b>	<b>Eliminations</b>	<b>Total</b>
\$ 4,666	\$ -	\$ 4,278	\$ (29,816)	\$ 972,951
10,776	-	8,755	7,534	50,464,699
<u>15,442</u>	<u>-</u>	<u>13,033</u>	<u>(22,282)</u>	<u>51,437,650</u>
-	-	(21)	22,282	(3,272,086)
-	-	-	-	(2,300)
-	-	(21)	22,282	(3,274,386)
<u>15,442</u>	<u>-</u>	<u>13,012</u>	<u>-</u>	<u>48,163,264</u>
-	8,639	2,320	(22,580)	44,642
-	197,709	5,054	22,485	6,389,375
<u>-</u>	<u>206,348</u>	<u>7,374</u>	<u>(95)</u>	<u>6,434,017</u>
-	-	-	95	(16,781)
-	-	-	-	(359)
-	-	-	95	(17,140)
<u>-</u>	<u>206,348</u>	<u>7,374</u>	<u>-</u>	<u>6,416,877</u>
39,486	518	32,127	(42,725)	137,019
109,490	11,664	171,911	42,725	563,409
<u>148,976</u>	<u>12,182</u>	<u>204,038</u>	<u>-</u>	<u>700,428</u>
(9,804)	-	(154)	-	(9,899)
(547)	-	-	-	(1,576)
<u>(10,351)</u>	<u>-</u>	<u>(154)</u>	<u>-</u>	<u>(11,475)</u>
<u>138,625</u>	<u>12,182</u>	<u>203,884</u>	<u>-</u>	<u>688,953</u>
-	-	227	(41,865)	163,696
-	-	572	41,865	638,194
<u>-</u>	<u>-</u>	<u>799</u>	<u>-</u>	<u>801,890</u>
-	-	-	-	(2,363)
-	-	-	-	(2,844)
-	-	-	-	(5,207)
<u>-</u>	<u>-</u>	<u>799</u>	<u>-</u>	<u>796,683</u>
-	-	454	(14,549)	165,549
-	-	1,198	14,549	372,556
<u>-</u>	<u>-</u>	<u>1,652</u>	<u>-</u>	<u>538,105</u>
-	-	-	-	(4,197)
-	-	-	-	(1,307)
-	-	-	-	(5,504)
<u>-</u>	<u>-</u>	<u>1,652</u>	<u>-</u>	<u>532,601</u>
-	-	100,383	(1,662)	98,721
-	-	(22,305)	1,662	(20,643)
<u>-</u>	<u>-</u>	<u>78,078</u>	<u>-</u>	<u>78,078</u>
<u>\$ 154,067</u>	<u>\$ 218,530</u>	<u>\$ 304,799</u>	<u>\$ -</u>	<u>\$ 56,676,456</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 14 - PROGRAM COST - Continued**

**E. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Benefits	\$ 41,431,384	\$ 63	\$ -	\$ 41,431,447
Grants	4,563,342	-	-	4,563,342
Interest	3,421	-	-	3,421
Other	<u>365,837</u>	<u>236</u>	<u>-</u>	<u>366,073</u>
Gross cost	46,363,984	299	-	46,364,283
Less earned revenue	<u>(901,861)</u>	<u>-</u>	<u>-</u>	<u>(901,861)</u>
Net program cost	<u>45,462,123</u>	<u>299</u>	<u>-</u>	<u>45,462,422</u>
<b>Employment and training</b>				
Benefits	-	(8,217)	-	(8,217)
Grants	-	6,057,175	-	6,057,175
Other	<u>-</u>	<u>171,432</u>	<u>-</u>	<u>171,432</u>
Gross cost	-	6,220,390	-	6,220,390
Less earned revenue	<u>-</u>	<u>(17,235)</u>	<u>-</u>	<u>(17,235)</u>
Net program cost	<u>-</u>	<u>6,203,155</u>	<u>-</u>	<u>6,203,155</u>
<b>Net cost of operations</b>	<u>\$ 45,462,123</u>	<u>\$ 6,203,454</u>	<u>\$ -</u>	<u>\$ 51,665,577</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

---

**NOTE 14 - PROGRAM COST - Continued**

**F. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 4,150,302	\$ -	\$ -	\$ -	\$ (1,982)	\$ 4,148,320
Interest	650,579	-	-	-	-	650,579
Other	268,275	-	-	-	-	268,275
Gross cost	5,069,156	-	-	-	(1,982)	5,067,174
Less earned revenue	(2,396,768)	-	-	-	1,982	(2,394,786)
Net program cost	<u>2,672,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,672,388</u>
<b>Labor, employment and pension standards</b>						
Benefits	-	10,335	22,012	4,881	-	37,228
Grants	-	-	16	-	-	16
Other	-	83,229	175,121	39,638	-	297,988
Gross cost	-	93,564	197,149	44,519	-	335,232
Less earned revenue	-	-	(970)	-	-	(970)
Net program cost	<u>-</u>	<u>93,564</u>	<u>196,179</u>	<u>44,519</u>	<u>-</u>	<u>334,262</u>
<b>Net cost of operations</b>	<u>\$ 2,672,388</u>	<u>\$ 93,564</u>	<u>\$ 196,179</u>	<u>\$ 44,519</u>	<u>\$ -</u>	<u>\$ 3,006,650</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 15 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 6,810,122	\$ 6,613,154
State unemployment taxes	33,151,082	30,196,902
	39,961,204	36,810,056
Black Lung Disability Trust Fund excise taxes	610,417	565,979
	<u>40,571,621</u>	<u>37,376,035</u>
Interest		
Unemployment Trust Fund	2,586,064	2,522,421
Longshore and Harbor Workers' Trust Fund	1,007	421
District of Columbia Trust Fund	63	31
Panama Canal Commission Compensation Fund	3,915	1,299
Energy Employees Occupational Illness Compensation Fund	1,722	655
Black Lung Disability Trust Fund	644	308
	<u>2,593,415</u>	<u>2,525,135</u>
Assessments		
Longshore and Harbor Workers' Trust Fund	133,566	135,813
District of Columbia Trust Fund	11,216	10,352
Other	533	(601)
	<u>145,315</u>	<u>145,564</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	1,857,193	2,411,887
	<u>\$ 45,167,544</u>	<u>\$ 42,458,621</u>

#### NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
<b>Budgetary financing sources</b>		
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	\$ 3,000	\$ 3,000
<b>Other financing sources</b>		
Liability for EEOICPA, Part D, from the Department of Energy	(810,000)	-
Liability for RECA, Section 5, from the Department of Justice	(316,993)	-
From General Services Administration	3,564	1,063
To General Services Administration	(3,943)	(1,051)
	<u>(1,127,372)</u>	<u>12</u>
	<u>\$ (1,124,372)</u>	<u>\$ 3,012</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 17 - STATUS OF BUDGETARY RESOURCES**

**A. Apportionment Categories of Obligations Incurred**

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2005 and 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
Direct Obligations		
Category A	\$ 4,021,560	\$ 3,961,569
Category B	9,551,655	10,399,454
Exempt from apportionment	<u>37,760,421</u>	<u>47,205,222</u>
Total direct obligations	<u>51,333,636</u>	<u>61,566,245</u>
Reimbursable Obligations		
Category A	172,936	154,951
Category B	<u>2,609,991</u>	<u>2,591,348</u>
Total reimbursable obligations	<u>2,782,927</u>	<u>2,746,299</u>
	<u>\$ 54,116,563</u>	<u>\$ 64,312,544</u>

**B. Permanent Indefinite Appropriations**

The Department of Labor's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1b funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

**C. Legal Arrangements Affecting Use of Unobligated Balances**

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation at year end. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources and are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

**D. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The Budget of the United States Government with actual amounts for the year ended September 30, 2005 has not been published as of the issue date of these financial statements. This document will be available in February 2006. In addition, the reconciliation of the SF133 and the Statement of Budgetary Resources will be performed in Fiscal Year 2006 after the Department receives the final SF 133 reports from Trust Funds and allocated accounts.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2005 and 2004

#### NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued

#### D. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government - Continued

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Consolidated Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2004 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Total Outlays</u>
<b>Consolidated Statement of Budgetary Resources</b>	\$ 67,890	\$ 64,313	\$ 58,201
Pension Benefit Guaranty Corporation reported separately	15,627	3,168	(247)
Overstatement of unemployment taxes in the Budget of the United States	300	-	-
Overstatement of draws for unemployment benefits in the Budget of the United States	-	300	300
Accruals not reported in the budget	325	325	-
Amounts in the budget not included in the Consolidated Statement of Budgetary Resources	50	49	87
Amounts in the Consolidated Statement of Budgetary Resources not included in the budget	(18)	-	-
Expired accounts	<u>(871)</u>	<u>(199)</u>	<u>-</u>
<b>Budget of the United States Government</b>	<u>\$ 83,303</u>	<u>\$ 67,956</u>	<u>\$ 58,341</u>

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amount of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2004, reclassified from unobligated balances to UTF unavailable collections, is presented below.

<u>(Dollars in millions)</u>	<u>2004</u>
<b>Unemployment Trust Fund unavailable collections, beginning</b>	<u>\$ 45,489</u>
Budget authority from current year appropriations	43,203
Less obligations	<u>(45,728)</u>
Excess of obligations over budget authority	<u>(2,525)</u>
<b>Unemployment Trust Fund unavailable collections, ending</b>	<u>\$ 42,964</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 18 – SOURCES OF CUSTODIAL REVENUE**

Custodial revenues in 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 62,548	\$ -	\$ 62,548	\$ 10,005	\$ 72,553
MSHA	18,553	-	18,553	(1,202)	17,351
EBSA	13,654	-	13,654	2,079	15,733
ESA	12,577	(3)	12,574	509	13,083
	<u>107,332</u>	<u>(3)</u>	<u>107,329</u>	<u>11,391</u>	<u>118,720</u>
ETA disallowed grant costs	4,893	-	4,893	(738)	4,155
Other	18,660	(211)	18,449	298	18,747
	<u>\$ 130,885</u>	<u>\$ (214)</u>	<u>\$ 130,671</u>	<u>\$ 10,951</u>	<u>\$ 141,622</u>

Custodial revenues in 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 60,390	\$ -	\$ 60,390	\$ 917	\$ 61,307
MSHA	17,399	-	17,399	6,017	23,416
EBSA	13,373	-	13,373	843	14,216
ESA	24,370	(318)	24,052	(3,543)	20,509
	<u>115,532</u>	<u>(318)</u>	<u>115,214</u>	<u>4,234</u>	<u>119,448</u>
ETA disallowed grant costs	15,526	(1,808)	13,718	(6,198)	7,520
Other	581	(80)	501	-	501
	<u>\$ 131,639</u>	<u>\$ (2,206)</u>	<u>\$ 129,433</u>	<u>\$ (1,964)</u>	<u>\$ 127,469</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 19 - DEDICATED COLLECTIONS**

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 2005 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Assets</b>				
Intra-governmental				
Funds with U.S. Treasury	\$ (273,027)	\$ 41,906	\$ 13,310	\$ 2,066
Investments	54,805,883	-	60,000	3,000
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	344,238	-	-	-
Interest receivable from investments	634,736	-	-	-
Total intra-governmental	<u>55,511,830</u>	<u>41,906</u>	<u>73,310</u>	<u>5,066</u>
Accounts receivable, net				
State unemployment tax	235,182	-	-	-
Due from reimbursable employers	516,110	-	-	-
Benefit overpayments	177,640	9,055	-	-
Other	-	-	1,222	813
Advances to states	489,177	-	-	-
<b>Total assets</b>	<u>\$ 56,929,939</u>	<u>\$ 50,961</u>	<u>\$ 74,532</u>	<u>\$ 5,879</u>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,406,934	\$ -	\$ 477	\$ -
Advances from U.S. Treasury	-	9,186,557	-	-
Amounts held for the Railroad Retirement Board	94,820	-	-	-
Total intra-governmental	<u>1,501,754</u>	<u>9,186,557</u>	<u>477</u>	<u>-</u>
Accrued benefits	931,672	24,413	3,234	375
Other	-	-	45,012	3,898
<b>Total liabilities</b>	<u>2,433,426</u>	<u>9,210,970</u>	<u>48,723</u>	<u>4,273</u>
<b>Net position</b>				
Cumulative results of operations	<u>54,496,513</u>	<u>(9,160,009)</u>	<u>25,809</u>	<u>1,606</u>
<b>Total liabilities and net position</b>	<u>\$ 56,929,939</u>	<u>\$ 50,961</u>	<u>\$ 74,532</u>	<u>\$ 5,879</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 19 - DEDICATED COLLECTIONS – Continued**

The net results of operations of each trust fund for the year ended September 30, 2005 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (31,980,909)	\$ (327,860)	\$ (130,883)	\$ (10,700)
Interest	(2,699)	(674,894)	-	-
Administrative	(288,968)	(212)	-	-
	<u>(32,272,576)</u>	<u>(1,002,966)</u>	<u>(130,883)</u>	<u>(10,700)</u>
Earned revenue	783,657	-	-	-
	<u>(31,488,919)</u>	<u>(1,002,966)</u>	<u>(130,883)</u>	<u>(10,700)</u>
<b>Net financing sources</b>				
Taxes	39,961,204	610,417	-	-
Interest	2,586,064	646	1,007	62
Assessments	1,857,193	-	133,566	11,217
Transfers-in				
DOL Entities	150	-	-	-
Transfers-out				
DOL entities	(3,815,031)	(56,662)	(2,023)	-
	<u>40,589,580</u>	<u>554,401</u>	<u>132,550</u>	<u>11,279</u>
Net results of operations	9,100,661	(448,565)	1,667	579
<b>Net position, beginning of period</b>	<u>45,395,852</u>	<u>(8,711,444)</u>	<u>24,142</u>	<u>1,027</u>
<b>Net position, end of period</b>	<u>\$ 54,496,513</u>	<u>\$ (9,160,009)</u>	<u>\$ 25,809</u>	<u>\$ 1,606</u>

The financial position of each trust fund as of September 30, 2004 is shown below and on the following page.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Assets</b>				
Intra-governmental				
Funds with U.S. Treasury	\$ 157,591	\$ 43,777	\$ 465	\$ 2
Investments	45,239,381	-	69,653	5,007
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	333,918	-	-	-
Interest receivable from investments	577,341	-	-	-
Total intra-governmental	<u>46,308,231</u>	<u>43,777</u>	<u>70,118</u>	<u>5,009</u>
Accounts receivable, net				
State unemployment tax	198,872	-	-	-
Due from reimbursable employers	620,416	-	-	-
Benefit overpayments	196,156	9,651	-	-
Other	-	1,003	1,317	280
Advances to states	623,172	-	-	-
<b>Total assets</b>	<u>\$ 47,946,847</u>	<u>\$ 54,431</u>	<u>\$ 71,435</u>	<u>\$ 5,289</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2005 and 2004**

**NOTE 19 - DEDICATED COLLECTIONS - Continued**

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,336,263	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	8,740,557	-	-
Amounts held for the Railroad Retirement Board	86,209	-	-	-
Total intra-governmental	<u>1,422,472</u>	<u>8,740,557</u>	<u>-</u>	<u>-</u>
Accrued benefits	1,128,523	25,318	3,155	283
Other	-	-	44,138	3,979
<b>Total liabilities</b>	<u>2,550,995</u>	<u>8,765,875</u>	<u>47,293</u>	<u>4,262</u>
<b>Net position</b>				
Cumulative results of operations	<u>45,395,852</u>	<u>(8,711,444)</u>	<u>24,142</u>	<u>1,027</u>
<b>Total liabilities and net position</b>	<u>\$ 47,946,847</u>	<u>\$ 54,431</u>	<u>\$ 71,435</u>	<u>\$ 5,289</u>

The net results of operations of each trust fund for the year ended September 30, 2004 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (41,424,320)	\$ (344,340)	\$ (133,560)	\$ (10,800)
Interest	(3,421)	(650,579)	-	-
Administrative	(293,243)	(60)	-	-
	<u>(41,720,984)</u>	<u>(994,979)</u>	<u>(133,560)</u>	<u>(10,800)</u>
Earned revenue	823,315	-	-	-
	<u>(40,897,669)</u>	<u>(994,979)</u>	<u>(133,560)</u>	<u>(10,800)</u>
<b>Net financing sources</b>				
Taxes	36,810,056	565,979	-	-
Interest	2,522,421	309	421	30
Assessments	2,411,887	-	135,813	10,352
Transfers-in				
Treasury	80,000	-	-	-
DOL Entities	721,054	-	-	-
Transfers-out				
DOL entities	(3,829,105)	(55,743)	(2,021)	-
	<u>38,716,313</u>	<u>510,545</u>	<u>134,213</u>	<u>10,382</u>
Net results of operations	<u>(2,181,356)</u>	<u>(484,434)</u>	<u>653</u>	<u>(418)</u>
<b>Net position, beginning of period</b>	<u>47,577,208</u>	<u>(8,227,010)</u>	<u>23,489</u>	<u>1,445</u>
<b>Net position, end of period</b>	<u>\$ 45,395,852</u>	<u>\$ (8,711,444)</u>	<u>\$ 24,142</u>	<u>\$ 1,027</u>



## **Required Supplementary Stewardship Information**

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

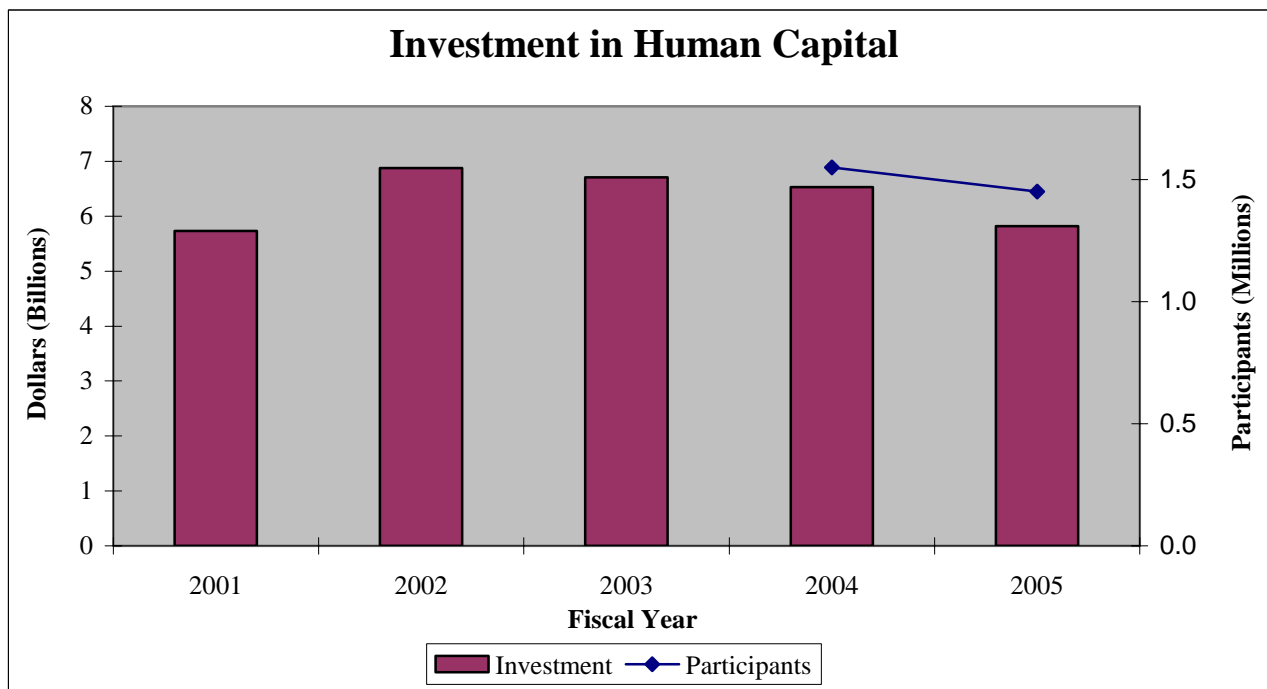
Stewardship investments are made by the DOL for the nation’s benefit. For accounting purposes, these investments are expensed as incurred, and reflected in the net cost of the DOL’s operations. Stewardship investments provide long-term benefits which cannot be measured in traditional financial reports.

The DOL’s stewardship investments are in human capital, reported as expenses in the net cost of the DOL’s employment and training programs. These investments are intended to maintain or increase national economic productive capacity, as demonstrated by program outputs and outcomes. Within the DOL, the Employment and Training Administration and the Veterans’ Employment and Training Service administer programs which invest in human capital, as discussed below.

#### Employment and Training Administration

The U.S. Department of Labor, Employment and Training Administration’s (ETA) Federal investment in human capital comprises expenses incurred for training programs enacted under the Workforce Investment Act of 1998 (WIA); Job Training Partnership Act, as amended (JTPA); the Trade Act of 1974, as amended (Trade Act); School-To-Work Opportunities Act of 1994, as amended (STW), and Balanced Budget Act of 1997, as amended. This investment is made for the general public and the expenses incurred are intended to increase or maintain national economic productive capacity. Investment in human capital specifically excludes expenditures for employment services, apprenticeship program administration and unemployment and other benefit payments which make up the bulk of ETA’s services to the public at \$36.1 billion and 22.6 million people served.

The ETA’s investment in human capital for fiscal years 2001 to 2005, excluding the cost of internal Federal education and training, is presented below, along with the number of participants exiting the programs, an output measure for these programs for fiscal years 2004 and 2005 (participant data is not available for the earlier years).



## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

This output measure is the latest data available for the currently operating programs, was collected for periods ending in March or June of the fiscal year, and includes some estimates, depending on the program involved. Participants could have exited from, and therefore been counted in, more than one program during the measurement periods. This participant information specifically excludes participants for employment services, apprenticeship and unemployment and other benefit recipients who receive ETA services to the public.

A brief description of the programs under each Act is as follows:

### **Workforce Investment Act (Successor Legislation to the JTPA)**

- **Youth Activities** - Grants to provide financial assistance to States and U.S. territories to design and operate workforce investment activities for eligible youth.
- **Youth Opportunity Grants** - Grants to increase the long-term employment of youth who live in empowerment zones, enterprise communities, and high-poverty areas.
- **Adult and Dislocated Worker Employment and Training Activities** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low income adults and reemployment services and retraining assistance to individuals dislocated from their employment.
- **Job Corps** - Nationwide program carried out in partnership with States and communities to assist eligible youth to become more responsible, employable, and productive citizens.
- **National Programs** - Grants to provide financial assistance in support of employment and training activities and opportunities for Native American, Migrant and Seasonal Farmworkers, Veterans and Disadvantaged Youth.
- **National Emergency Grants** - National Emergency Grants are discretionary awards by the Secretary of Labor that are intended to temporarily expand service capacity at the state and local levels by providing time-limited funding assistance in response to significant dislocation events.

### **Job Training Partnership Act (Antecedent legislation to the WIA)**

- **Adult Employment and Training** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for low-income adults.
- **Dislocated Worker Employment and Training** - Grants to provide re-employment services and retraining assistance to individuals dislocated from their employment.
- **H-1B Technical Skills Training Grants** - Financed by fees paid by employers who bring skilled foreign workers into the U.S. under H-1B nonimmigrant visas, these grants help address the high skill technology shortages of American businesses by developing and operating high skill training programs for unemployed and employed American workers.
- **Youth Training** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.
- **Summer Youth Employment and Training** - Grants to operate programs of employment and opportunities, as well as academic enrichment for economically disadvantaged youth during the summer months.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

- **Indian and Native Americans** - Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.
- **National Farmworker Jobs Program (NFJP)** - Grants to public agencies and nonprofit groups to provide training and other employability development services to economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farm work.
- **Veterans Employment** - Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.
- **National Activities** - Provides program support for JTPA activities and nationally administered programs for segments of the population that have special disadvantages in the labor market.

### Trade Act of 1974 As Amended

- **Trade Adjustment Assistance** - Adjustment assistance, including cash weekly benefits, training, job search, and relocation allowances provided to workers as authorized by the Trade Act of 1974, as amended.
- **North American Free Trade Agreement (NAFTA)** - Transition adjustment assistance, including weekly cash benefits, training, job search, and relocation allowances provided to workers determined to be adversely affected as a result of the NAFTA as authorized by the Trade Act of 1974, as amended.

### School-To-Work Opportunities Act

- **School-To-Work Opportunities** - Grants to States and localities, jointly administered by the DOL and U.S. Department of Education to build systems that provide youth with the knowledge and skills necessary to make an effective transition from school to careers through work-based learning, school-based education, and connecting activities.

### Balanced Budget Act of 1997

- **Welfare-To-Work Opportunities** - Grants to States and localities, jointly administered by the DOL and U.S. Department of Health and Human Services to build programs to provide recipients receiving assistance under State funded programs with the knowledge and skills necessary to make an effective transition to unsubsidized employment opportunities.

### The National Apprenticeship Act

- **Apprenticeship** - A combination of learning on the job and related technical instruction in which workers learn practical and theoretical aspects of a skilled occupation. Apprenticeship costs and participants are not included in the costs and participant numbers in the chart above because Apprenticeship funding does not generally pay for the actual training, but supports administrating the National Apprenticeship Act, including registration, certification, and monitoring of apprenticeship programs. In 2005 there were approximately 391,000 participants in these non-federal apprenticeship training programs.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

### Veterans' Employment and Training Service

The mission of Veterans' Employment and Training Service (VETS) is to provide veterans and transitioning service members with the resources and services to succeed in the 21<sup>st</sup> Century workforce, by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. The Agency's vision is embodied in this statement: Veterans Succeeding in the 21<sup>st</sup> Century Workforce.

VETS can be classified into two main areas, Career Counseling and Employment Services, and Transition and Reemployment Services. Brief descriptions follow:

#### Career Counseling and Employment Services

**Disabled Veterans Outreach Program Specialist (DVOP)** - This program is codified at 38 U.S.C. 4103A. DVOP grants are made to State Workforce Agencies (SWAs) according to a distribution formula prescribed by law. DVOP staff provide counseling, assessment, lifelong learning skills and/or referral to training for veterans, particularly those with disabilities or recently separated from the military.

**Local Veterans' Employment Representative (LVER)** - This program is codified at 38 U.S.C. 4104. The program provides grants to SWAs for the appointment of LVER staff positions identified in Job Service local offices and One-Stop Career Centers to enhance the services provided to veterans through oversight, technical support, and direct provision of services. LVER staffs help veterans into productive employment through lifelong learning services.

**Homeless Veterans' Reintegration Project (HVRP)** - The HVRP, codified at 38 U.S.C. 2021, provides employment assistance to homeless veterans through grants to both urban and other areas.

**Veterans' Workforce Investment Program (VWIP)** - The VWIP, codified at 29 U.S.C. 2913, provides targeted veterans training and/or employment opportunities. The program targets service connected disabled veterans, recently separated, campaign badge veterans and veterans with significant employment barriers.

#### Transition and Reemployment Services

**Transition Assistance Program (TAP)** - Authority for TAP is provided in 38 U.S.C. 4215 and 10 U.S.C. 1144. TAP operates as a partnership between the Departments of Labor, Defense, and Veterans Affairs. This partnership also exists at the local level, where memoranda of understanding spell out the responsibilities of SWAs, military installations, VETS staff and VA facilities. The program provides separating service members and their spouses or individuals retiring from military service with career counseling and training on becoming productive members of society through employment. TAP workshops are provided throughout the Nation and overseas.

**Uniformed Services Employment and Reemployment Rights and Veteran's Preference Rights (USERRA)** - is codified at 38 U.S.C. Chapter 43. The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) succeeded Veterans' Reemployment Rights statutes. USERRA continues to protect civilian job rights and benefits for veterans, members of the National Guard and Reserves. Veteran's Preference for Federal employment is codified in 5 U.S.C. 2108. VETS educates both employee and employer so they better understand the rights of the individuals and promotes a more productive relationship between employer and employee.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

The full cost of VETS major programs is presented below. Full costs include all direct program costs and those indirect costs which can reasonably be assigned or allocated to the program.

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Program Expenses</b>					
<b>Career Counseling and Employment Services</b>					
Disabled Veterans Outreach Program	\$ 82,913	\$ 84,063	\$ 87,013	\$ 82,582	\$ 84,681
Local Veterans' Employment Representative	77,703	78,320	82,148	77,977	80,155
<b>Transition and Reemployment Services</b>	<u>30,419</u>	<u>28,500</u>	<u>25,957</u>	<u>25,635</u>	<u>27,970</u>
	<u>\$ 191,035</u>	<u>\$ 190,883</u>	<u>\$ 195,118</u>	<u>\$ 186,194</u>	<u>\$ 192,806</u>

A summary of program outputs is presented below.

<b>Program Outputs</b>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Disabled Veterans Outreach Program</b>					
Participants employed	294,252	281,591	na	120,400	131,000
Disabled veterans	34,008	32,993	na	15,057	16,000
Special disabled veterans	14,568	13,929	na	7,107	8,000
Participants assisted	342,828	507,190	na	584,719	581,000
<b>Local Veterans' Employment Representative</b>					
Participants employed	289,624	286,720	na	128,450	138,700
Disabled veterans	28,855	29,391	na	13,533	14,000
Special disabled veterans	11,563	12,015	na	6,233	6,500
Participants assisted	330,041	529,911	na	639,694	733,600
<b>Transition and Reemployment Services</b>					
Participants served	134,288	130,000	110,055	104,000	112,000
Workshops	4,185	3,200	3,142	3,151	3,181
<b>Uniformed Services Employment and Reemployment</b>					
Briefings, presentations, and technical assistance	10,538	9,300	10,081	5,436	3,200
Individuals briefed or assisted	99,208	59,300	66,545	54,050	-

na - Data not available.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

### SOCIAL INSURANCE PROGRAMS

The Federal Accounting Standards Advisory Board (FASAB) has classified certain government income transfer programs as social insurance programs. Recognizing that these programs have complex characteristics that do not fit traditional accounting models, the FASAB has developed accounting standards for social insurance programs which require the presentation of supplementary information to facilitate the assessment of the program's long term sustainability.

The U.S. Department of Labor operates two programs classified under Federal accounting standards as social insurance programs, the Unemployment Insurance Program and the Black Lung Disability Benefits Program. Presented below is the supplementary information for the two programs.

#### Unemployment Insurance Program

The Unemployment Insurance (UI) Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The UI program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and UI tax revenues exceeding benefit payments during periods of recovery.

#### Program Administration and Funding

The UI program is administered through a unique system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of the U.S. Department of Labor, while program details are established through individual State UI statutes, administered through State UI agencies.

#### Federal and State Unemployment Taxes

The UI program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI program, including grants to each State to cover the costs of State UI operations and the Federal share of extended UI benefits. Federal unemployment taxes are also used to maintain a loan account within the UTF, from which insolvent States may borrow funds to pay UI benefits. State UI taxes are used exclusively for the payment of regular UI benefits, as well as the State's share of extended benefits.

#### Federal Unemployment Taxes

Under the provisions of the Federal Unemployment Tax Act (FUTA), a Federal tax is levied on covered employers, at a current rate of 6.2% of the first \$7,000 in annual wages paid to each employee. This Federal tax rate is reduced by a credit of up to 5.4%, granted to employers paying State UI taxes under conforming State UI statutes. Accordingly, in conforming States, employers pay an effective Federal tax of 0.8%. Federal unemployment taxes are collected by the Internal Revenue Service.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

### State Unemployment Taxes

In addition to the Federal tax, individual States finance their UI programs through State tax contributions from subject employers based on the wages of covered employees. (Three States also collect contributions from employees). Within Federal confines, State tax rates are assigned in accordance with an employer's experience with unemployment. Actual tax rates vary greatly among the States and among individual employers within a State. At a minimum, these rates must be applied to the Federal tax base of \$7,000; however, States may adopt a higher wage base than the minimum established by FUTA. State UI agencies are responsible for the collection of State unemployment taxes.

### **Unemployment Trust Fund**

Federal and State UI taxes are deposited into designated accounts within the Unemployment Trust Fund. The UTF was established under the authority of Title IX, Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, loan and disburse Federal and State UI taxes. The U.S. Department of the Treasury acts as custodian over monies deposited into the UTF, investing amounts in excess of disbursing requirements in Treasury securities. The UTF is comprised of the following accounts:

#### Federal Accounts

The Employment Security Administration Account (ESAA) was established pursuant to Section 901 of the Act. All tax receipts collected under the Federal Unemployment Tax Act (FUTA) are appropriated to the ESAA and used to pay the costs of Federal and State administration of the unemployment insurance program and veterans' employment services, as well as 97 percent of the costs of the State employment services. Excess balances in ESAA, as defined under the Act, are transferred to other Federal accounts within the Fund, as described below.

The Federal Unemployment Account (FUA) was established pursuant to Section 904 of the Act. FUA is funded by any excesses from the ESAA as determined in accordance with Section 902 of the Act. Title XII, Section 1201 of the Act authorizes the FUA to loan Federal monies to State accounts that are unable to make benefit payments because the State UI account balance has been exhausted. Title XII loans must be repaid with interest. The FUA may borrow from the ESAA or EUCA, without interest, or may also receive repayable advances, with interest, from the general fund of the U.S. Treasury, when the FUA has a balance insufficient to make advances to the States.

The Extended Unemployment Compensation Account (EUCA) was established pursuant to Section 905 of the Act. EUCA provides for the payment of extended unemployment benefits authorized under the Federal-State Extended Unemployment Compensation Act of 1970, as amended. Under the extended benefits program, extended unemployment benefits are paid to individuals who have exhausted their regular unemployment benefits. These extended benefits are financed one-half by State unemployment taxes and one-half by FUTA taxes from the EUCA. The EUCA is funded by a percentage of the FUTA tax transferred from the ESAA in accordance with Section 905(b)(1) and (2) of the Act. The EUCA may borrow from the ESAA or the FUA, without interest, or may also receive repayable advances from the general fund of the Treasury when the EUCA has a balance insufficient to pay the Federal share of extended benefits. During periods of sustained high unemployment, the EUCA may also receive payments and non-repayable advances from the general fund of the Treasury to finance emergency unemployment compensation benefits. Emergency unemployment benefits require Congressional authorization.



## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

The Federal Employees Compensation Account (FECA) was established pursuant to Section 909 of the Act. The FEC account provides funds to States for unemployment compensation benefits paid to eligible former Federal civilian personnel and ex-service members. Generally, benefits paid are reimbursed to the Federal Employees Compensation Account by the various Federal agencies. Any additional resources necessary to assure that the account can make the required payments to States, due to the timing of the benefit payments and subsequent reimbursements, will be provided by non-repayable advances from the general fund of the Treasury.

### State Accounts

Separate State Accounts were established for each State and territory depositing monies into the Fund, in accordance with Section 904 of the Act. State unemployment taxes are deposited into these individual accounts and may be used only to pay State unemployment benefits. States may receive repayable advances from the FUA when their balances in the Fund are insufficient to pay benefits.

### Railroad Retirement Accounts

The Railroad UI Account and Railroad UI Administrative Account were established under Section 904 of the Act to provide for a separate unemployment insurance program for railroad employees. This separate unemployment insurance program is administered by the Railroad Retirement Board, an agency independent of DOL. DOL is not responsible for the administrative oversight or solvency of the railroad unemployment insurance system. Receipts from taxes on railroad payrolls are deposited in the Railroad UI Account and the Railroad UI Administrative Account to meet benefit payment and related administrative expenses.

## **UI Program Benefits**

The UI program provides regular and extended benefit payments to eligible unemployed workers. Regular UI program benefits are established under State law, payable for a period not to exceed a maximum duration. In 1970, Federal law began to require States to extend this maximum period of benefit duration by fifty percent during periods of high unemployment. These extended benefit payments are paid equally from Federal and State accounts.

### Regular UI Benefits

There are no Federal standards regarding eligibility, amount or duration of regular UI benefits. Eligibility requirements, as well as benefit amounts and benefit duration are determined under State law. Under State laws, worker eligibility for benefits depends on experience in covered employment during a past base period, which attempts to measure the workers' recent attachment to the labor force. Three factors are common to State eligibility requirements: (1) a minimum duration of recent employment and earnings during a base period prior to unemployment, (2) unemployment not the fault of the unemployed, and (3) availability of the unemployed for work.

Benefit payment amounts under all State laws vary with the worker's base period wage history. Generally, States compute the amount of weekly UI benefits as a percentage of an individual's average weekly base period earnings, within certain minimum and maximum limits. Most States set the duration of UI benefits by the amount of earnings an individual has received during the base period. Currently, almost all States have established the maximum duration for regular UI benefits at 26 weeks. Regular UI benefits are paid by the State UI agencies from monies drawn down from the State's account within the Unemployment Trust Fund.

## **REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION**

---

### Extended UI Benefits

The Federal/State Extended Unemployment Compensation Act of 1970 provides for the extension of the duration of UI benefits during periods of high unemployment. When the insured unemployment level within a State, or in some cases total unemployment, reaches certain specified levels, the State must extend benefit duration by fifty percent, up to a combined maximum of 39 weeks. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the UTF, and fifty percent by the State, from the State's UTF account.

### Emergency UI Benefits

During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended UI benefit payments. Emergency benefits totaling \$4.2 billion were paid under the Temporary Extended Unemployment Compensation Act during FY 2004. The program is effectively over. No new claimants were allowed to enter the program after January 2004, and no benefits were paid after January 2005. Payments in excess of \$23 billion were paid since inception of the program in March 2002. The benefits under this program were paid from Federal unemployment taxes and general fund appropriations in EUCA.

### Federal UI Benefits

Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency and are not considered to be social insurance benefits. Federal unemployment compensation benefits are not included in this discussion of social insurance programs.

## **Program Finances and Sustainability**

At September 30, 2005, total assets within the UTF exceeded liabilities by \$54.5 billion. This fund balance approximates the accumulated surplus of tax revenues and earnings on these revenues over benefit payment expenses and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities at September 30, 2005 was \$54.8 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2005 was \$2.5 billion. Federal and State UI tax and reimbursable revenues of \$41.8 billion and regular, extended and emergency benefit payment expense of \$31.2 billion were recognized for the year ended September 30, 2005.

As discussed in Note 1.L.1 to the consolidated financial statements, DOL recognized a liability for regular, extended and temporary extended unemployment benefits to the extent of unpaid benefits applicable to the current period. Accrued unemployment benefits payable at September 30, 2005 were \$0.9 billion.

**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION**

---

**Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF**

The ability of the UI program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The Department measures the effect of projected benefit payments on the accumulated net assets of the UTF, under an open group scenario, which includes current and future participants in the UI program. Future estimated cash inflows and outflows of the UTF are tracked by the Department for budgetary purposes. These projections allow the Department to monitor the sensitivity of the UI program to differing economic conditions, and to predict the program's sustainability under varying economic assumptions. The significant assumptions used in the projections include total unemployment rates, civilian labor force levels, percent of unemployed receiving benefits, total wages, distribution of benefit payments by state, state tax rate structures, state taxable wage bases and interest rates on UTF investments.

Presented on the following pages is the effect of projected economic conditions on the net assets of the UTF, excluding the Federal Employees Compensation Account.

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### Expected Economic Conditions

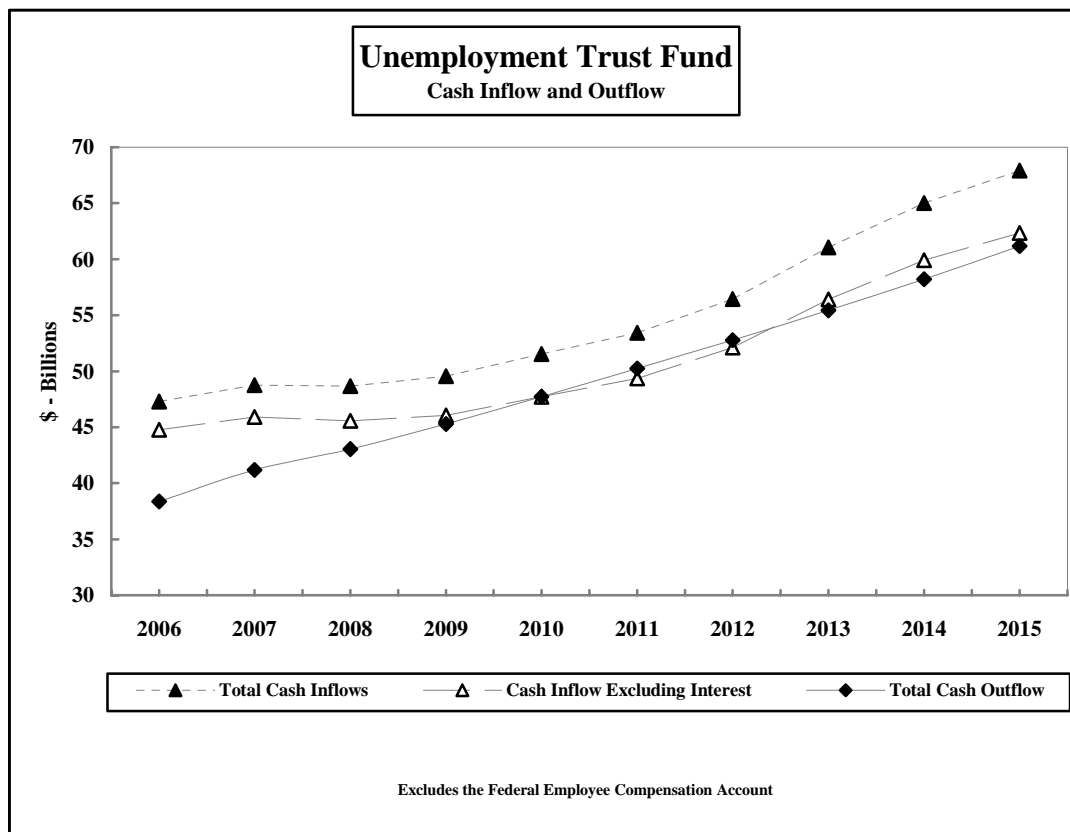
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

#### Projected Cash Inflows and Outflows Under Expected Economic Conditions

Chart I depicts projected cash inflows and outflows of the UTF over the next ten years under expected economic conditions. Both cash inflows and cash inflows excluding interest earnings are displayed. Current estimates by the Department are based on an expected unemployment rate of 5.12% during FY 2006, decreasing to 5.00% in FY 2009 and thereafter. Total cash inflows exceed total cash outflows for all years projected. The net inflow peaks at \$8.9 billion in FY 2006 and decreases to \$3.2 billion in FY 2011, indicating that States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate decreasing net cash inflows from FY 2006 to FY 2009, then net cash outflows for the next three years. This crossover back to net inflows implies that the fund must rely on interest earnings to keep growing.

Chart I



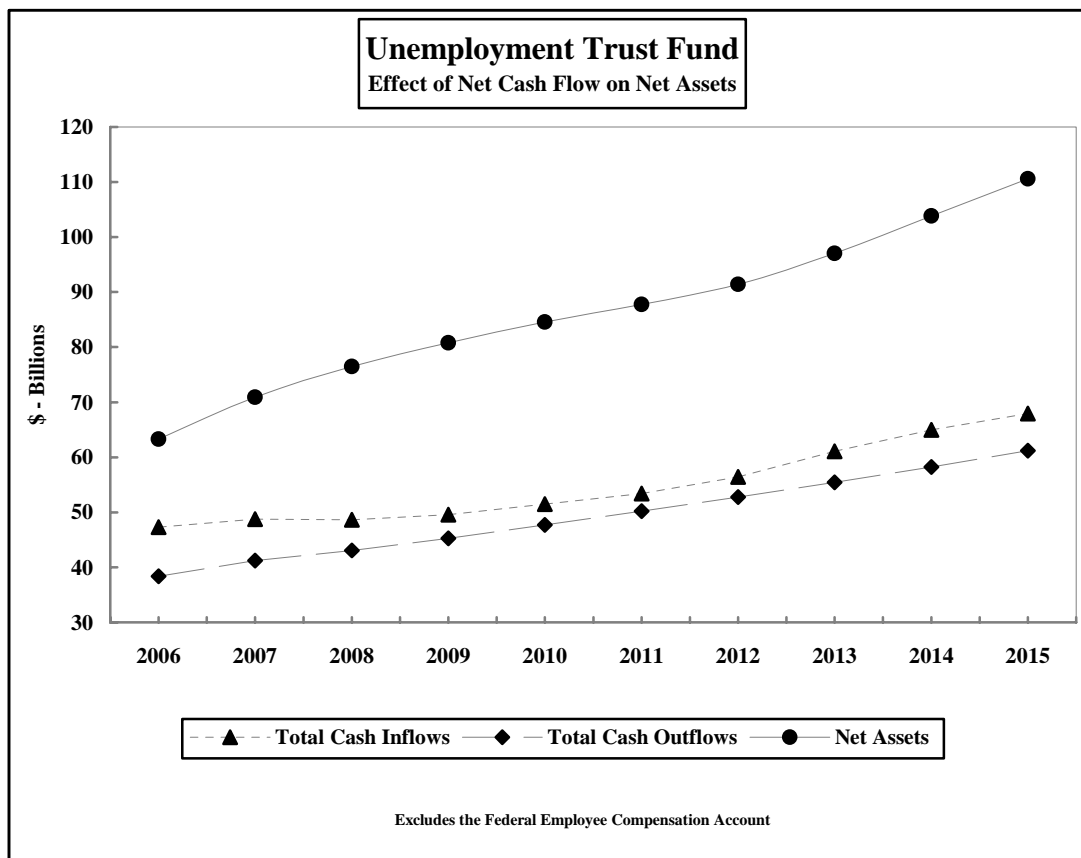
**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION**

Effect of Expected Cash Flows on UTF Assets

Chart II demonstrates the effect of these expected cash inflows and outflows on the net assets of the UTF over the ten year period ended September 30, 2015. Yearly projected total cash inflows, including interest earnings, and cash outflows are depicted, as well as the net effect of this cash flow on UTF assets.

Total cash inflows exceed cash outflows for all years projected, with this excess peaking in 2006. Starting at \$63.3 billion in FY 2006, net UTF assets increase by 75% over the next nine years to \$110.6 billion by the end of FY 2015.

Chart II



## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

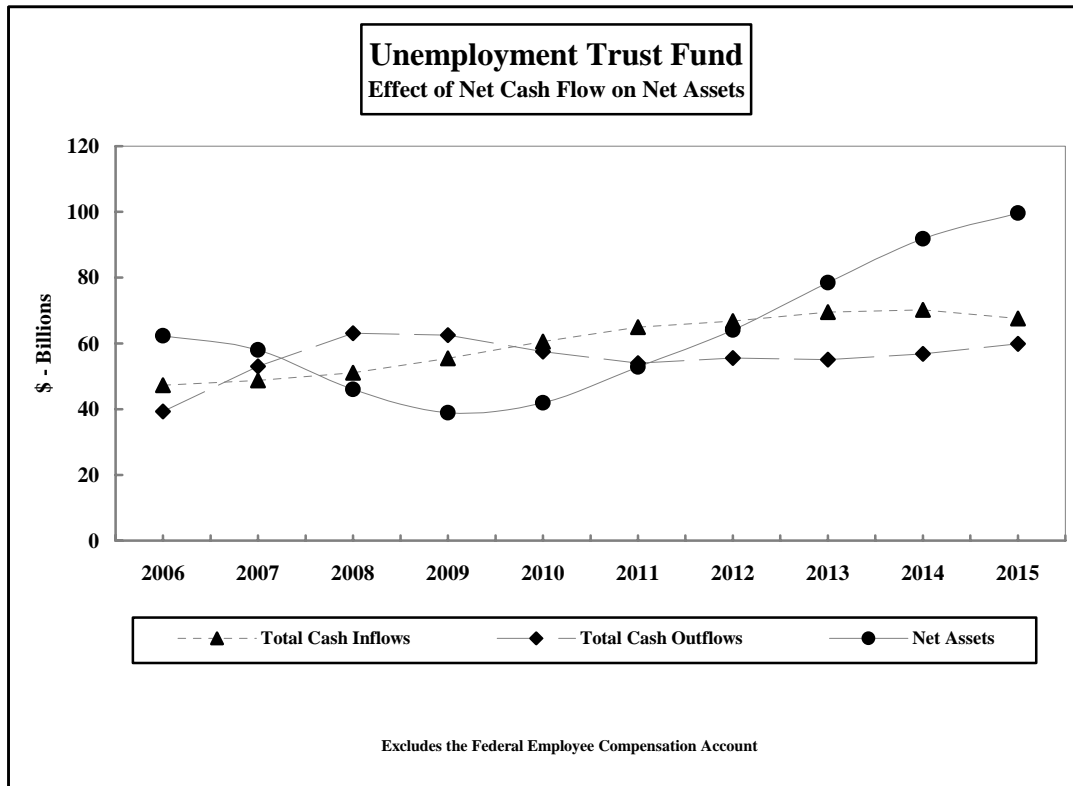
### Recessionary Scenarios

Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2015, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants in the UI program. Charts III and IV assume increased rates of unemployment during mild and deep periods of recession.

#### Effect on UTF Assets of Mild Recession

The Department projects the effect of moderate recession on the cash inflows and outflows of the UTF. Under this scenario, which utilizes an unemployment rate peaking at 7.43% in FY 2008, net cash outflows are projected in FY 2007 through FY 2009. Net cash inflows are reestablished in FY 2010 and peak in FY 2013 with a drop in the unemployment rate to 5.13%. Net assets never fall below \$38.9 billion and are within \$11 billion of the balance under expected economic conditions by 2015. The crossover pattern remains the same when interest earnings are excluded.

Chart III



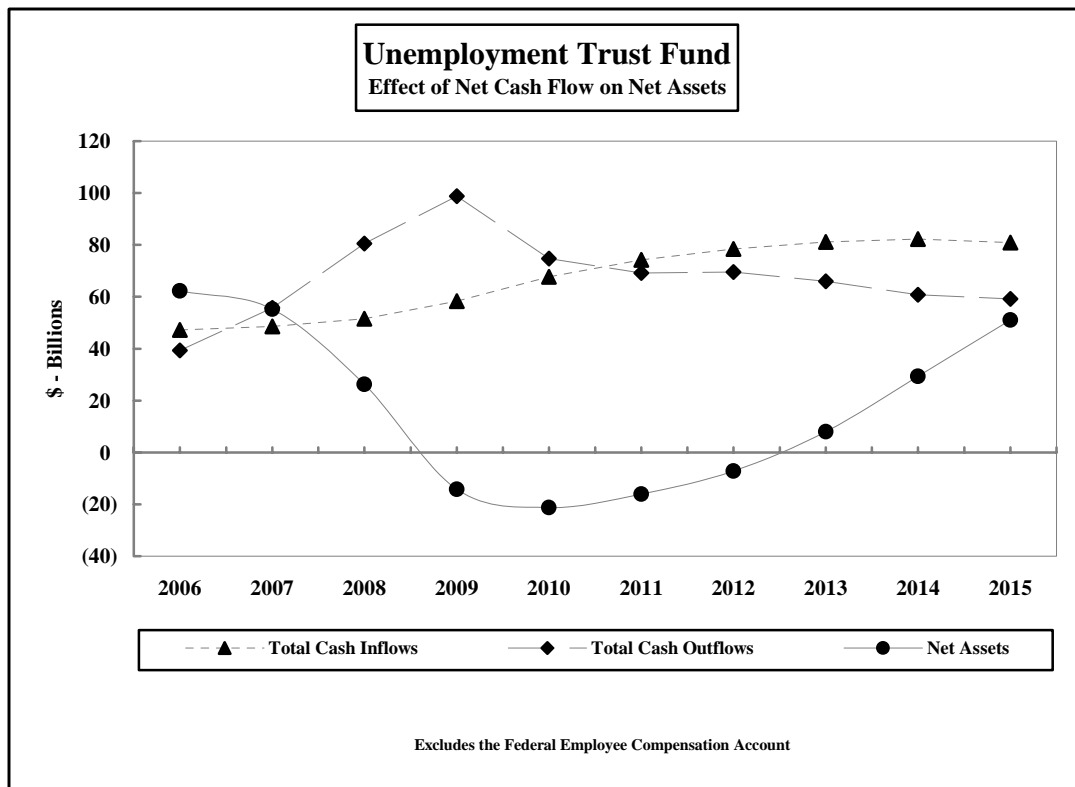
## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### Effect on UTF Assets of Deep Recession

The Department also estimates the effect of severe recession on the cash inflows and outflows of the UTF. This scenario assumes a rising unemployment rate peaking at 10.15% in FY 2009. Under this scenario, net cash outflows are projected in FY 2007 through FY 2010, with the fund in a deficit situation from 2009 to 2012. The net assets of the UTF decrease from \$62.3 billion in FY 2006 to negative \$21.2 billion in 2010, a decline of \$83.5 billion. State accounts without sufficient reserve balances to absorb negative cash flows would be forced to borrow funds from the FUA to meet benefit payment requirements. State borrowing demands could also deplete the FUA, which borrows from the ESAA and the EUCA until they are depleted. The FUA would then require advances from the general fund of the U.S. Treasury to provide for State borrowings. (See discussion of State solvency measures following.)

Net cash inflows are reestablished in FY 2011, with a drop in the unemployment rate to 7.28%. By the end of FY 2015, this positive cash flow has replenished UTF account balances to \$51.0 billion at a growth rate higher than prior to the recession. This example demonstrates the counter cyclical nature of the UI program, which experiences net cash outflows during periods of recession, to be replenished through net cash inflows during periods of recovery. However, at the end of the projection period, net assets are still \$59.6 billion less than under expected economic conditions.

Chart IV



**U.S. DEPARTMENT OF LABOR  
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION  
CASH INFLOW AND OUTFLOW OF THE  
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT  
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015**

**(1) EXPECTED ECONOMIC CONDITIONS**

(Dollars in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Balance, start of year</b>	\$ 54,395,832	\$ 63,307,202	\$ 70,879,793	\$ 76,505,233	\$ 80,778,555	\$ 84,576,483	\$ 87,756,843	\$ 91,438,630	\$ 97,072,758	\$103,853,791
<b>Cash inflow</b>										
State unemployment taxes	37,183,000	38,405,000	39,368,000	40,200,000	41,700,000	43,134,000	45,517,000	49,035,000	51,635,000	52,796,000
Federal unemployment taxes	7,464,000	7,393,000	6,080,000	5,753,000	5,895,000	6,041,000	6,312,000	7,028,000	7,882,000	9,148,000
General revenue appropriation	100	100	100	100	100	200	200	200	200	200
Interest on loans	7,000	-	-	6,000	28,000	75,000	153,000	219,000	262,000	283,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,763,200	45,923,300	45,574,200	46,070,100	47,723,100	49,358,100	52,103,900	56,407,200	59,898,900	62,346,900
Interest on Federal securities	2,531,365	2,837,136	3,099,534	3,490,986	3,798,423	4,062,432	4,338,360	4,657,361	5,104,630	5,572,264
Total cash inflow	47,294,565	48,760,436	48,673,734	49,561,086	51,521,523	53,420,532	56,442,260	61,064,561	65,003,530	67,919,164
<b>Cash outflow</b>										
State unemployment benefits	34,403,000	37,334,000	39,235,000	41,508,000	43,986,000	46,401,000	48,807,000	51,370,000	54,054,000	56,901,000
State administrative costs	3,696,763	3,572,458	3,528,472	3,491,573	3,446,790	3,538,853	3,645,578	3,743,888	3,844,238	3,948,386
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,674	2,595	2,115	2,112	2,245	2,364	2,547	2,904	3,339	3,957
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	38,383,195	41,187,845	43,048,294	45,287,764	47,723,595	50,240,172	52,760,473	55,430,433	58,222,497	61,177,984
Excess of total cash inflow excluding interest over total cash outflow	6,380,005	4,735,455	2,525,906	782,336	(495)	(882,072)	(656,573)	976,767	1,676,403	1,168,916
Excess of total cash inflow over total cash outflow	8,911,370	7,572,591	5,625,440	4,273,322	3,797,928	3,180,360	3,681,787	5,634,128	6,781,033	6,741,180
<b>Balance, end of year</b>	\$ 63,307,202	\$ 70,879,793	\$ 76,505,233	\$ 80,778,555	\$ 84,576,483	\$ 87,756,843	\$ 91,438,630	\$ 97,072,758	\$103,853,791	\$110,594,971
Total unemployment rate	5.12%	5.10%	5.03%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%



**U.S. DEPARTMENT OF LABOR  
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION  
CASH INFLOW AND OUTFLOW OF THE  
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT  
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015**

**(2) MILD RECESSIONARY UNEMPLOYMENT RATE**

(Dollars in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Balance, start of year</b>	\$ 54,395,832	\$ 62,318,901	\$ 58,016,908	\$ 46,022,764	\$ 38,930,587	\$ 41,889,104	\$ 52,806,892	\$ 64,023,528	\$ 78,462,207	\$ 91,842,631
<b>Cash inflow</b>										
State unemployment taxes	37,171,000	38,747,000	42,703,000	47,325,000	51,098,000	53,621,000	54,084,000	54,867,000	54,365,000	53,195,000
Federal unemployment taxes	7,443,000	7,277,000	5,915,000	5,598,000	6,570,000	8,142,000	9,142,000	10,576,000	11,153,000	9,133,000
General revenue appropriation	200	11,500	33,000	24,600	4,500	500	800	400	400	600
Interest on loans	8,000	12,000	194,000	574,000	822,000	808,000	691,000	482,000	235,000	161,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,731,300	46,172,700	48,971,100	53,632,600	58,594,500	62,679,400	64,039,500	66,050,400	65,873,100	62,609,300
Interest on Federal securities	2,500,057	2,545,903	2,125,638	1,796,190	1,897,540	2,228,411	2,760,848	3,486,355	4,335,337	4,987,302
Total cash inflow	47,231,357	48,718,603	51,096,738	55,428,790	60,492,040	64,907,811	66,800,348	69,536,755	70,208,437	67,596,602
<b>Cash outflow</b>										
State unemployment benefits	35,328,000	48,949,000	58,885,000	58,385,000	53,577,000	50,049,000	51,559,000	51,015,000	52,656,000	55,561,000
State administrative costs	3,696,863	3,790,250	3,921,118	3,847,833	3,665,461	3,639,882	3,715,676	3,765,066	3,846,368	3,948,786
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,667	2,554	2,057	2,055	2,502	3,186	3,688	4,369	4,725	3,950
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	39,308,288	53,020,596	63,090,882	62,520,967	57,533,523	53,990,023	55,583,712	55,098,076	56,828,013	59,838,377
Excess of total cash inflow excluding interest over total cash outflow	5,423,012	(6,847,896)	(14,119,782)	(8,888,367)	1,060,977	8,689,377	8,455,788	10,952,324	9,045,087	2,770,923
Excess of total cash inflow over total cash outflow	7,923,069	(4,301,993)	(11,994,144)	(7,092,177)	2,958,517	10,917,788	11,216,636	14,438,679	13,380,424	7,758,225
<b>Balance, end of year</b>	\$ 62,318,901	\$ 58,016,908	\$ 46,022,764	\$ 38,930,587	\$ 41,889,104	\$ 52,806,892	\$ 64,023,528	\$ 78,462,207	\$ 91,842,631	\$ 99,600,856
Total unemployment rate	5.24%	6.60%	7.43%	7.13%	6.35%	5.63%	5.48%	5.13%	5.00%	5.00%

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Annual Financial Statements

**U.S. DEPARTMENT OF LABOR  
SUPPLEMENTARY SOCIAL INSURANCE INFORMATION  
CASH INFLOW AND OUTFLOW OF THE  
UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT  
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2015**

**(3) DEEP RECESSIONARY UNEMPLOYMENT RATE**

(Dollars in thousands)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Balance, start of year</b>	\$ 54,395,832	\$ 62,319,859	\$ 55,207,656	\$ 26,233,373	\$ (14,202,712)	\$ (21,228,539)	\$ (16,069,050)	\$ (7,165,371)	\$ 7,966,192	\$ 29,330,013
<b>Cash inflow</b>										
State unemployment taxes	37,172,000	38,714,000	43,617,000	50,026,000	57,327,000	61,474,000	63,137,000	63,550,000	63,020,000	61,846,000
Federal unemployment taxes	7,443,000	7,239,000	5,794,000	5,417,000	6,632,000	8,734,000	11,008,000	13,062,000	14,716,000	14,564,000
General revenue appropriation	200	16,000	65,400	88,600	60,400	11,100	9,900	6,100	900	500
Interest on loans	8,000	22,000	437,000	1,556,000	2,623,000	2,900,000	2,902,000	2,744,000	2,302,000	1,830,000
Deposits by the Railroad Retirement Board	109,100	125,200	126,100	111,000	100,000	107,900	121,700	125,000	119,700	119,700
Total cash inflow excluding interest	44,732,300	46,116,200	50,039,500	57,198,600	66,742,400	73,227,000	77,178,600	79,487,100	80,158,600	78,360,200
Interest on Federal securities	2,500,015	2,459,167	1,545,983	1,096,083	913,683	1,051,181	1,297,407	1,617,613	2,051,406	2,579,443
Total cash inflow	47,232,315	48,575,367	51,585,483	58,294,683	67,656,083	74,278,181	78,476,007	81,104,713	82,210,006	80,939,643
<b>Cash outflow</b>										
State unemployment benefits	35,328,000	51,567,000	76,038,000	93,535,000	69,349,000	63,701,000	64,289,000	61,079,000	56,467,000	54,935,000
State administrative costs	3,696,863	3,839,237	4,237,044	4,507,700	4,041,824	3,916,319	3,973,539	3,975,113	3,952,031	3,977,343
Federal administrative costs	169,158	168,432	171,027	173,119	173,620	181,255	187,148	193,161	199,220	202,941
Interest on tax refunds	2,667	2,541	2,015	1,989	2,526	3,418	4,441	5,396	6,234	6,299
Interest on General Fund advances	-	-	-	400,000	1,000,000	1,200,000	1,000,000	600,000	100,000	-
Railroad Retirement Board withdrawals	111,600	110,360	111,680	112,960	114,940	116,700	118,200	120,480	121,700	121,700
Total cash outflow	39,308,288	55,687,570	80,559,766	98,730,768	74,681,910	69,118,692	69,572,328	65,973,150	60,846,185	59,243,283
Excess of total cash inflow excluding interest over total cash outflow	5,424,012	(9,571,370)	(30,520,266)	(41,532,168)	(7,939,510)	4,108,308	7,606,272	13,513,950	19,312,415	19,116,917
Excess of total cash inflow over total cash outflow	7,924,027	(7,112,203)	(28,974,283)	(40,436,085)	(7,025,827)	5,159,489	8,903,679	15,131,563	21,363,821	21,696,360
<b>Balance, end of year</b>	\$ 62,319,859	\$ 55,207,656	\$ 26,233,373	\$ (14,202,712)	\$ (21,228,539)	\$ (16,069,050)	\$ (7,165,371)	\$ 7,966,192	\$ 29,330,013	\$ 51,026,373
Total unemployment rate	5.24%	6.93%	9.08%	10.15%	7.83%	7.28%	7.05%	6.43%	5.65%	5.18%

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

### States Minimally Solvent

Each State's accumulated UTF net assets or reserve balance should provide a defined level of benefit payments over a defined period. To be minimally solvent, a State's reserve balance should provide for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater prior to a recession indicates a state is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from the Federal Unemployment Account (FUA) to make benefit payments. The Missouri and New York state accounts had loans payable to FUA at the end of FY 2005. In addition, Texas, Illinois and North Carolina had outstanding debts to other sources. During periods of high-sustained unemployment, balances in the FUA may be depleted. In these circumstances, FUA is authorized to borrow from the Treasury general fund.

Chart V presents the State by State results of this analysis at September 30, 2005, in descending order, by ratio. As the table below illustrates, 27 state funds were below minimal solvency ratio at September 30, 2005.

Chart V

Minimally Solvent		Not Minimally Solvent	
State	Ratio	State	Ratio
Mississippi	2.82	Indiana	0.94
New Mexico	2.82	West Virginia	0.85
Vermont	1.89	Alaska	0.83
Montana	1.75	Alabama	0.81
Maine	1.73	Wisconsin	0.76
New Hampshire	1.70	North Dakota	0.75
Hawaii	1.69	South Carolina	0.69
Utah	1.59	Virginia	0.68
Wyoming	1.56	Connecticut	0.61
Oklahoma	1.55	Kentucky	0.56
District of Columbia	1.54	Idaho	0.49
Iowa	1.52	South Dakota	0.49
Arizona	1.47	Rhode Island	0.48
Oregon	1.44	Arkansas	0.42
Delaware	1.39	Colorado	0.42
Louisiana	1.39	New Jersey	0.40
Virgin Islands	1.34	Pennsylvania	0.38
Puerto Rico	1.30	Ohio	0.37
Washington	1.28	Michigan	0.28
Georgia	1.27	California	0.25
Kansas	1.22	Massachusetts	0.23
Nevada	1.21	Minnesota	0.08
Florida	1.04	Illinois	0.00
Maryland	1.01	Missouri	0.00
Tennessee	1.01	North Carolina	0.00
Nebraska	1.00	New York	0.00
		Texas	0.00

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

---

### **Black Lung Disability Benefit Program**

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The U.S. Department of Labor operates the Black Lung Disability Benefit Program. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

### **Program Administration and Funding**

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the general fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

### **Program Finances and Sustainability**

At September 30, 2005, total liabilities of the Black Lung Disability Trust Fund exceeded assets by \$9.2 billion. This deficit fund balance represented the accumulated shortfall of excise taxes necessary to meet benefit payment and interest expenses. This shortfall was funded by repayable advances to the BLDTF, which are repayable with interest. Outstanding advances at September 30, 2005 were \$9.2 billion, bearing interest rates ranging from 4.500 to 13.875 percent. Excise tax revenues of \$610.4 million, benefit payment expense of \$327.9 million and interest expense of \$674.9 million were recognized for the year ended September 30, 2005.

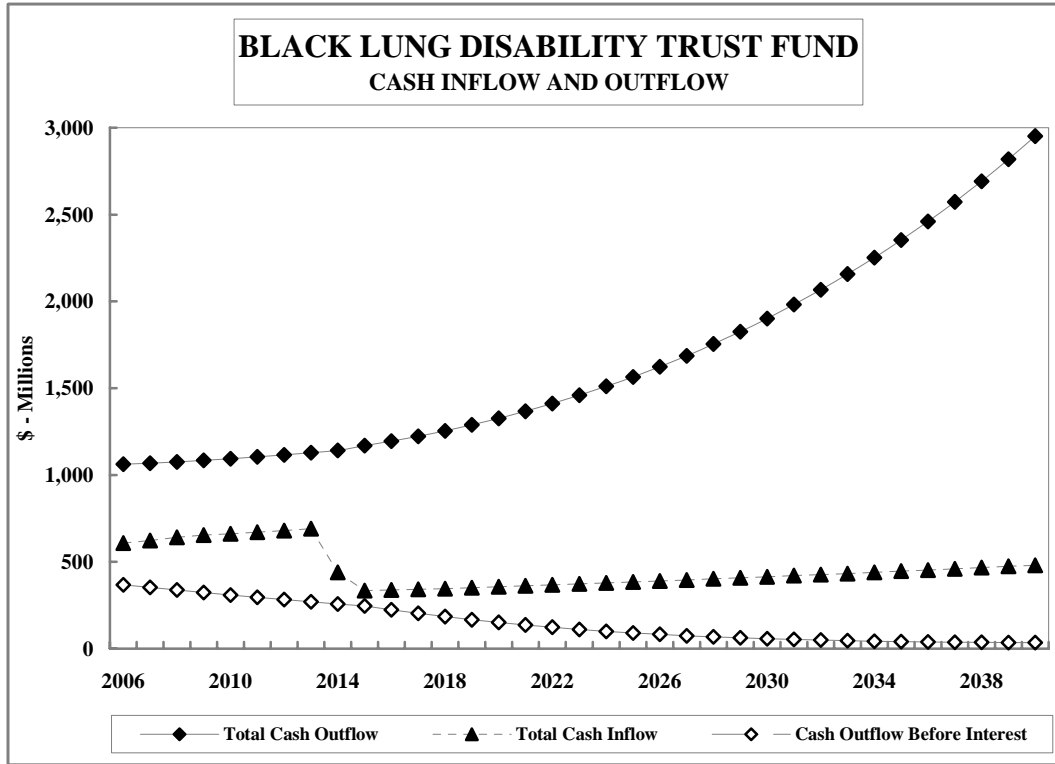
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2005 were \$24.4 million. Although no liability was recognized for future payments to be made to present and future program participants beyond the due and payable amounts accrued at year end, future estimated cash inflows and outflows of the BLDTF are tracked by the Department for budgetary purposes. The significant assumptions used in the projections are coal production estimates, the tax rate structure, number of beneficiaries, life expectancy, medical costs and the interest rate on new repayable advances from Treasury. These projections are sensitive to changes in the tax rate and changes in interest rates on repayable advances from Treasury.

These projections, made over the thirty-five year period ending September 30, 2040, indicate that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses for each period projected. Cumulative net cash inflows are projected to reach \$16.1 billion by the year 2040. However, when interest payments required to finance the BLDTF's repayable advances are applied against this surplus cash inflow, the BLDTF's cash flow turns negative during each of the thirty-five periods included in the projections. Net cash outflows after interest payments are projected to reach \$41.6 billion by the end of the year 2040, increasing the BLDTF's deficit to \$50.8 billion at September 30, 2040. (See Chart I on following page)

The net present value of future benefit payments for the thirty-five year period ending 2040 is \$2.6 billion. The net present value of future excise taxes for the thirty-five year period is \$8.5 billion which results in a \$5.9 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is \$25.1 billion resulting in an excess of cash outflows over excise taxes of \$16.6 billion. The interest rate used for net present value is 4.5 percent. The net present value of future benefit payments was \$2.9 billion, \$3.0 billion, \$3.1 billion, and \$3.5 billion for FY 2004, 2003, 2002 and 2001, respectively. The net present value of future excise taxes was \$7.7 billion, \$7.3 billion, \$7.8 billion, and \$7.9 billion for FY 2004, 2003, 2002 and 2001, respectively. The fund deficit was \$8.7 billion, \$8.2 billion, \$7.7 billion and \$7.2 billion at the end of FY 2004, 2003, 2002, and 2001, respectively.

**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION**

Chart I



The projected decrease in cash inflows in the year 2014 and thereafter is the result of a scheduled reduction in the tax rate on the sale of coal. This rate reduction is projected to result in a fifty-two percent decrease in the amount of excise taxes collected between the years 2013 and 2015. The cumulative effect of this change is estimated to be in excess of \$12.2 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

U.S. DEPARTMENT OF LABOR  
 SUPPLEMENTARY SOCIAL INSURANCE INFORMATION  
 CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND  
 FOR THE THIRTY-FIVE YEAR PERIOD ENDING SEPTEMBER 30, 2040

(Dollars in thousands)	2006	2007	2008	2009	2010	2011 - 2040	Total
<b>Cash inflow</b>							
Excise taxes	\$ 608,000	\$ 623,000	\$ 641,000	\$ 654,000	\$ 662,000	\$ 12,921,547	\$ 16,109,547
Total cash inflow	<u>608,000</u>	<u>623,000</u>	<u>641,000</u>	<u>654,000</u>	<u>662,000</u>	<u>12,921,547</u>	<u>16,109,547</u>
<b>Cash outflow</b>							
Disabled coal miners benefits	309,806	292,449	275,007	258,031	241,274	2,570,757	3,947,324
Administrative costs	<u>57,989</u>	<u>60,199</u>	<u>62,505</u>	<u>64,909</u>	<u>67,417</u>	<u>1,027,722</u>	<u>1,340,741</u>
Cash outflows before interest payments	<u>367,795</u>	<u>352,648</u>	<u>337,512</u>	<u>322,940</u>	<u>308,691</u>	<u>3,598,479</u>	<u>5,288,065</u>
Cash inflow over cash outflow before interest payments	<u>240,205</u>	<u>270,352</u>	<u>303,488</u>	<u>331,060</u>	<u>353,309</u>	<u>9,323,068</u>	<u>10,821,482</u>
Interest on advances	<u>694,455</u>	<u>715,714</u>	<u>738,427</u>	<u>761,696</u>	<u>785,381</u>	<u>48,763,833</u>	<u>52,459,506</u>
Total cash outflow	<u>1,062,250</u>	<u>1,068,362</u>	<u>1,075,939</u>	<u>1,084,636</u>	<u>1,094,072</u>	<u>52,362,312</u>	<u>57,747,571</u>
Total cash outflow over total cash inflow	(454,250)	(445,362)	(434,939)	(430,636)	(432,072)	(39,440,765)	(41,638,024)
<b>Balance, start of year</b>	<u>(9,160,009)</u>	<u>(9,614,259)</u>	<u>(10,059,621)</u>	<u>(10,494,560)</u>	<u>(10,925,196)</u>	<u>(11,357,268)</u>	<u>(9,160,009)</u>
<b>Balance, end of year</b>	<u>\$ (9,614,259)</u>	<u>\$ (10,059,621)</u>	<u>\$ (10,494,560)</u>	<u>\$ (10,925,196)</u>	<u>\$ (11,357,268)</u>	<u>\$ (50,798,033)</u>	<u>\$ (50,798,033)</u>



## **Required Supplementary Information**



**REQUIRED SUPPLEMENTARY INFORMATION**

---

**STATEMENT OF BUDGETARY RESOURCES**

The principal Statement of Budgetary Resources combines the availability, status and outlay of DOL's budgetary resources during FY 2005 and 2004. Presented on the following pages is the disaggregation of this combined information for each of the Department's major budget accounts.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMBINING STATEMENT OF BUDGETARY RESOURCES**  
**For the Year Ended September 30, 2005**

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>
<b>BUDGETARY RESOURCES</b>			
Budget authority			
Appropriations received	\$ 52,951,638	\$ 2,485,951	\$ 468,109
Borrowing authority	-	446,000	-
Net transfers	(390,115)	-	-
Unobligated balance			
Beginning of period	2,079,330	1,428,161	22,094
Net transfers	(104)	(418)	(952)
Spending authority from offsetting collections			
Earned			
Collected	51,972	2,299,208	3,731
Receivable from Federal sources	330	57,196	390
Change in unfilled customer orders			
Advance received	-	5,086	-
Transfers from trust funds	3,538,339	34,637	-
Total spending authority from offsetting collections	3,590,641	2,396,127	4,121
Recoveries of prior year obligations	335,591	10,853	11,738
Temporarily not available pursuant to Public Law	(9,279,797)	(16,920)	-
Permanently not available	(462,774)	(6,247)	(7,906)
<b>Total budgetary resources</b>	<b>\$ 48,824,410</b>	<b>\$ 6,743,507</b>	<b>\$ 497,204</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations incurred			
Direct	\$ 46,419,130	\$ 2,767,059	\$ 468,716
Reimbursable	67,490	2,518,486	2,261
Total obligations incurred	46,486,620	5,285,545	470,977
Unobligated balances available			
Apportioned	985,318	1,095,358	25
Other available	-	175,158	-
Unobligated balances not available	1,352,472	187,446	26,202
<b>Total status of budgetary resources</b>	<b>\$ 48,824,410</b>	<b>\$ 6,743,507</b>	<b>\$ 497,204</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>			
Obligated balance, net, beginning	\$ 7,397,760	\$ 329,283	\$ 70,213
Obligated balance, net, ending			
Accounts receivable	(1,407,365)	(58,780)	(865)
Undelivered orders	5,170,851	109,619	44,521
Accounts payable	3,179,273	248,532	29,173
Outlays			
Disbursements	46,534,824	5,246,930	456,233
Collections	(3,519,640)	(2,338,455)	(3,731)
Total outlays	43,015,184	2,908,475	452,502
Offsetting receipts	(823,232)	(6,160)	-
<b>Net outlays</b>	<b>\$ 42,191,952</b>	<b>\$ 2,902,315</b>	<b>\$ 452,502</b>

## REQUIRED SUPPLEMENTARY INFORMATION

<u>Bureau of Labor Statistics</u>	<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Total</u>
\$ 455,045	\$ 281,535	\$ 132,345	\$ 29,550	\$ 444,692	\$ 57,248,865
-	-	-	-	-	446,000
-	-	-	-	3,000	(387,115)
12,981	9,132	1,810	6,231	18,052	3,577,791
(724)	(125)	(88)	(150)	2,346	(215)
7,693	1,073	10,142	468	171,095	2,545,382
-	-	-	-	(216)	57,700
-	-	-	-	5,670	10,756
77,346	-	-	193,519	29,875	3,873,716
85,039	1,073	10,142	193,987	206,424	6,487,554
4,819	3,203	1,888	2,421	38,159	408,672
-	-	-	-	-	(9,296,717)
(7,521)	(2,973)	(1,791)	(236)	(6,749)	(496,197)
<u>\$ 549,639</u>	<u>\$ 291,845</u>	<u>\$ 144,306</u>	<u>\$ 231,803</u>	<u>\$ 705,924</u>	<u>\$ 57,988,638</u>
\$ 531,801	\$ 287,288	\$ 132,169	\$ 227,865	\$ 499,608	\$ 51,333,636
6,667	795	9,970	-	177,258	2,782,927
538,468	288,083	142,139	227,865	676,866	54,116,563
438	773	16	1,138	10,859	2,093,925
-	-	-	-	152	175,310
10,733	2,989	2,151	2,800	18,047	1,602,840
<u>\$ 549,639</u>	<u>\$ 291,845</u>	<u>\$ 144,306</u>	<u>\$ 231,803</u>	<u>\$ 705,924</u>	<u>\$ 57,988,638</u>
\$ 65,190	\$ 27,083	\$ 39,803	\$ 58,249	\$ 524,245	\$ 8,511,826
-	(35)	-	-	(6,429)	(1,473,474)
28,050	17,462	37,302	24,019	447,256	5,879,080
39,678	12,698	11,361	35,962	46,869	3,603,546
531,111	281,837	131,392	223,714	675,470	54,081,511
(85,039)	(1,073)	(10,142)	(193,987)	(206,639)	(6,358,706)
446,072	280,764	121,250	29,727	468,831	47,722,805
-	-	-	-	-	(829,392)
<u>\$ 446,072</u>	<u>\$ 280,764</u>	<u>\$ 121,250</u>	<u>\$ 29,727</u>	<u>\$ 468,831</u>	<u>\$ 46,893,413</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMBINING STATEMENT OF BUDGETARY RESOURCES**  
**For the Year Ended September 30, 2004**

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>
<b>BUDGETARY RESOURCES</b>			
Budget authority			
Appropriations received	\$ 54,241,769	\$ 1,993,802	\$ 460,786
Borrowing authority	-	497,000	-
Net transfers	(565,235)	5,865	-
Unobligated balance			
Beginning of period	1,615,419	1,460,715	17,927
Net transfers	(589)	(147)	(883)
Spending authority from offsetting collections			
Earned			
Collected	100,753	2,350,388	8,462
Receivable from Federal sources	(418)	(17,284)	(412)
Change in unfilled customer orders			
Advance received	-	(5,315)	-
Transfers from trust funds	3,554,031	34,025	-
Total spending authority from offsetting collections	3,654,366	2,361,814	8,050
Recoveries of prior year obligations	347,462	10,731	14,665
Temporarily not available pursuant to Public Law	(22,646)	(15)	-
Permanently not available	(176,850)	(6,897)	(7,579)
<b>Total budgetary resources</b>	<b>\$ 59,093,696</b>	<b>\$ 6,322,868</b>	<b>\$ 492,966</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations incurred			
Direct	\$ 56,940,460	\$ 2,409,831	\$ 466,813
Reimbursable	73,911	2,484,876	4,059
Total obligations incurred	57,014,371	4,894,707	470,872
Unobligated balances available			
Apportioned	1,221,910	1,109,138	34
Exempt from apportionment	(5)	-	-
Other available	-	212,547	-
Unobligated balances not available	857,420	106,476	22,060
<b>Total status of budgetary resources</b>	<b>\$ 59,093,696</b>	<b>\$ 6,322,868</b>	<b>\$ 492,966</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>			
Obligated balance, net, beginning	\$ 8,400,538	\$ 261,764	\$ 83,179
Obligated balance, net, ending			
Accounts receivable	(1,336,364)	(1,107)	(475)
Undelivered orders	5,529,146	77,114	43,145
Accounts payable	3,204,978	253,276	27,543
Outlays			
Disbursements	57,637,954	4,833,741	469,585
Collections	(3,622,638)	(2,379,098)	(8,462)
Total outlays	54,015,316	2,454,643	461,123
Offsetting receipts	(1,542,933)	(6,539)	-
<b>Net outlays</b>	<b>\$ 52,472,383</b>	<b>\$ 2,448,104</b>	<b>\$ 461,123</b>

## REQUIRED SUPPLEMENTARY INFORMATION

<u>Bureau of Labor Statistics</u>	<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Total</u>
\$ 447,088	\$ 270,826	\$ 124,962	\$ 26,550	\$ 473,791	\$ 58,039,574
-	-	-	-	-	497,000
-	-	-	-	42,491	(516,879)
11,616	14,422	1,946	1,795	50,156	3,173,996
(1,304)	(331)	(169)	(51)	(34,118)	(37,592)
7,588	2,058	10,812	144	165,327	2,645,532
(794)	(839)	(236)	(70)	(4,056)	(24,109)
-	-	-	-	(219)	(5,534)
74,667	-	-	192,253	29,749	3,884,725
81,461	1,219	10,576	192,327	190,801	6,500,614
9,151	2,876	1,622	1,103	76,021	463,631
-	-	-	-	-	(22,661)
(7,424)	(2,918)	(1,447)	(157)	(4,081)	(207,353)
<u>\$ 540,588</u>	<u>\$ 286,094</u>	<u>\$ 137,490</u>	<u>\$ 221,567</u>	<u>\$ 795,061</u>	<u>\$ 67,890,330</u>
\$ 522,100	\$ 276,058	\$ 125,328	\$ 215,336	\$ 610,319	\$ 61,566,245
5,507	904	10,352	-	166,690	2,746,299
527,607	276,962	135,680	215,336	777,009	64,312,544
466	5,834	24	5,274	1,724	2,344,404
-	-	-	-	-	(5)
-	-	-	-	161	212,708
12,515	3,298	1,786	957	16,167	1,020,679
<u>\$ 540,588</u>	<u>\$ 286,094</u>	<u>\$ 137,490</u>	<u>\$ 221,567</u>	<u>\$ 795,061</u>	<u>\$ 67,890,330</u>
\$ 57,906	\$ 20,452	\$ 39,095	\$ 55,215	\$ 446,685	\$ 9,364,834
-	(35)	-	-	(6,645)	(1,344,626)
33,279	11,191	31,216	18,416	484,041	6,227,548
31,911	15,927	8,587	39,833	46,849	3,628,904
511,967	268,294	133,585	211,268	627,485	64,693,879
(82,255)	(2,058)	(10,812)	(192,397)	(194,858)	(6,492,578)
429,712	266,236	122,773	18,871	432,627	58,201,301
-	-	-	-	-	(1,549,472)
<u>\$ 429,712</u>	<u>\$ 266,236</u>	<u>\$ 122,773</u>	<u>\$ 18,871</u>	<u>\$ 432,627</u>	<u>\$ 56,651,829</u>

## REQUIRED SUPPLEMENTARY INFORMATION

### DEFERRED MAINTENANCE

The U.S. Department of Labor, Employment and Training Administration (ETA) maintains 122 Job Corps centers located throughout the United States. While the ETA does fund safety, health, and environmental projects in the year those deficiencies are identified, funding constraints limit the extent of maintenance that the ETA can undertake each fiscal year. Consequently, maintenance projects are not always performed as scheduled and, therefore, must be deferred to a future period.

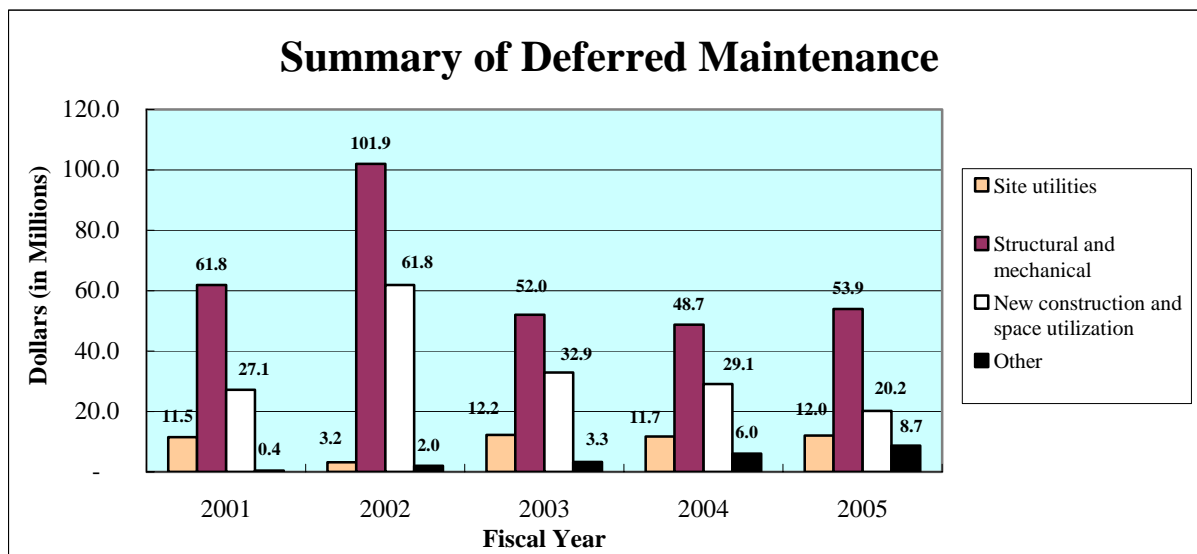
Information on deferred maintenance is based on condition assessment surveys that are conducted every three years at each Job Corps center to determine the current condition of facilities and the estimated cost to correct deficiencies. The surveys are based on methods and standards that are applied on a consistent basis, including:

- condition descriptions of facilities,
- recommended maintenance schedules,
- estimated costs for maintenance actions, and
- standardized condition codes.

These surveys evaluate the facilities at each Job Corps center to identify:

- rehabilitation projects that are required to provide for health and safety, or upgrade to an acceptable state of repair,
- present utilization,
- health and safety programs,
- barrier-free access,
- maintenance, operations, and security programs,
- energy usage,
- natural hazards, and
- conformance to U.S. Environmental Protection Agency and applicable air and water quality standards.

The estimated cost of deferred maintenance for fiscal years 2001 to 2005 is presented below.



## REQUIRED SUPPLEMENTARY INFORMATION

---

### SEGMENT INFORMATION

Franchise and intra-governmental support revolving funds not separately reported on the principal financial statements are required to report certain supplementary information. The Department of Labor's Working Capital Fund qualifies under this definition. Required supplementary information for the Working Capital Fund is presented below.

#### Working Capital Fund

The Working Capital Fund (WCF) was established to provide obligational authority, without fiscal year limitation, for expenses necessary to provide certain centralized services and activities to agencies within DOL. These agencies are identified in the condensed financial information.

The WCF is an intra-governmental revolving fund authorized specifically by law to finance a cycle of operations in which expenditures generate receipts which are available to the Fund for continuing use without annual re-authorization by Congress.

The Fund provides services on a centralized basis for the following Departmental activities:

- **Financial and Administrative Services** - This activity provides a program of centralized administrative management services at both national and regional levels.
- **Field Services** - This activity provides a full range of administrative, technical, and managerial support services to all agencies of the Department in their regional and field offices.
- **Human Resources Services** - This activity provides guidance and technical assistance to DOL personnel offices in all areas of human resources management and provides a full range of operating personnel services to all Assistant Secretary for Administration and Management client organizations.
- **Capitalized Equipment** - The collection of funds for the periodic recordation of depreciation, amortization and system support are held and made available to fund future acquisitions of major systems and system components that provide a service or benefit to agencies within DOL and ensure the Department has funds available to either extend the useful life or improve major asset acquisitions.
- **Investment in Reinvention Fund** - The IRF was established within the WCF in FY 1996 to invest in Departmental projects designed to achieve improvements in agency processes and result in significant savings to the taxpayer.

The activities are provided under the overall direction of the Assistant Secretary for Administration and Management. The WCF advisory committee assists in reviewing overall procedures, systems, and regulations as well as programs, functions, and activities performed and financed through the WCF. The WCF advisory committee is chaired by the Chief Financial Officer and consists of the Agency Financial Manager for each DOL agency, or a formally designated alternate.

**REQUIRED SUPPLEMENTARY INFORMATION**

Condensed financial information for the WCF as of and for the years ended September 30, 2005 and 2004 is as follows:

<u>(Dollars in thousands)</u>	<u>2005</u>	<u>2004</u>
<b>BALANCE SHEET</b>		
<b>Assets</b>		
Funds with U.S. Treasury	\$ 31,582	\$ 28,180
Accounts receivable, net of allowance	3,363	3,647
Property, plant and equipment	<u>28,352</u>	<u>26,695</u>
Total assets	<u>\$ 63,297</u>	<u>\$ 58,522</u>
<b>Liabilities and Net Position</b>		
Accounts payable	\$ 16,975	\$ 14,496
Accrued leave	4,027	4,192
Future workers' compensation benefits	2,930	2,562
Other liabilities	<u>3,408</u>	<u>3,716</u>
Total liabilities	<u>27,340</u>	<u>24,966</u>
Cumulative results of operations	<u>35,957</u>	<u>33,556</u>
Total liabilities and net position	<u>\$ 63,297</u>	<u>\$ 58,522</u>

**STATEMENT OF NET COST**

<b>Cost</b>		
Intra-governmental	\$ 55,980	\$ 51,798
With the public	<u>99,703</u>	<u>87,624</u>
	<u>155,683</u>	<u>139,422</u>
<b>Earned</b>		
Departmental Management	(39,679)	(36,449)
Employment Standards Administration	(36,835)	(33,419)
Employment and Training Administration	(23,638)	(21,913)
Occupational Safety and Health Administration	(21,722)	(20,109)
Bureau of Labor Statistics	(15,960)	(13,801)
Mine Safety and Health Administration	(11,087)	(9,121)
Other revenues	<u>(1,216)</u>	<u>715</u>
Total revenues	<u>(150,137)</u>	<u>(134,097)</u>
Net costs of operations	<u>\$ 5,546</u>	<u>\$ 5,325</u>

**STATEMENT OF CHANGES IN NET POSITION**

Net costs of operations	\$ (5,546)	\$ (5,325)
Imputed financing	4,947	4,865
Transfers-in	3,000	3,000
<b>Net position, beginning of period</b>	<u>33,556</u>	<u>31,016</u>
<b>Net position, ending of period</b>	<u>\$ 35,957</u>	<u>\$ 33,556</u>



## REQUIRED SUPPLEMENTARY INFORMATION

### INTRA-GOVERNMENTAL ASSETS

Intra-governmental assets at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Funds with U.S. Treasury</u>	<u>Investments</u>	<u>Interest Receivable</u>	<u>Accounts Receivable</u>	<u>Advances</u>
<b>Trading partner</b>					
Department of Agriculture	\$ -	\$ -	\$ -	\$ 175,283	\$ -
Department of Commerce	-	-	-	31,317	10,812
Department of Interior	-	-	-	141,357	-
Department of Justice	-	-	-	181,220	-
Department of the Navy	-	-	-	625,353	-
United States Postal Service	-	-	-	296,418	-
Department of State	-	-	-	17,558	-
Department of the Treasury	9,219,660	54,952,644	637,443	122,168	-
Department of the Army	-	-	-	471,871	-
Office of Personnel Management	-	-	-	4,136	-
Social Security Administration	-	-	-	55,959	-
U.S. Nuclear Regulatory Commission	-	-	-	1,894	-
Smithsonian Institution	-	-	-	1,825	-
Department of Veterans Affairs	-	-	-	362,389	-
General Services Administration	-	-	-	34,877	-
National Science Foundation	-	-	-	284	-
Department of the Air Force	-	-	-	323,880	-
Tennessee Valley Authority	-	-	-	84,364	-
Environmental Protection Agency	-	-	-	8,624	-
Department of Transportation	-	-	-	220,846	-
Department of Homeland Security	-	-	-	365,092	-
Agency for International Development	-	-	-	8,890	-
Small Business Administration	-	-	-	7,421	-
Department of Health and Human Services	-	-	-	55,386	-
National Aeronautics and Space Administration	-	-	-	15,340	-
Department of Housing and Urban Development	-	-	-	17,551	-
Department of Energy	-	-	-	18,629	-
Corps of Engineers	-	-	-	46,851	-
Department of Education	-	-	-	3,907	-
Department of Defense	-	-	-	186,491	-
Other	-	-	-	104,089	-
	<u>\$ 9,219,660</u>	<u>\$ 54,952,644</u>	<u>\$ 637,443</u>	<u>\$ 3,991,270</u>	<u>\$ 10,812</u>

## REQUIRED SUPPLEMENTARY INFORMATION

---

### INTRA-GOVERNMENTAL LIABILITIES

Intra-governmental liabilities at September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Accounts Payable</u>	<u>Advances from U.S. Treasury</u>	<u>Other</u>
<b>Trading partner</b>			
Department of Agriculture	\$ 248	\$ -	\$ -
Department of Commerce	130	-	-
Department of Interior	4	-	-
Department of Justice	727	-	-
United States Postal Service	119	-	44,347
Department of State	87	-	-
Department of the Treasury	307	9,186,557	-
Office of Personnel Management	682	-	7,255
Social Security Administration	202	-	23
Department of Veterans Affairs	301	-	-
General Services Administration	10,666	-	833
Railroad Retirement Board	-	-	94,820
Department of Homeland Security	50	-	-
Department of Health and Human Services	1,123	-	3
Department of Energy	-	-	300
Department of Education	250	-	-
Treasury General Fund	-	-	58,999
Other	1,533	-	(479)
	<u>\$ 16,429</u>	<u>\$ 9,186,557</u>	<u>\$ 206,101</u>

## REQUIRED SUPPLEMENTARY INFORMATION

### INTRA-GOVERNMENTAL EARNED REVENUES AND RELATED COSTS

Intra-governmental earned revenue and the related costs to generate that revenue for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Earned Revenue</u>
<b>Trading partner</b>	
Department of Agriculture	\$ 107,087
Department of Commerce	17,016
Department of Interior	87,423
Department of Justice	97,511
Department of the Navy	399,477
United States Postal Service	922,778
Department of State	8,713
Department of the Treasury	99,401
Department of the Army	438,914
Office of Personnel Management	2,567
Social Security Administration	24,388
U.S. Nuclear Regulatory Commission	948
Smithsonian Institution	685
Department of Veterans Affairs	167,113
General Services Administration	16,220
National Science Foundation	137
Department of the Air Force	198,779
Tennessee Valley Authority	55,366
Environmental Protection Agency	3,983
Department of Transportation	106,578
Department of Homeland Security	177,638
Agency for International Development	3,436
Small Business Administration	4,366
Department of Health and Human Services	29,175
National Aeronautics and Space Administration	6,024
Department of Housing and Urban Development	7,953
Department of Energy	10,768
Department of Education	19,048
Corps of Engineers	20,485
Department of Defense	88,334
Other	<u>57,399</u>
	<u>\$ 3,179,710</u>

**REQUIRED SUPPLEMENTARY INFORMATION****INTRA-GOVERNMENTAL NON-EXCHANGE REVENUE**

Intra-governmental non-exchange revenue for the year ended September 30, 2005 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Interest</u>	<u>Taxes</u>
<b>Trading partner</b>		
Department of the Treasury	\$ 2,543,014	\$ -
Treasury General Fund	<u>-</u>	<u>7,420,539</u>
	<u>\$ 2,543,014</u>	<u>\$ 7,420,539</u>

## **Appendices**

# 1. Performance Goal Details

Due to the early reporting date (just six weeks after the end of the fiscal year) and the wide variety of sources from which the Department receives performance data – including states, contractors, and domestic and international grant recipients – not all of the data required to report performance results are available, so the Department estimates performance results for some of its goals.

Where estimates have been used in this report, they are clearly identified as such. These estimates are based on methodologies developed by the programs and reviewed by the Department of Labor’s Office of Inspector General. Most of these performance estimates use partial year data and then extrapolate for the entire fiscal year. In instances where final quarter data have not traditionally been representative of the entire fiscal year, other estimating methodologies were used.

New indicators often lack data needed to establish targets. For such indicators, the first year’s target may be to establish a baseline (abbreviated as “base” in this table); success is determined by gathering the data as planned.

Performance Goal 04-1.1A (ETA)																
Increase the employment, retention, and earnings of individuals registered under the WIA Adult program.																
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Achieved			PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Achieved			
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	
Percent of participants employed in the first quarter after program exit	—	—	—	—	—	—	70%	74%	Y	71%	74%	Y	75%	77%	Y	
Percent of those employed in the first quarter after program exit still employed in the third quarter after program exit	77%	78%	Y	78%	79%	Y	80%	84%	Y	82%	85%	Y	85%	86%	Y	
Average earnings change for those who are employed in the first quarter after program exit and still employed in the third quarter after program exit	\$3264	\$3684	Y	\$3361	\$3555	Y	\$3423	\$2900	N	\$3100	\$3260	Y	\$3300	\$3746	Y	
Average cost per participant	—	—	—	—	—	—	—	—	—	—	—	—	\$2192	\$2153*	Y	

Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records

**Performance Goal 04-1.1B (ETA)**

**Improve the outcomes for job seekers and employers who receive core employment and workforce information services through One-Stop Career Centers.**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Achieved			PY 2001 Goal Not Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of job seekers registered for employment services who enter employment with a new employer by the end of the second quarter following registration				—	—	—	55%	63%	Y	58%	61%	Y	58%	64%	Y
PY 2000: Employment Service applicants entering employment	3.2 million	3.9 million	Y												
Percent of job seekers who continue to be employed two quarters after initial entry into employment with a new employer	—	—	—	76%	—	—	70%	—	—	72%	80%	Y	72%	81%	Y
Average cost per participant	—	—	—	—	—	—	—	—	—	—	—	—	\$52	\$62	N

Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records

Notes: In DOL's FY 2006 Performance Budget, the goal statement referred to these services as the "public labor exchange." In PY 2000-03, this goal included three additional indicators now under Performance Goal 04-4.1A.

**Performance Goal 04-1.1C (ETA)**

**Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker program**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Achieved			PY 2001 Goal Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved			PY 2004 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Participants employed in the first quarter after program exit	71%	75%	Y	73%	79%	Y	78%	82%	Y	78%	82%	Y	82%	84%	Y
Participants employed in the first quarter after program exit still employed in the third quarter after program exit	82%	83%	Y	83%	87%	Y	88%	90%	Y	88%	90%	Y	91%	91%	Y
Percent of pre-dislocation earnings for those employed in the first quarter after program exit and still employed in the third quarter after program exit	90%	95%	Y	91%	101%	Y	98%	90%	N	93%	91%	N	91%	93%	Y
Average cost per participant	—	—	—	—	—	—	—	—	—	—	—	—	\$3195	\$3318*	N

Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records

**Performance Goal 04-1.1D (VETS)**

**Improve the employment outcomes for veterans who receive public labor exchange services and veterans' program services**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Achieved			FY 2002 Goal Achieved			FY 2003 Goal Not Measured			PY 2003 Goal Achieved			PY 2004 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of veteran job seekers employed in the first or second quarter following registration	27%	33%	Y	34%	43%	Y	—	—	—	58%	58%	Y	58%	60%	Y
Percent of veteran job seekers still employed two quarters after initial entry into employment with a new employer	—	—	—	—	—	—	—	—	—	72%	79%	Y	80%	81%	Y
Percent of disabled veteran job seekers employed in the first or second quarter following registration	—	—	—	—	—	—	—	—	—	—	—	—	54%	56%	Y
Percent of disabled veteran job seekers still employed two quarters after initial entry into employment with a new employer	—	—	—	—	—	—	—	—	—	—	—	—	78%	79%	Y
Entered employment rate for homeless veterans participating in the Homeless Veterans Reintegration Program (HVRP)	50%	54%	Y	54%	54.4%	Y	54.5%	60.3%	Y	54.5%	61%	Y	60%	65%	Y
Employment retention rate after 6 months for homeless veteran HVRP participants	—	—	—	—	—	—	—	—	—	—	—	—	base	57%**	Y

Data Source(s): State Workforce Agency administrative reports, State UI wage records and homeless veteran grantee reports.

Note: In FY 2003, this program transitioned to a new system of measuring and reporting outcomes that is consistent with the common measures and operates on a program year basis. Also, HVRP entered employment rates for periods prior to PY 2004 were reported under another performance goal.

**Performance Goal 05-1.1A (ETA)**

**Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21<sup>st</sup> Century.**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of those employed in the quarter after registration still employed nine months later	—	—	—	—	—	—	—	—	—	base	78%	Y
Average wage gain for tracked entrants employed in the first quarter after registration and still employed nine months later (see note below)	—	—	—	—	—	—	—	—	—	base	\$1.26	Y



Average cost per registered apprentice	—	—	—	—	—	—	—	—	—	base	\$109	Y
New programs in new and emerging industries	293	326	Y	359	359	Y	366	526	Y	—	—	—
New apprentices registered by OATELS staff only							68,592	69,597	Y	—	—	—
FY 2002-03: All registrations	86,647	129,388	Y	133,909	130,615	S						
New apprenticeship programs	1854	2952	Y	—	—	—	—	—	—	—	—	—
New businesses involved in apprenticeship	3248	5883	Y	—	—	—	—	—	—	—	—	—

Data Source(s): Registered Apprenticeship Information System (RAIS) and Apprenticeship Information Management System (AIMS)

Note: Twenty-three states are federally-registered apprenticeship programs and enter data on individuals into the Registered Apprenticeship Information System (RAIS). A group of “tracked entrants” is defined as the cohort of apprentices registered and entered into RAIS during a given reporting period.

**Performance Goal 05-1.1B (ODEP)**  
**Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, and employment support services by developing, testing, and disseminating effective practices**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
People with disabilities served through ODEP projects	—	—	—	—	—	—	2391	6151	Y	6718	9768	Y
Entered employment rate at pilot sites	—	—	—	—	—	—	13.3%	19.0%	Y	24%	24.1%	Y
3-month and 6-month retention rates for people with disabilities served by the pilots	—	—	—	—	—	—	base	12.3% 6.9%	Y	22% 17%	46.7% 39.0%	Y Y
Effective practices identified through pilot project sites and other research-related initiatives	—	—	—	—	—	—	base	10	Y	11	19	Y
Implement 30 new Olmstead grant projects, targeted at persons with significant disabilities who are institutionalized	—	—	—	30	16	N	—	—	—	—	—	—
Implement 12 youth grant projects (6 of which are new technology skills projects) to assist youth through the One-Stop Centers and the WIA youth programs	—	—	—	12	21	Y	—	—	—	—	—	—
Implement 12 demonstration programs, through grants, designed to develop and test strategies and techniques that need to be implemented in order for One-Stop Centers and WIA youth programs to effectively serve persons with significant disabilities.	12	16 WIA, 22 other	Y	—	—	—	—	—	—	—	—	—

Data Source(s): ODEP Division of Program Management and Research & Evaluation Team

Performance Goal 04-1.2A (ETA) Increase placements and educational attainments for youth served through the WIA youth program															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Substantially Achieved			PY 2001 Goal Achieved			PY 2002 Goal Achieved			PY 2003 Goal Achieved			PY 2004 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of the 14-18 year-old youth who enter the program without a diploma or equivalent that attain a secondary school diploma or equivalent by the first quarter after exit							51%	55%	Y	52%	63%	Y	53%	65%	Y
PY 2000-01: Percent of the 14-18 year-old youth either employed, in advanced training, post-secondary education, military service or apprenticeships in the third quarter after program exit	50%	47%	N	50%	50%	Y									
Percent of 19-21 year-old youth employed in the first quarter after exit	—	—	—	—	—	—	63%	67%	Y	65%	71%	Y	68%	72%	Y
Percent of 19-21 year-old youth employed in the first quarter after exit still employed in the third quarter after program exit	70%	74%	Y	75%	75%	Y	77%	80%	Y	78%	81%	Y	79%	82%	Y
Average cost per participant	—	—	—	—	—	—	—	—	—	—	—	—	\$2663	\$2822*	N
Data Source(s): Annual State WIA performance reports included in the Enterprise Information Management System (EIMS) and Unemployment Insurance Wage Records															

**Performance Goal 04-1.2B (ETA)**

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

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Substantially Achieved			PY 2001 Goal Substantially Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Not Achieved			PY 2004 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of Job Corps graduates (within 1 year of program exit) and former enrollees (within 90 days of program exit) who enter employment or enroll in post-secondary education or advanced/occupational skills training										—	—	—	85%	84%	N
PY 2000-02: Percent of graduates who enter employment or enroll in education	85%	91%	Y	85%	90%	Y	90%	87%	N						
Percent of students earning a high school diploma, GED or certificate while enrolled in a Job Corps program	—	—	—	—	—	—							64%	64%	Y
PY 2002-03: The number of students who attain high school diplomas while enrolled in Job Corps							3912	6381	Y	7658	8003	Y			
Percent of students who achieve literacy or numeracy gains of one Adult Basic Education (ABE) level (one ABE level is approximately equivalent to two grade levels)	—	—	—	—	—	—	—	—	—	—	—	—	45%	47%	Y
Average cost per participant	—	—	—	—	—	—	—	—	—	—	—	—	\$22,503	\$24,809	N
Percent of graduates who continue to be employed or enrolled in education six months after initial placement date	70%	67%	N	70%	64%	N	65%	63%	N	65%	63%	N	—	—	—
Average hourly wages of graduates with jobs at six months after initial placement	\$7.50	\$7.97	Y	\$7.25	\$7.96	Y	\$8.20	\$8.03	S	\$8.20	\$8.95	Y	—	—	—
Data Source(s): Job Corps Management Information System															

<b>Performance Goal 05-1.3A (BLS)</b> <b>Improve information available to decision-makers on labor market conditions, and price and productivity changes</b>												
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Not Achieved			FY 2005 Goal Substantially Achieved								
	Target	Result	*	Target	Result	*						
<u>Improve relevancy</u> Cumulative number of series (e.g., Current Employment Statistics, Employment Cost Index, etc.) converted to the North American Industry Classification System (12 series in total)	8	8	Y	9	9	Y						
<u>Improve accuracy</u> <i>Coverage</i> Increase the percent of domestic output of in-scope services included in the Producer Price Index (PPI) Increase the percent of in-scope industries in the labor productivity measures <i>Response</i> Improve the response to the Employment Cost Index	59.2%	59.2%	Y	75.7%	76.3%	Y						
	58.0%	58.0%	Y	58.3%	59.2%	Y						
	78%	78%	Y	—	—	—						
<u>Enhance information technology</u> Lessen the likelihood of major systems failures that could affect the PPI's ability to release data on time, as measured by the percent of the components of the new repricing system completed	33%	17%	N	40%	37%	N						
<u>Enhance efficiency and effectiveness</u> Cost per transaction of the Internet Data Collection Facility	—	—	—	\$3.32	\$2.44	Y						
Raise customer satisfaction with BLS products and services (e.g., the American Customer Satisfaction Index)	75%	82%	Y	75%	74%	S						
Deliver economic data on time (Percent of scheduled releases issued on time)	100%	96%	S	100%	100%	Y						
Percent of accuracy measures met (e.g., revision, response rates, etc.)	100%	83%	S	100%	100%	Y						
Data Source(s): Office of Publications and Special Studies report of release dates against OMB release schedule for BLS Principal Federal Economic Indicators; News releases for each Principal Federal Economic Indicator; BLS budget submissions and Quarterly Review and Analysis System; ACSI Quarterly E-Government scores.												
<b>Performance Goal 05-2.1A (ESA)</b> <b>American workplaces legally employ and compensate workers</b>												
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
<u>Ensuring Customer Service</u> Average number of days to conclude a violation complaint  FY 2003-04: Average number of days to conclude a complaint										187	178	Y
	—	—	—	126	108	Y	108	92	Y			

<u>Reducing employer recidivism</u>												
Percent of prior violators who achieved and maintained FLSA compliance following a full FLSA investigation	—	—	—	—	—	—	74%	71%	N	72%	72%	Y
Percent of reinvestigations without any violations	base	34%	Y	36%	37%	Y	—	—		—	—	—
Percent of reinvestigations with identical violations	base	19%	Y	17%	17%	Y	—	—		—	—	—
<u>Increasing compliance in industries with chronic violations</u>												
Percent of low-wage workers across identified low-wage industries paid and employed in compliance with FLSA and MSPA. (for FY 2005, Southern CA garment and NYC garment)	—	—	—	—	—	—	—	—	—	base	54%	Y
											76%	Y
<i>FY 2002-04: as indicated in the garment manufacturing industry by</i>												
Percent of employees paid “on the payroll” in New York City	—	—	—	base	33%	Y	34%	39%	Y	—	—	—
Number of manufacturers in southern California that monitor contractors	43%	53%	Y	714	715	Y	729	729	Y			
Percent of employees paid “on the payroll” in southern California	—	—	—	base	91%	Y	—	—				
New contractors in NYC participating in Compliance Assistance program	—	—	—	72	73	Y	—	—				
Number of manufacturers in NYC that monitor contractors	—	—	—	153	158	Y	—	—				
Percent of contractors in NYC that pay all employees “on the payroll”	53%	42%	N	—	—	—	—	—				
Number of monitoring components used by manufacturers in monitoring contractors for compliance in southern California	5.6	6.4	Y	—	—	—	—	—				
Percent of contractors in southern California that pay all employees “on the payroll”	65%	92%	Y	—	—	—	—	—				
Percentage of compliance of new contractors in NYC	55%	43%	N	—	—	—	—	—				
<i>FY 2002-04: as indicated in the long-term health care industry by</i>												
Percent of nursing homes in compliance with the FLSA.	—	—	—	—	—	—	45%	55%	Y	—	—	—
Percent of nursing home employees employed or paid in compliance with the FLSA.	—	—	—	—	—	—	91%	90%	N			
Percent of nursing home complaint cases concluded in 180 days	—	—	—	42%	48%	Y	—	—				
Percent of employees in residential care paid in compliance with the FLSA overtime requirements	—	—	—	85%	77%	N	—	—				
Additional employees of multi-establishment nursing home corporations impacted by corporate proactive steps such as training and self-audit.	6000	16,426	Y	—	—	—	—	—				
Nursing home employers provided compliance assistance information through seminars and other outreach efforts	2559	7681	Y	—	—	—	—	—				
Percent of employers (residential living) in compliance with the recordkeeping requirements of the Fair Labor Standards Act	base	77%	Y	—	—	—	—	—				

<i>FY 2002-04: as indicated in agricultural commodities by</i>												
Number of employees affected by compliance assistance programs for agricultural employers subject to the DWHaT provisions of MSPA	—	—	—	—	—	—	4743	911,004	Y	—	—	—
Number of agricultural housing providers who corrected violations following an investigation.	—	—	—	170	256	Y	259	335				
Number of agricultural housing providers who corrected violations following a first investigation	—	—	—	98	133	Y	—	—				
Percent of employers in compliance with the MSPA disclosure provisions.	base	61%	Y	—	—	—	—	—				
Percent of employers in compliance with the MSPA wage provisions.	base	91%	Y	—	—	—	—	—				
Percent of employers in compliance with the MSPA housing safety and health provision.	base	74%	Y	—	—	—	—	—				
Percent of employers in compliance with MSPA vehicle safety provisions	base	88%	Y	—	—	—	—	—				
Percent of employers complying with MSPA drivers license provisions	base	90%	Y	—	—	—	—	—				
Percent of employers complying with MSPA vehicle insurance provisions	base	85%	Y	—	—	—	—	—				
Percent of investigated employers in compliance with child labor provisions of the FLSA	base	98%	Y	—	—	—	—	—				
<u>Ensuring timely and accurate prevailing wage determinations</u>												
Number of wage determination forms processed per 1,000 hours.	—	—	—	—	—	—	base	1491	Y	1506	1667	Y
Percent of survey-based DBA wage determinations issued within 60 days of receipt of the underlying survey data.	—	—	—	—	—	—	80%	87%	Y	81%	84%	Y

Data Source(s): Wage and Hour Investigator Support and Reporting Database (WHISARD) data; WH significant activity reports; regional logs and reports on local initiatives; and statistically valid investigation-based compliance surveys in defined industries

**Performance Goal 05-2.1B (ESA)  
Ensure union financial integrity, democracy and transparency**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2002 Goal Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Substantially Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of unions with fraud							base	9%	Y	—	—	—
FY 2002-03: Percent of investigative resources applied to criminal investigation that result in convictions	base	50%	Y	53%	63%	Y						
Percent of union reports meeting standards of acceptability for public disclosure				base	73%	Y	75%	92%	Y	95%	94%	S
FY 2002-03: The timely filing of union annual financial reports by unions with annual receipts over \$200,000	base	44%	Y	85%	64%	N						

Union dollars protected per staff day	—	—	—	—	—	—	—	—	—	—	—	—	base	\$136,617	Y
---------------------------------------	---	---	---	---	---	---	---	---	---	---	---	---	------	-----------	---

Data Source(s): OLMS union audit data and e.LORS data system

Note: Fraud indicator data are reported every other (even) year.

**Performance Goal 05-2.2A (ETA)**  
**Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employers**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Not Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Achieved			FY 2005 Goal Substantially Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
	Pay Benefits Promptly: percent of all intrastate first payments made within 14/21 days				91%	88.7%	N	91%	89%	N	89.2%	90.3%	Y	89.9%	90%**
FY 2001: Number of states meeting or exceeding the Secretary's Standard for intrastate payment timeliness	48	42	N												
Detect Overpayments: Percent of estimated detectable/recoverable overpayments that States establish for recovery	—	—	—				59%	54%	N	59%	59.5%	Y	59.5%	59%**	S
FY 2002: Establish a measure and baseline for payment accuracy				Y	Y	Y									
Facilitate Reemployment: Entered employment rate for UI claimants	—	—	—							base	51.5%	Y	—	—	—
FY 2003: Develop a measure and a method to obtain entered employment information on UI claimants							Y	Y	Y						
FY 2002: Define a measure of entered employment of Unemployment Insurance claimants and establish a baseline				Y	N	N									

Establish Tax Accounts Promptly: Percent of new employer liability determinations made within 90 days of the end of the first quarter in which liability occurred.				80%	81.7%	Y	80%	83%	Y	82.2%	82.5%	Y	82.4%	83%**	Y
FY 2000-01: Number of states meeting or exceeding the minimum performance criterion for benefit adjudication quality	26	25	N												
Efficiency: Quality-weighted base initial claims per \$1,000 of inflation-adjusted base grant funds	—	—	—	—	—	—	—	—	—	—	—	—	8.55	8.60**	Y

Data Source(s): Eligibility Determinations Quality: ETA 9056; Payment Timeliness: 9050, 9050p Reports; Payment Accuracy: Benefit Accuracy Measurement (BAM) program and ETA 227 report; Facilitate Reemployment: Unemployment Insurance wage records; New Status Determinations Timeliness: ETA 581 report

Note: This goal was reported as not achieved in the FY 2004 PAR based on estimated data. Actual data for the first indicator, Pay Benefits Promptly, exceeded the target.

**Performance Goal 05-2.2B (ESA)  
Minimize the impact of work-related injuries**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Not Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Substantially Achieved			FY 2004 Goal Substantially Achieved			FY 2005 Goal Substantially Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Lost production days (LPD) per 100 employees for FECA cases of the United States Postal Service (see note below)				115	131	N	130	143	N	146	147	N	148	135	Y
FY 2001: combined with all other governmental agencies	66.7	76.9	N												
LPD rate for FECA cases of All Other Governmental Agencies (see note below)	—	—	—	55	54	Y	54.7	55	N	55.4	62.6	N	61	56	Y
FECA Vocational Rehabilitation placements with new employers for injured USPS employees	—	—	—	—	—	—	52	56	Y	56	59	Y	—	—	—
Savings in the FECA program through use of Periodic Roll Management	\$95 million	\$103 million	Y	\$19 million	\$26 million	Y	\$20 million	\$25 million	Y	\$18 million	\$24 million	Y	\$17 million	\$21 million	Y



Trend in indexed cost per case of FECA cases receiving medical treatment remains below the Milliman Health Cost Index							+9.1%	-2.8%	Y	+8.8%	+2.4%	Y	+8.1%	+2.8%	Y
FY 2002: Reduce Inflation-adjusted costs per case in the FECA program				\$2219	\$2604	N									
FY 2001: Reduction in average annual cost for physical therapy and psychiatric services	-1% (both)	+4.5%, -3%	N												
Targets met for key communications performance areas	—	—	—	—	—	—	base	5	Y	3	4	Y	3	3	Y
Average days required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases	—	—	—	242	285	N	279	266	Y	274	247	Y	245	254	N
Percent of Black Lung benefit claims filed under the revised regulations for which, following an eligibility decision, there are no requests for further action from any party pending one year after receipt of the claim.	—	—	—	68.5%	89.9%	Y	70.5%	86.6%	Y	74.5%	82.2%	Y	76.5%	80.6%	Y
Percent of Initial Claims for benefits in the Energy Program processed within standard timeframes	—	—	—				75%	79%	Y	77%	92%	Y	80%	80%	Y
FY 2002: 120 days for Department of Energy (DOE) employees or contractors employed at DOE facilities				75%	48%	N									
180 days for employees of Atomic Weapons Employers (AME) and Beryllium Vendors				75%	48%										
Percent of Final Decisions in the Part B Energy Program processed within standard timeframes						S	75%	76.9%	Y	77%	99%	Y	80%	94.7%	Y
FY 2002: Claims or No-Contest Denials within 75 days of the Recommended Decision.				75%	76%										
Reviews of the Written Record within 75 days of request				75%	74%										
Formal Hearings within 250 days of request				75%	100%										
Claimants under Part E to whom compensation benefits are paid	—	—	—	—	—	—	—	—	—	—	—	—	1200	1525	Y

Data Source(s): 1&2. Federal Employees' Compensation Act (FECA) data systems, Federal agency payroll offices and Office of Personnel Management employment statistics; 3. Nurse/Rehabilitation Tracking System 4. Periodic Roll Management System and FECA Automated Compensation Payment System; 5. FECA Medical Bill Pay System and Milliman USA Health Cost Index Report; 6. Telecommunications system standard reports, FECA district office and national MIS reports, customer surveys, focus group records and other customer service performance data sources; 7. Longshore Case Management System; 8. Black Lung Automated Support Package; 9-11. Energy Program Case Management System

Note: In FY 2004, OWCP changed the way it measures LPD. The FY 2003 result data for USPS and also for all other government agencies' LPD's reflect the results prior to the measurement changes. LPD's are now measured in real-time rather than with accumulated data.

**Performance Goal 05-2.2C (EBSA)  
Secure pension, health and welfare benefits**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*
Enforcement:									
Ratio of closed civil cases with corrected violations to civil closed cases.	50%	69%	Y	50%	69%	Y	66%	76%	Y
Ratio of criminal cases referred for prosecution to total criminal cases	25%	40%	Y	25%	45%	Y	37.7%	45%	Y
Participant Assistance:									
Customer Satisfaction Index, or comparable measurement, for Participants and Beneficiaries who have contacted EBSA for assistance.	59	59	Y	61	62	Y	63	67	Y
Additional applications to Voluntary Compliance programs	—	—	—	—	—	—	8340	14,082	Y

Data Source(s): Enforcement Management System and The Gallup Organization/Technical Assistance and Inquiry System (TAIS)

**Performance Goal 05-2.2D (PBGC)  
Serve sponsors of covered pension plans and participants in trusted plans**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*
American Customer Satisfaction Index (ACSI) score for sponsors of covered pension plans who have contacted PBGC for assistance	71	69	N	72	68	N
ACSI score for participants in trusted plans who have contacted PBGC for assistance.	77	78	Y	78	79	Y

Data Source(s): American Customer Satisfaction Index (ACSI) report

**Performance Goal 05-3.1A (OSHA/MSHA)  
Reduce work-related fatalities**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 M: Goal Achieved			FY 2002 M: Goal Not Achieved			FY 2003 O: Goal Not Achieved M: Goal Not Achieved			FY 2004 O: Goal Not Achieved M: Goal Not Achieved			FY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
O: Fatalities per 100,000 workers	—	—	—	—	—	—	1.59	1.62	N	1.57	1.61	N	1.52	1.71**	N
M: Fatal incidence rate (number of mining fatalities per 200,000 hours worked)							.020	.023	N	.022	.017	Y	.022	.018**	Y
FY 2001-02: Mine fatalities	89	71	Y	64	71	N									

Data Source(s): OSHA Integrated Management Information System (IMIS) and Bureau of Labor Statistics (BLS) Current Employment Statistics (CES). Mine Accident, Injury, and Employment information that mine operators and contractors report to MSHA under Title 30 Code of Federal Regulations Part 50

Note: Prior to FY 2005, OSHA and MSHA performance goals were separate. Goal and indicator achievements are distinguished by labels – O for OSHA, M for MSHA.

**Performance Goal 05-3.1B (OSHA/MSHA)  
Reduce work-related injuries and illnesses**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 O: Goal Achieved M: Goal Achieved			FY 2002 O: Goal Not Achieved M: Goal Not Achieved			FY 2003 O: Goal Achieved M: Goal Achieved			FY 2004 O: Goal Achieved M: Goal Achieved			FY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
O: Days away from work case rate per 100 workers							1.8	1.7**	Y	1.7	1.6**	Y	1.7	1.5**	Y
FY 2001-02: Injury and illness incidence rates in industries characterized by high-hazard workplaces (Lost workdays used in FY 2001, days away from work in FY 2002)															
Shipyard	11.9	7.5	Y	6.8	8.1	N									
Food processing	7.9	6.3	Y	—	—	—									
Meat Products	—	—	—	7.7	7.9	N									
Nursing homes	7.7	7.3	Y	6.6	7.6	N									
Logging	6.4	3.5	Y	—	—	—									
Construction (injuries only in FY 2001)	4.6	3.9	Y	3.6	3.8	N									
M: All-injury incidence rate (all injuries, including fatalities, per 200,000 hours worked)							3.79	4.26	N	3.85	4.07	N	3.48	3.82**	N
FY 2001-02: Non-fatal injury incidence rate	3.65	3.29	Y	2.87	3.15	N									

M: Percent of respirable coal dust samples exceeding the applicable standards for designated occupations				14.2	15.0	N	14.2	11.7	Y	11.1	10.2	Y	10.1	10.7	N
FY 2000-01: Percent of coal dust samples that are out of compliance for high risk mining occupations	11.1%	10.2%	Y												
M: Percent of silica dust samples in metal and nonmetal mines with a concentration result/enforceable level (C/E) ratio of at least 0.5													base	—	N
FY 2001-04: Percent of silica dust samples in metal and nonmetal mines exceeding the applicable standards for high risk occupations				8.8%	6.6%	Y	8.6%	6.5%	Y	6.2%	5.6%	Y			
FY 2001: Index percentage of silica dust samples that are out of compliance for high risk mining occupations	80%	64%	Y												
M: Percent of noise samples in metal and non-metal mines with a C/E ratio of at least 0.5	—	—	—	—	—	—	—	—	—	—	—	—	base	—	N
M: Percent of noise samples above the citation level in coal mines													base	—	N
FY 2001-04: Percent of noise exposures above the citation level in all mines	—	—	—	8.6%	5.8%	Y	9.3%	4.8%	Y	4.6%	4.6%	Y			
Data Source(s): Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses (ASOII). FY 2003 estimated results use CY 2001 data; FY 2004 estimated results use CY 2002 data. Dust samples collected by MSHA inspectors. Coal Mine Safety and Health MIS. Metal and Non-Metal Mine Safety and Health MIS.															
Note: Prior to FY 2005, OSHA and MSHA performance goals were separate. Goal and indicator achievements are distinguished by labels – O for OSHA, M for MSHA.															

**Performance Goal 05-3.2A (ESA)  
Federal contractors achieve equal opportunity workplaces**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Not Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Incidence of discrimination among Federal contractors							9%	1.2%	Y	9%	1%	Y	7%	2%	Y
FY 2001-02: For contractors participating in specified compliance assistance activities and subsequently evaluated															
Rate of compliance findings for SIC 50	base	50.9%	Y	51.9%	58.4%	Y									
For SIC 87	base	49.6%	Y	48.6%	64.5%	Y									
Rate of findings of severe violations for SIC 50	base	7.7%	Y	6.7%	2.2%	Y									
For SIC 87	base	9.0%	Y	8.0%	1.6%	Y									
Rate of focused and offsite compliance evaluations for SIC 50	base	36.5%	Y	37.5%	52.8%	Y									
For SIC 87	base	27.8%	Y	28.8%	50.8%	Y									
Compliance among Federal contractors in all other respects of equal opportunity workplace standards							59%	72.4%	Y	61%	91%	Y	62%	86%	Y
FY 2001-02: For contractors and subcontractors selected for evaluation, outreach, or compliance assistance activities															
Rate of compliance findings for all supply and service closures	base	52.9%	Y	53.9%	62.9%	Y									
Rate of findings of severe violations for contractors and subcontractors that have had prior contact with DOL/OFCCP	base	9.8%	N	8.8%	2.7%	Y									
Rate of focused and offsite compliance evaluation	base	34.1%	N	35.1%	49.8%	Y									

Data Source(s): Case Management System (CMS)

**Performance Goal 05-3.2B (VETS)  
Reduce employer-employee employment issues originating from service members' military obligations conflicting with their civilian employment**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2004 Goal Achieved			FY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*
Percent of USERRA cases resolved within 90 days of filing	—	—	—	85%	80.4%	N



Percent of children retained in education programs as a result of ILAB's Child Labor Education Initiative	—	—	—										65%	80%	Y
FY 2004: Child Labor Education Initiative projects that establish baseline for rate of enrollment and drop out for targeted children										7	8	Y			
FY 2002-03: Countries in which new Child Labor Education Initiative projects begin				8	9	Y	9	10	Y						
Number of target children enrolled in education programs as a result of ILAB's Child Labor Education Initiative													50,000	98,394	Y
FY2001-03: Children targeted for prevention or removal from child labor, particularly its worst forms, through the provision of education or training opportunities in new DOL-funded programs	100,000	200,000	Y	90,000	103,772	Y	40,000	83,682	Y	—	—	—			
Countries that ratify International Labor Organization (ILO) Convention 182 on Worst Forms of Child Labor.	25	63	Y	15	29	Y	—	—	—	—	—	—	—	—	—

Data Source(s): ILO-IPEC (grantee) through progress reports and project monitoring; Child Labor Education Initiative Grantees

Note: For FY 2005, retention result includes all children enrolled in Education Initiative (EI) projects in FY 2001 and FY 2002, but not those who have completed the program. Completion results include children who were enrolled in FY 2001 EI projects prior to FY 2005.

**Performance Goal 05-3.3B (ILAB)  
Improve living standards and conditions of work internationally**

*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Achieved			FY 2002 Goal Achieved			FY 2003 Goal Achieved			FY 2004 Goal Achieved			FY 2005 Goal Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of USDOL project beneficiaries who consider the project to have improved their conditions of work	—	—	—	—	—	—	base	63%	Y	base	62%	Y	83%	83%	Y
Percent of individuals whose economic situation has benefited from USDOL project assistance	—	—	—	—	—	—	base	39%	Y	base	39%	Y	43%	60%	Y

Compliance with national labor laws	—	—	—	—	—	—	—	—	—	—	—	—	base	3.78 million	Y
FY 2003-04: Percent of workplaces exposed to USDOL project assistance that have implemented new measures to prevent workplace accidents and illnesses							base	10%	Y	base	73%	Y			
Employment-related discrimination against persons living with HIV/AIDS	—	—	—	—	—	—	—	—	—				base	270	Y
FY 2004: Number of new countries where HIV/AIDS workplace education projects begin										5	7	Y			
HIV/AIDS risk behaviors among targeted workers	—	—	—	—	—	—	—	—	—	—	—	—	base	19,500	Y
Number of workers participating in pension funds that are government regulated by project partner agencies	—	—	—	—	—	—	base	3.545 million	Y	base	no data	—	—	—	—
Countries committed to undertake improvements in assuring compliance and implementation of core labor standards	15	15	Y	7	41	Y	—	—	—	—	—	—	—	—	—
Countries that commit with US/DOL assistance to make substantive improvements in raising income levels of working families	8	10	Y	6	49	Y	—	—	—	—	—	—	—	—	—

Data Source(s): OFR grantees and contractors

Performance Goal 04-4.1A (ETA)															
Build a demand-driven workforce system by increasing access to workforce information															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	PY 2000 Goal Achieved			PY 2001 Goal Not Achieved			PY 2002 Goal Not Achieved			PY 2003 Goal Achieved			PY 2004 Goal Substantially Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Job openings listed with the public labor exchange (with both State Workforce Agencies and America's Job Bank)	11.2 million	12.3 million	Y	13.5 million	11.8 million	N	11.8 million	10.2 million	N	10.3 million	12.5 million	Y	12.994 million	14.675 million	Y
Number of job searches conducted by job seekers using America's Job Bank	—	—	—	—	—	—	—	—	—	base	169 million	Y	170.788 million	138.567 million	N
The number of resume searches conducted by employers from America's Job Bank will be collected to determine a baseline for setting future performance targets.	—	—	—	—	—	—	—	—	—	base	8 million	Y	8.090 million	9.249 million	Y



New employers registered with America's Job Bank	60,000	66,563	Y	—	—	—	—	—	—	—	—	—	—	—	—
Percent of new requirements ratings for O*NET-SOC occupations	—	—	—	—	—	—	—	—	—	—	15%	—	21%	22%	Y
Percent of O*NET-SOC occupations for which updated data are released	—	—	—	—	—	—	—	—	—	—	15%	—	21%	22%	Y
Web site visits to O*NET	—	—	—	—	—	—	—	—	—	—	2.7 million	—	2.77 million	3.91 million	Y

Data Source(s): America's Job Bank Service Center and quarterly state performance reports included in the Enterprise Information Management System (EIMS).

Note: This is a new goal for PY 2004. Data and goal achievement for prior periods were reported under Outcome Goal 1.1 (Employment Service). O\*NET indicators and targets appear in DOL's FY 2006 Congressional Budget Justification; however, they were inadvertently omitted from the FY 2006 DOL Performance Budget Overview.

<b>Performance Goal 05-4.1A (ETA)</b>															
<b>Assist employers in meeting their workforce needs by providing them with expeditious determinations on their applications to hire foreign workers</b>															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2005 Goal Not Achieved														
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Percent of H-1B applications processed within seven days of the filing date for which no prevailing wage issues are identified	100%	100%	Y												
Percent of employer applications for labor certification under the streamlined system that are resolved within six months of filing	base	57%	Y												
The average cost for processing a new PERM application	base	\$523	Y												
Percent of the H-2B applications processed within 60 days of receipt	90%	85%**	N												

Data Source(s): Automated processing systems and fax/mail processing system

<b>Performance Goal 05-4.1B (ETA)</b>															
<b>Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits</b>															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated	FY 2001 Goal Substantially Achieved			FY 2002 Goal Not Achieved			FY 2003 Goal Not Achieved			FY 2004 Goal Not Achieved			FY 2005 Goal Not Achieved		
	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*	Target	Result	*
Participants employed in the first quarter after program exit	73%	65%	N	78%	66%	N	78%	62%	N	70%	63%	N	70%	65%**	N
Participants employed in the first quarter after program exit still employed in the third quarter after exit	80%	90%	Y	88%	89%	Y	90%	86%	N	88%	89%	Y	89%	91%**	Y

Percent of pre-separation earnings for those still employed in the third quarter after program exit	82%	85%	Y	90%	80%	N	90%	74%	N	90%	74%	N	80%	75%**	N
Average cost per training participant	—	—	—	—	—	—	—	—	—	—	—	—	\$16,000	\$13,358**	Y
Data Source(s): TAPR (Trade Act Participant Report) included in the Enterprise Information Management System (EIMS)															
<b>Performance Goal 05-4.2A (OASP) Maximize regulatory flexibility and benefits and promote flexible workplace programs</b>															
*Indicator target reached (Y), substantially reached (S) or not reached (N) **Estimated										FY 2004 Goal Not Achieved			FY 2005 Goal Achieved		
										Target	Result	*	Target	Result	*
Criteria and timeline established for regulatory reviews													Y	Y	Y
FY 2004: Seek input from the public as part of its decision-making process in determining which regulations or regulatory programs should be prioritized for review for their effects on small businesses and entities										Y	N	N			
Unit cost baseline established, and plan developed to identify practices that are not cost-effective													Develop Plan	N	Y
FY 2004: Ensure that all new regulatory proposals identify monetary costs, benefits, and net benefits, and include a summary of this information in all Regulatory Impact Analyses performed by DOL agencies										17	17	Y			
Develop plan to review all significant regulations for maximum flexibility										Y	N	N	Develop Plan	Y	Y
Percent of small employers with access to health care benefit plans										—	—	—	base	—	N/A
<u>Women's Bureau - Flex-Options for Women Project</u>															
Best practices for, and models of, flexible workplace practices are identified and publicized.													Develop Studies	Y	Y
FY 2004: Companies enlisted as corporate mentors										40	41	Y			
Women-owned businesses seeking to establish workplace flexibility policies or programs										80	77	S			
Data Source(s): DOL's Spring 2004 Regulatory Agenda - Initiatives supplied by DOL agencies to OASP. Women's Bureau: Application forms from mentors and businesses; program progress reports; and informal conversations with participants.															

## 2. Significant FY 2005 Audits and Evaluations

The Department of Labor recognizes the important role that program evaluations serve in helping us achieve our mission and strategic goals. Objective reviews and audits by the Office of the Inspector General (OIG) and the U.S. Government Accountability Office (GAO), along with evaluations by independent contractors are a critical source of information about the effectiveness of our programs. They also help us identify the need for corrective actions.

During the past year, the audits and evaluations described below have helped to ensure that our goals are reasonable and our strategies for achieving those goals are effective. While all of these audits and evaluations have their own unique focus and content, they all contribute to our common efforts to foster growth and encourage innovation.

The audits and evaluations listed below are categorized by the DOL strategic goals they support.

GOAL 1: A PREPARED WORKFORCE	
<b>1. Issue:</b> The use of WIA funds and tracking WIA outcomes	
<p><b>Program Area:</b> ETA WIA</p> <p><b>Performance Goal:</b> <b>Goal 04-1.1A</b> – Increase the employment, retention, and earnings of individuals registered under the WIA adult program.</p> <p><b>Goal 04-1.1C</b> – Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program.</p>	<p><b>Report Title:</b> Substantial Funds Are Used for Training, But Little Is Known Nationally about Training Outcomes (GAO-05-650)</p> <p><b>Date Completed:</b> June 2005</p> <p><b>Conducted By:</b> GAO</p>
<p><b>Program Impacts:</b> WIA funds used for training need to be clearly identified and tracked.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Questions were raised about how WIA funds are being used and how much is being spent on training.</li> <li>2. Contributing to the concern about the use of WIA funds is the lack of accurate information about the extent to which WIA participants are enrolled in training activities.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Determine the extent to which WIA funds are used for training.</li> <li>2. Determine how local workforce boards manage the use of Individual Training Accounts (ITA).</li> <li>3. Determine what is known at the national level about outcomes of those being trained.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. DOL standardized the definition of ‘participant exit’ for purposes of assessing program performance across all programs implementing common measures. States began implementing these changes as of July 1, 2005. The revised reporting requirements will facilitate better information about outcomes for all training programs.</li> <li>2. Through the newly revised Workforce Investment Act Standardized Record Data (WIASRD), DOL will be able to capture information on all participants who receive training in each program year, not just those who exit the program.</li> <li>3. ETA implemented a data validation initiative in PY 2003. ETA provides the states with software, handbooks, training and technical assistance to validate annual reports and provides a sampling mechanism to review a select number of files from each program for manual review.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. States will be required to validate annual reports and perform data element validation once a year to improve the quality of the data used to compute performance reports.</li> <li>2. ETA will develop acceptable error rates for each program.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. This is an ongoing initiative.</li> <li>2. PY 2006</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-05-650">www.gao.gov/cgi-bin/getrpt?GAO-05-650</a>.</p>	

**2. Issue: Comprehensive access to the WIA one-stop system for persons with disabilities**

<p><b>Program Area:</b> ETA WIA  <b>Performance Goal:</b> <b>Goal 04-1.1A</b> – Increase the employment, retention, and earnings of individuals registered under the WIA adult program.</p>	<p><b>Report Title:</b> Labor Has Taken Several Actions to Facilitate Access to One-Stops for Persons with Disabilities, but These Efforts May Not Be Sufficient (GAO-05-54)  <b>Date Completed:</b> December 2004  <b>Conducted By:</b> GAO</p>
---	--

**Program Impacts:** The WIA one-stop system may need to alter information tracking systems and relationships with disability-related agencies in order to meet comprehensive access requirements.

**Findings:**

- ETA, OASAM’s Civil Rights Center (CRC) and ODEP have taken several actions to ensure comprehensive access to one-stops, but these efforts may not be sufficient.
- DOL has not developed a long-range plan for how it will carry out its oversight and enforcement responsibilities beyond 2005.
- The information DOL publishes on employment outcomes for people with disabilities is limited.
- The performance measurement system may result in customers being denied services because local areas may be reluctant to provide WIA-funded services to job seekers who may be less likely to find employment.

**Recommendations:**

- DOL should develop and implement a long-term plan for ensuring that the WIA one-stops comply with the comprehensive access requirements.
- DOL should use the expertise of staff from CRC, ETA, and ODEP to ensure comprehensive access within the one-stop system.

**Actions Taken:**

- In a letter signed by the chief executives of CRC, ETA and ODEP, DOL responded that the agencies will develop a comprehensive, long-term strategic plan to address the One-Stop system’s provision of services to people with disabilities, beginning with the development of an overall framework for the plan.
- CRC, ETA and ODEP have instituted a workgroup which has met consistently since January 2005. The Rehabilitative Services Administration, Social Security Administration and Veterans’ Employment and Training Service have also begun to participate in the development of the plan.
- DOL has articulated the mission of the workgroup developing the inter-agency work plan as to promote excellence in service delivery for people with disabilities in the One-Stop Career Center system. By promoting excellence, DOL seeks to:
  - Ensure that people with disabilities have equal opportunity to benefit from the programs and services available through the system;
  - Promote meaningful and effective career opportunities for people with disabilities.
 The multi-year strategic plan will include a coordinated implementation strategy that will:
  - Identify, coordinate, and maximize the use of agency resources;
  - Ensure compliance with applicable disability-related statutes and regulations; and
  - Promote quality in service delivery for people with disabilities.
- The workgroup has completed a draft of the initial framework, which will soon be placed into Departmental clearance and forwarded to GAO. Given the breadth of the workgroup’s mission, the plan will be developed in phases.

<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>The workgroup will develop a white paper proposing policies and strategies for Phase I of the work plan for approval by agency heads. The approved policies and strategies will be translated into a work plan.</li> <li>Monitoring progress and updating the plan.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>February 2006</li> <li>Implementation, monitoring and strategic planning will be ongoing.</li> </ol>
--	--

**Additional Information:** A copy of the complete report can be obtained at [www.gao.gov/cgi-bin/getrpt?GAO-05-54](http://www.gao.gov/cgi-bin/getrpt?GAO-05-54) .

**3. Issue: Increasing employer use of the workforce system one-stops**

<p><b>Program Area:</b> ETA WIA  <b>Performance Goal:</b> <b>Goal 04-1.1A</b> – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. <b>Goal 04-1.1C</b> – Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program. <b>Goal 04-4.1A</b> – Build a demand driven system by increasing accessibility to workforce information</p>	<p><b>Report Title:</b> Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers’ Needs (GAO-05-259)  <b>Date Completed:</b> February 2005  <b>Conducted By:</b> GAO</p>
--	--

<p><b>Program Impacts:</b> Better information on employers’ use of the WIA one-stops would help ETA manage its resources and improve service.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Awareness of local one-stops increases with employer size: about half of small, two-thirds of medium, and three-quarters of large employers know about their local one-stops.</li> <li>2. Employers primarily use one-stop services to help fill job vacancies.</li> <li>3. Three-quarters of employers who use one-stops are satisfied with the services they receive.</li> <li>4. Most employers who use one-stop services would likely use them again; about one-third of employers who are aware of one-stop services, but have not used them, would consider using them in the future.</li> <li>5. Many employers choosing not to use one-stops do so because they either rely on other resources or do not have enough information about the services offered.</li> <li>6. DOL’s employer satisfaction measure does not provide enough information on the services employers use.</li> </ol>	
<p><b>Recommendations:</b> DOL should require States to collect and report on employer use of the workforce system.</p>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. DOL proposed a comprehensive, streamlined reporting system for 12 different programs, which included a component for an employer record that proposed collection of information on workforce services assessed by employers.</li> <li>2. Based on comments received during a recent Federal Register Notice comment period, DOL is currently conducting a feasibility study for incorporating such a component in our reporting system. This is expected to be completed during FY 2007.</li> <li>3. Through recently revised guidance for the WIA and Wagner-Peyser Act two-year strategic plan and the WIA, Wagner-Peyser, and Senior Community Service Employment Program unified plan, States were required to describe how they will actively engage businesses to inform service delivery approaches for all customers. The planning guidance also emphasized workforce information as a critical component of a demand-driven workforce system, and the role businesses play in providing labor market information and in identifying high-growth, high-demand jobs.</li> </ol>	
<p><b>Actions Remaining:</b> Results of the feasibility study will be reviewed and based on study findings, decisions will be made on the final reporting design and implementation schedule.</p>	<p><b>Expected Completion:</b> 1. December 2007</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-05-259">www.gao.gov/cgi-bin/getrpt?GAO-05-259</a> .</p>	
<p><b>4. Issue: Obtaining good performance information on the WIA programs</b></p>	
<p><b>Program Area:</b> ETA WIA</p> <p><b>Performance Goal:</b> <b>Goal 04-1.1A</b> – Increase the employment, retention, and earnings of individuals registered under the WIA adult program.</p> <p><b>Goal 04-1.2A</b> – Increase entrance and retention of youth registered under the WIA youth program in education or employment. <b>Goal 04-1.1C</b> – Increase the employment, retention, and earnings replacement of individuals registered under the Workforce Investment Act Dislocated Worker Program.</p>	<p><b>Report Title:</b> Labor Should Consider Alternative Approaches to Implement New Performance and Reporting Requirements (GAO-05-539)</p> <p><b>Date Completed:</b> May 2005</p> <p><b>Conducted By:</b> GAO</p>
<p><b>Program Impacts:</b> Rushed implementation of the new reporting system could negatively affect data quality and compromise the potential benefits of proposed changes. Unless DOL ensures that data collection is done in a consistent manner, the information will not be comparable on a national level.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. While many states supported streamlined reporting, 36 states indicated that implementing ETA’s reporting system, as proposed, would be very burdensome.</li> <li>2. DOL has underestimated the magnitude and type of changes the reporting system would require and the resources states would need to implement it.</li> <li>3. The use of common measures could increase the comparability of outcome information across programs and provide a more complete picture of the one-stop system, but states will face challenges in making the required changes.</li> <li>4. One of the common measures will replace the current WIA earnings measures for dislocated workers, which may be a disincentive for serving this population.</li> <li>5. States have very little time to make changes before they must begin data collection and reporting.</li> <li>6. DOL has not provided guidance in a timely manner for states to implement changes.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Consider alternative approaches to reach the goals of the new reporting system, including (a) ongoing consultations with key stakeholders, (b) implementing changes in phases, and (c) pilot testing and evaluating changes before full implementation.</li> <li>2. Help states and local areas develop the capacity to track all jobseekers in a consistent manner using one-stop services.</li> </ol>	

<p>3. Use the first year of implementation as a test phase and work with states to identify promising practices in collecting and reporting this data; provide technical assistance to states that do not have this capacity.</p>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. As an alternative approach, DOL implemented revised reporting requirements on current Workforce Investment Act Standardized Record Data (WIASRD). States began implementing these changes as of July 1, 2005 and collecting baseline data during PY 05. This move was intended to facilitate the reporting of common performance measures across DOL's employment and training programs.</li> <li>2. Through the newly revised WIASRD, DOL will be able to capture information on all participants who receive training in each program year, not just those who exit the program. DOL cited past consultation with stakeholders, and will continue to consult with and provide technical assistance to representatives of the State and local workforce system.</li> <li>3. DOL is conducting a feasibility study in three States and two local areas to examine the changes needed at the state and local levels to meeting the proposed data collection requirements as originally proposed in the July 2004 <i>Federal Register</i>. This will be completed during FY 2007.</li> </ol>	
<p><b>Actions Remaining:</b> ETA is continuing to work with State agencies to develop a more complete reporting system that will provide greater comparability and understanding of performance information by using the same definitions for the measures, and enhanced information about all services provided.</p>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. This will be an ongoing action.</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/new.items/d05539.pdf">www.gao.gov/new.items/d05539.pdf</a>.</p>	
<p><b>5. Issue: The quality and outcomes of programs in the nation's apprenticeship system and DOL's oversight</b></p>	
<p><b>Program Area:</b> ETA Apprenticeships  <b>Performance Goal:</b> <b>Goal 05-1.1A</b> – Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21<sup>st</sup> Century.</p>	<p><b>Report Title:</b> Labor Can Better Use Data to Target Oversight (GAO-05-886)  <b>Date Completed:</b> August 2005  <b>Conducted By:</b> GAO</p>
<p><b>Program Impacts:</b> DOL will need to improve oversight of apprenticeship programs.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Labor's monitoring of programs it directly oversees has been limited. In 2004 Labor reviewed only four percent of programs in the 23 states where it has direct oversight.</li> <li>2. Limited staff constrained DOL's ability to do more reviews.</li> <li>3. DOL has not employed its database to generate information indicative of program performance, such as completion rates.</li> <li>4. Labor does not regularly review council-monitored states or collect data from them that would allow for a national picture of apprenticeships.</li> <li>5. Formal reviews by DOL have been infrequent and not necessarily useful.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Labor should better utilize its database for oversight – particularly for apprenticeship programs with expected future labor shortages.</li> <li>2. Labor should develop a cost effective strategy for collecting data from council-monitored states for selected occupations.</li> <li>3. Labor should conduct is reviews of apprenticeship activities in states that regulate their own programs on a regular basis to ensure that state activities are in accord with those requirements set forth by federal law, and offer substantive feedback.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. The Department concurs with GAO's recommendation on better utilizing the database. ETA will use its existing data resources, as well as data from the Bureau of Labor Statistics (BLS), to identify occupations with skill shortages to help ETA better target Apprenticeship program performance and oversight activities.</li> <li>2. In order to have the most complete national apprenticeship data possible, efforts underway have resulted in two additional State Apprenticeship Agency (SAA) states agreeing to participate in Registered Apprenticeship Information System (RAIS). State of Kentucky started using RAIS in June 2005, and North Carolina State is currently in the process of converting to RAIS.</li> <li>3. ETA staff conducted and completed 14 SAA state reviews and 13 project reviews, including the District of Columbia during Fiscal Year 2005.</li> <li>4. The Department agrees with the recommendation, and plans to offer substantive feedback to states after reviews.</li> <li>5. ETA instituted an Apprentice Electronic Registration process for RAIS in October 2004. This new feature is offered to SAA states as a cost-effective measure to improve data integrity and efficiency of apprenticeship data collection because the sponsor will enter the data. ETA has been in negotiations with five SAA states since this process went on-line.</li> </ol>	



<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>ETA will seek input from DOL’s Advisory Committee on Apprenticeship regarding industry labor shortages. ETA will expand its use of the Registered Apprenticeship Information System (RAIS) indicators along with implementation of WebCEO, a data mining tool.</li> <li>Encouraged by early successes of Kentucky and North Carolina, ETA expects that other states will join RAIS. Targeted resources are being utilized to make this a priority for the Department.</li> <li>The Department’s goal is to complete the remainder of reviews in SAA states.</li> <li>Final reports of the SAA reviews will provide additional feedback and technical assistance.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>End of FY 2007</li> <li>End of FY 2007</li> <li>End of FY 2006</li> <li>End of FY 2006</li> </ol>
---	---

**Additional Information:** A copy of the complete report can be obtained at [www.gao.gov/cgi-bin/getrpt?GAO-05-886](http://www.gao.gov/cgi-bin/getrpt?GAO-05-886).

**6. Issue: Understanding what supports the workforce development system needs to provide universal access to services for people with disabilities.**

<p><b>Program Area:</b> ODEP  <b>Performance Goal:</b> <b>Goal 05-1.1B</b> – Provide national leadership to increase access and employment opportunities for youth and adults with disabilities receiving employment, training, employment support services by developing, testing and disseminating effective practices.</p>	<p><b>Report Title:</b> Case Study Research: How People with Disabilities are Served through the Workforce Development System  <b>Date Completed:</b> September 2005  <b>Conducted By:</b> Academy for Educational Development (AED)</p>
---	--

**Program Impacts:** The study will document the actual challenges faced and strategies employed by 12 state and local workforce development systems (case study sites) in serving people with disabilities. The identification of effective practices will be nationally disseminated.

**Findings:**

- Leadership:** Sites reported the need for effective and active Local Workforce Investment Boards (LWIB). It is critical that leadership at the LWIB level set the tone and direction for serving people with disabilities.
- Strategies of planning and support:** Support from the disability navigator grant and other support agencies is critical in serving people with disabilities. However, there may be a caveat to this additional support. In many sites, the Navigators are being seen as the primary referral point for persons with disabilities.
- Collaboration:** While many sites reported positive experience with the collaboration of their partners, vocational rehabilitation appears to be the most problematic. In some cases, the One-Stops continue to view VR as the “automatic” referral for people with disabilities. To the extent of this belief, it is difficult for professionals to see the need to increase their capacity to work with people with disabilities. Another area of challenge in collaboration is the exchange of data. The sites reported that confidentiality requirements often prevented them from sharing information.
- Accessibility and Assistive Technology:** Many sites have made strides in making their facilities and equipment more accessible. The staff received training in how to use assistive technology equipment. The primary area of improvement needed is accessibility to programs. There is little evidence of widespread efforts to make all available programs accessible to people with disabilities.
- Human Resources:** Sites noted the need for additional training and skill-building in the areas of connecting people to resources, improving administrative skills, and communicating effectively with people with disabilities.
- Data and Quality Assurance:** The sites reported that the accountability system does not require data that accurately identifies all of the people with disabilities served. In addition to data collection, the sites experience a tremendous pressure to provide positive outcomes to satisfy the performance measures. This has caused an unintentional notion among the sites which encourages the “pre-screen” of people with disabilities in order to select those that will satisfy the performance measures.

**Recommendations:**

- Review all current LWIB professional development curriculums and training activities for LWIB members. Develop a national curriculum for LWIB members which require training on how to serve people with disabilities.
- Define the role of Navigators. Clearly state that they are to provide consultative services to other staff and not to provide direct services to customers.
- Initiate efforts to bring to scale the similar support services deemed to be effective.
- Develop and disseminate concise descriptions regarding Vocational Rehabilitations “order of selection” process for serving individuals with disabilities to WIA partner agencies.
- Develop the capacity of all WIA and other agencies within the workforce development system, both at state and local levels, to work effectively with individuals with disabilities.
- Develop federal policy that allows for the sharing of information only for the purpose of improvement in service delivery.
- Require all sites to carry out a comprehensive review and, if necessary, modification of their operating procedures to ensure accessibility.
- Continue professional development for staff, in regard to effectively communicating with individuals with disabilities and

<p>skills such as resource mapping, cross-agency collaboration and service delivery, and disability etiquette.</p> <p>9. Increase the scope of training providers to other disability specific organizations and agencies such as Independent Living Centers, Parent Training and Information Centers, and educational facilities.</p> <p>10. Implement a pilot data collection project designed to collect data that would present a more comprehensive profile and an accurate count of individuals with disabilities being served.</p> <p>11. Develop and pilot alternative performance measures that are enhanced to allow for the complexities of serving individuals with disabilities.</p>	
<p><b>Actions Taken:</b> No actions taken.</p>	
<p><b>Actions Remaining:</b></p> <p>1. Since the report is newly completed, the program is now beginning to review the recommendations and determine the next steps.</p> <p>2. ODEP will provide a briefing to the interagency workgroup composed of ODEP, ETA, and OASAM’s Civil Rights Center.</p> <p>3. The interagency workgroup will determine how to use the information from the report as they develop a strategic plan to increase accessibility of workforce development programs, as recommended in a 2005 report from GAO.</p>	<p><b>Expected Completion:</b></p> <p>1. December 2005</p> <p>2. December 2005</p> <p>3. June 2006</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained from Richard L. Horne, Ed.D, Supervisory Research Analyst, ODEP, 200 Constitution Ave., NW, Room S-1303, Washington, D.C. 20210; (202) 693-7880.</p>	
<p><b>7. Issue: The need for a web-based tool to help transitioning service members find civilian employment</b></p>	
<p><b>Program Area:</b> VETS</p> <p><b>Performance Goal:</b> <b>Goal 04-1.1D</b> – Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ program services</p>	<p><b>Report Title:</b> Feasibility Assessment of a Web-Based Career Guidance Tool for Transitioning Military Service Members</p> <p><b>Date Completed:</b> June 2005</p> <p><b>Conducted By:</b> Personnel Decisions Research Institute</p>
<p><b>Program Implication:</b> Since no single existing web-based tool meets the needs of transitioning service members and veterans, it will be necessary to customize a tool that will include career tips, a search function and details on civilian occupations.</p>	
<p><b>Findings:</b></p> <p>1. There is a need for a career guidance tool for transitioning service members.</p> <p>2. It is feasible to design a tool that would meet the specific career information needs of key groups.</p> <p>3. It is feasible – both from a content and a technology standpoint – to develop and implement such a tool.</p>	
<p><b>Recommendations:</b></p> <p>1. It is important to produce and implement a useful product that serves the needs of key stakeholders as quickly as possible, with features requiring longer-term research and development added later.</p> <p>2. To build a successful tool, it is critical to have a solid understanding of service members’ needs and to gather feedback from them at several points in the development process.</p> <p>3. Develop strategies to promote the use of the Career Guidance Tool.</p> <p>4. The tool must be maintained and updated; regular data updates from the Defense Management Data Center will be critical for developing and maintaining search capabilities.</p>	
<p><b>Actions Taken:</b> Findings have been shared with the Departments of Defense and Veterans Affairs</p>	
<p><b>Actions Remaining:</b> Review with other agencies to determine next steps.</p>	<p><b>Expected Completion:</b> June 2006</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained by contacting Veterans’ Employment and Training Service, FPB S-1325, 200 Constitution Avenue, N.W., Washington, DC 20210, or by calling 202-693-4700.</p>	
<p><b>8. Issue: A new performance accountability system for the Disabled Veterans’ Outreach Program (DVOP) and the Local Veterans’ Employment Representative (LVER)</b></p>	
<p><b>Program Area:</b> VETS</p> <p><b>Performance Goal:</b> <b>Goal 04-1.1D</b> – Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ program services</p>	<p><b>Report Title:</b> Preliminary Observations on Changes to Veterans’ Employment Programs (GAO-05-662T )</p> <p><b>Date Completed:</b> May 2005</p> <p><b>Conducted By:</b> GAO</p>
<p><b>Program Impacts:</b> More work needs to be done to implement a minimum standard for veterans entering employment that all states will be expected to meet. Until the standard becomes available, it is difficult to assess how well DVOP and LVER staff are performing.</p>	



**Findings:**

1. VETS has established newly defined roles for DVOP and LVER staff as required by the Jobs for Veterans Act (JVA) and provided guidance and training.
2. Almost half of the states plan to use JVA authority to assign DVOP staff on a part-time basis.
3. Integrating DVOP and LVER staff into one-stop centers remains a long-standing challenge.
4. VETS has implemented changes to its system for monitoring state compliance; work continues to determine how best to use the monitoring information to improve program performance.

**Recommendations:** None made.

**Actions Taken:**

1. Findings discussed at the VETS National Office level and with a special VETS workgroup that addresses DVOP and LVER issues.
2. VETS has committed to set a national “minimum performance level” under the new Common Measures.
3. VETS has initiated a review of its grant based measures system.
4. VETS anticipates a revamped set of measures during PY 2005.

<b>Actions Remaining:</b>	<b>Expected Completion:</b>
1. VETS plans to conduct a nationwide study of DVOP/LVER programs in order to develop programmatic initiative recommendations for better integration into one-stop centers.	1. September 2006

**Additional Information:** A copy of the complete report can be obtained at [www.gao.gov/cgi-bin/getrpt?GAO-05-662T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-662T) .

**9. Issue: Assessing the effectiveness of the Homeless Veterans’ Reintegration Project (HVRP)**

<b>Program Area:</b> VETS <b>Performance Goal:</b> <b>Goal 04-1.1D</b> – Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ program services	<b>Report Title:</b> Job Retention Goal Under Development for DOL’s Homeless Veterans’ Reintegration Program (GAO-05-654T ) <b>Date Completed:</b> May 2005 <b>Conducted By:</b> GAO
---	--

**Program Impacts:** In order to assess the effectiveness of HVRP prior to reauthorization, the program needs to be able to develop and implement a goal for employment retention.

**Findings:**

1. DOL’s expenditures for HVRP grants have increased from \$9.5 million in fiscal year 2000 to over \$18 million in fiscal year 2004.
2. DOL estimates that it will expend over \$20 million each year on HVRP grants in 2005 and 2006.
3. DOL has not developed a performance goal for a job retention measure and has not provided the Congress with statutorily required reports on program effectiveness.

**Recommendations:**

1. Because employment retention is crucial to the overall success of transitioning veterans from homelessness, it is important that DOL continue to develop a realistic performance goal for employment retention to assess the success of HVRP.

**Actions Taken:**

1. VETS is collecting and analyzing retention data for HVRP during PY 2004.
2. VETS has informed HVRP grantees of the need to place homeless veterans in jobs with maximum employment retention potential.

<b>Actions Remaining:</b>	<b>Expected Completion:</b>
1. VETS will use the retention data that is being collected to establish a baseline for future performance targets and tracking.	1. July 2006
2. VETS will issue guidance for implementing the new performance targets.	2. July 2006

**Additional Information:** A copy of the complete report can be obtained at [www.gao.gov/cgi-bin/getrpt?GAO-05-654T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-654T) .

**10. Issue: Meeting the needs of service members leaving the military**

<b>Program Area:</b> VETS Transition Assistance Program (TAP) <b>Performance Goal:</b> <b>Goal 04-1.1D</b> – Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ program services	<b>Report Title:</b> Enhanced Services Could Improve Transition Assistance for Reserves and National Guard (GAO-05-544 ) <b>Date Completed:</b> May 2005 <b>Conducted By:</b> GAO
---	---

**Program Impacts:** The program needs to determine when and where to offer the TAP for members of the Reserves and

National Guard, especially since they have been called to active duty in greater numbers than at any time since the Korean War.	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. The federal agencies have taken actions to improve TAP’s content and increase participation.</li> <li>2. TAP faces challenges serving Reserve and National Guard members because of their rapid demobilization.</li> <li>3. DOL is assessing its employment workshop curriculum using focus groups and survey data.</li> <li>4. DOL provides some workshops and briefings overseas.</li> <li>5. DOL has pilot programs in three states that will offer employment workshops after members return home.</li> </ol>	
<p><b>Recommendations:</b> DOD, in conjunction with DOL and the U.S. Department of Veterans Affairs should determine what demobilizing Reserve and National Guard members need to make a smooth transition and explore options to enhance their participation.</p>	
<p><b>Actions Taken:</b> DOL is participating in a DOD led effort to determine the best way to provide services to Reserve and transitioning National Guard members.</p>	
<p><b>Actions Remaining:</b> Collaborating with the Department of Defense in order to report back to Congress.</p>	<p><b>Expected Completion:</b> 1. December 2005</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-05-544">www.gao.gov/cgi-bin/getrpt?GAO-05-544</a> .</p>	
<p><b>11. Issue: Developing baseline values for efficiency and earnings gain measures for veterans</b></p>	
<p><b>Program Area:</b> VETS <b>Performance Goal:</b> <b>Goal 04-1.1D</b> – Improve employment outcomes for veterans who receive One-Stop and homeless veterans’ program services</p>	<p><b>Report Title:</b> Developing Efficiency and Earnings Gain Measures <b>Date Completed:</b> September 2005 <b>Conducted By:</b> SRA International, Inc.</p>
<p><b>Program Impacts:</b> Obtaining and analyzing data on the post-program earnings experiences of veterans served by the Labor Exchange will enable VETS to establish baselines and future targets for program performance.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Developing baseline values for efficiency measures had to avoid potential double counting of veterans because both a DVOP and an LVER serve the same veteran.</li> <li>2. Job seeker data were not available prior to PY 2002 to identify veterans served by DVOP or LVER.</li> <li>3. A number of states appear to have different strategies and thresholds for reporting who received staff-assisted services, a key tracking variable.</li> <li>4. Data suggest a positive baseline value for veterans served by DVOP or LVER, but it is difficult to say precisely what that positive value should be.</li> <li>5. Additional analyses, perhaps conducted by States, can provide further insights. Selection of zero as the baseline value for average earnings gains may not change, but one could select it with greater confidence.</li> </ol>	
<p><b>Recommendations:</b> <u>Good candidates for efficiency measures are:</u></p> <ol style="list-style-type: none"> <li>1. Cost per individual who received a staff-assisted service (all participants).</li> <li>2. Wagner-Peyser cost per individual who received a staff-assisted service (non-veteran).</li> <li>3. DVOP/LVER cost per veteran who received a staff-assisted service.</li> <li>4. Cost per individual who entered employment (all participants).</li> <li>5. Wagner-Peyser cost per individual who entered employment (non-veteran).</li> <li>6. DVOP/LVER cost per veteran who entered employment.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. Background information from the study was utilized in deciding on an efficiency measure for the DVOP/LVER program.</li> <li>2. “Cost per veteran participant” has been adopted for immediate implementation as the efficiency measure for the DVOP/LVER program.</li> </ol>	
<p><b>Actions Remaining:</b> Once a Common Measures definition is adopted, VETS will use the study’s findings on “earnings gain” measures to establish baselines.</p>	<p><b>Expected Completion:</b> 1. September 2006</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained by contacting Veterans’ Employment and Training Service, FPB S-1325, 200 Constitution Avenue, N.W., Washington, DC 20210, or by calling 202-693-4700.</p>	

12. <i>Issue:</i> The compliance of Job Corps contractors with laws, regulations, policies and procedures relating to operating costs	
<p><b>Program Area:</b> ETA Job Corps</p> <p><b>Performance Goal:</b> <b>Goal 04-1.2B</b> – Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.</p>	<p><b>Report Title:</b> Performance Audit of Job Corps Center Operating Costs (OIG 03-05-004-03-370)</p> <p><b>Date Completed:</b> March 2005</p> <p><b>Conducted By:</b> OIG</p>
<p><b>Program Impacts:</b> ETA is taking steps to ensure that Job Corps Centers’ financial reports accurately reflect operating costs and expenses.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Overall, Job Corps contractors are complying with laws, regulations, and Job Corps policies and procedures related to center operating costs.</li> <li>2. Three areas of noncompliance that related to specific contractor operations were identified: <ul style="list-style-type: none"> <li>• Inadequate accounting systems</li> <li>• Discrepancies between the ETA-2110 and the Public Voucher</li> <li>• Compensation in excess of statutory limitations.</li> </ul> </li> <li>3. At several centers, journal entries were unauthorized, inadequately supported or incorrectly recorded.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. ETA should require the contractor for the North Texas Job Corps Center (JCC) to: <ul style="list-style-type: none"> <li>• refund \$786,977 because these costs were not shown to be reasonable and allowable</li> <li>• use a current cost method to prepare the ETA-2110 financial report</li> <li>• take the necessary steps to ensure there is support for the amounts reported on the ETA-2110.</li> </ul> </li> <li>2. ETA should ensure that: <ul style="list-style-type: none"> <li>• financial reports and billings by the former contractor for the Homestead JCC are accurate and complete</li> <li>• Homestead JCC staff receive training on how to accurately prepare the monthly ETA-2110</li> <li>• controls are implemented so that all future submissions are properly reconciled to the Public Voucher and the books of account.</li> </ul> </li> <li>3. ETA should require the contractor for the Treasure Island JCC to refund \$38,235 paid in excess of Executive Level II compensation limits.</li> <li>4. ETA should ensure that each center has written policies and procedures related to the preparation, documentation, recording, and approval of all journal entries made to the centers’ books of account and that corrective actions are taken by the five JCCs to address the deficiencies reported.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. Job Corps was reimbursed by North Texas Job Corps Center for costs that were unreasonable. The Dallas Regional Office is working with the center operator for North Texas JCC to use current cost methods to prepare financial reports.</li> <li>2. A trainer was also brought in to the North Texas Job Corps Center from an outside source to train and work with center to bring them into compliance.</li> <li>3. The Contracting Officer for Homestead JCC now requires that center operator implement controls to ensure all future submissions are properly reconciled to the Public Vouchers and the books of account.</li> <li>4. The National Office of Job Corps is currently developing online and video training for all center operators to utilize with staff on financial reporting, particularly the 2110 financial reports. There will be specific emphasis to make sure that the Homestead JCC takes part in the training.</li> <li>5. Job Corps was reimbursed by Treasure Island Job Corps Center for costs paid to the Center Director in excess of Executive Level II compensation.</li> <li>6. The Regional Office Contracting Officers and Project Managers for the five centers noted now require that the operators have written policies and procedures for the preparation, documentation, recording, and approval of all journal entries made to the centers’ books of account and that corrective actions be taken.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Online training will be conducted with centers to assure proper preparation of the ETA-2110.</li> </ol>	<p><b>Expected Completion:</b></p> <p>1. December 2005</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.oig.dol.gov/public/reports/oa/2005/03-05-004-03-370.pdf">http://www.oig.dol.gov/public/reports/oa/2005/03-05-004-03-370.pdf</a>.</p>	

<b>13. Issue: The reliability of performance outcomes reported by center operators and Career Transition Services (CTS) providers</b>	
<p><b>Program Area:</b> ETA Job Corps  <b>Performance Goal:</b> <b>Goal 04-1.2B</b> – Improve educational achievements of Job Corps students and increase participation of Job Corps graduates in employment and education.</p>	<p><b>Report Title:</b> Job Corps Performance Measurement Outcomes Report (OIG 09-04-004-03-370)  <b>Date Completed:</b> September 2004  <b>Conducted By:</b> OIG</p>
<p><b>Program Impacts:</b> Job Corps has implemented procedures to correct management control weaknesses.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. Job Corps management controls over performance data reliability do not adequately address the increased financial risk created by the May 2002 implementation of performance-based contracting.</li> <li>2. Job Corps did not effectively validate reported performance outcomes during onsite assessments conducted by Job Corps Regional Offices.</li> <li>3. Job Corps’ written procedures do not require regional staff conducting onsite assessments to test the validity of reported performance outcomes.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Test performance outcomes data reported by center and Career Transition Services providers during each onsite review using statistical sampling methodologies.</li> <li>2. Retain records that document the testing performed and the basis for any conclusions.</li> <li>3. Take appropriate actions to recover any overpayments made to the contractor as a result of misreported performance data.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. Job Corps has taken steps to amend the Program Assessment Guide to include mandatory activities for testing the validity and reliability of performance outcome data.</li> <li>2. Job Corps has developed and is testing a documentation system in support of the performance data evaluation testing model.</li> <li>3. Job Corps is working to establish procedures and parameters for recovery of identified overpayment made to a contractor as a result of misreported performance data.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Finalization of the documentation system and training of Federal and Regional staff.</li> <li>2. Finalization and implementation of procedures and parameters for recovery of identified overpayments.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. October 2005</li> <li>2. January 2006</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.oig.dol.gov/public/reports/oa/2004/09-04-004-03-370.pdf">http://www.oig.dol.gov/public/reports/oa/2004/09-04-004-03-370.pdf</a></p>	
<b>14. Issue: Status of the BLS Consumer Price Index (CPI) information security program</b>	
<p><b>Program Area:</b> BLS Consumer Price Index System  <b>Performance Goal:</b> <b>Goal 05-1.3A</b> – Improve information available to decision-makers on labor market conditions, and price and productivity changes.</p>	<p><b>Report Title:</b> Federal Information Security Management Act Audit of the Consumer Price Index System (OIG-23-05-005-11-001)  <b>Date Completed:</b> March 2005  <b>Conducted By:</b> OIG</p>
<p><b>Program Impacts:</b> Effective controls over information systems are essential to ensuring the protection and availability of Federal government economic indicator data. Under the Federal Information Security Management Act, OIG evaluated the effectiveness of the management, operational and technical security controls of the Consumer Price Index (CPI) System.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. The CPI contingency plan is in draft format and has not been tested.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Finalize, approve, and distribute the contingency plan to key personnel.</li> <li>2. Make sure that all recovery team members are aware of their roles and responsibilities for system recovery.</li> <li>3. Ascertain that the equipment necessary to support the CPI contingency plan is purchased and placed into the recovery facility.</li> <li>4. Test the Continuity of Operations Plan in accordance with DOL and National Institute of Standards and Technology requirements.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. BLS has made progress toward finalizing and approving the CPI Contingency Plan. The plan has been completed</li> </ol>	

- sufficiently to allow for testing. Updates are made to the plan when additional information is presented.
- 2. Equipment necessary to support the CPI contingency plan has been purchased and placed into the recovery facility.
- 3. The CPI Continuity of Operation Plan testing under their current technical testing plan has been completed.

<b>Actions Remaining:</b> 1. Once the CPI Contingency Plan has been finalized and approved, it will be distributed to key personnel. 2. Training for recovery team members will begin by the end of the fiscal year.	<b>Expected Completion:</b> 1. December 2005 2. September 2005
--	--

**Additional Information:** A copy of the complete report can be obtained at the Bureau of Labor Statistics, Division of Management Systems, Room 4080, 2 Massachusetts Avenue, NE, Washington, DC 20212, or by calling 202-691-7628.

## GOAL 2: A SECURE WORKFORCE

### 15. Issue: The impact of DOL compliance assistance strategies

<b>Program Area:</b> ESA WHD <b>Performance Goal:</b> <b>Goal 05-2.1A</b> – American workplaces legally employ and compensate workers.	<b>Report Title:</b> Findings from Employers Pocket Guide on Youth Employment: YouthRules! Telephone Survey <b>Date Completed:</b> December 2004 <b>Conducted By:</b> Westat
---	--

**Program Implication:** Identifying cost effective ways of providing employers with information on youth employment rules impacts WHD’s ability to ensure safe workplaces for young workers and to educate employers of the youth employment laws.

- Findings:**
- 1. The information contained within the evaluated compliance assistance publication was not relevant to the majority of businesses in the census because they did not employ young workers.
  - 2. Those who read the brochure found it valuable and thought it offered good compliance tips.
  - 3. A small percentage of employers who where mailed the guide hired workers younger than 18 years and reported reading the guide.

**Recommendations:** None made.

- Actions Taken:**
- 1. Evaluation findings were communicated throughout the organization.
  - 2. WHD’s field offices were encouraged to rely less heavily on non-targeted mass mailings as a form of compliance assistance, and directed to incorporate alternative methods of outreach into local initiatives during the annual planning phase.

<b>Actions Remaining:</b> 1. Work completed; no additional actions planned at this time.	<b>Expected Completion:</b> NA
---	-----------------------------------

**Additional Information:** A copy of the complete report can be obtained from Wage-Hour Division, Employment Standards Administration, U.S. Department of Labor, FPB S-3502 , 200 Constitution Ave., N.W., Washington, D.C. 20210, or by calling 202-693-0051.

### 16. Issue: The impact of DOL compliance assistance strategies

<b>Program Area:</b> ESA WHD <b>Performance Goal:</b> <b>Goal 05-2.1A</b> – American workplaces legally employ and compensate workers.	<b>Report Title:</b> The Fair Labor Standards Act: Executive, Administrative, and Professional Exemptions Seminar Evaluation <b>Date Completed:</b> May 2005 <b>Conducted By:</b> Westat
---	--

**Program Implications:** Identifying cost effective ways of educating employers about the Fair Labor Standards Act (FLSA) affects WHD’s ability to ensure workers receive fair and legal compensation. Developing clear, useful compliance materials promotes compliance and an accurate understanding of the law.

- Findings:**
- 1. The seminar was informative and prompted attendees to perform additional research on overtime security laws.
  - 2. Most respondents reported learning some new information on all topics covered by the seminar.
  - 3. Over 75 percent reported being satisfied with the seminar.



<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Strengthen the seminar by increasing the number of examples presented and broadening the topic coverage.</li> <li>2. Offer two versions of the presentation – introductory and advanced.</li> <li>3. Ensure availability of prompt email and telephone responses to questions regarding the seminar.</li> <li>4. Ensure the Web site is up-to-date regarding the exemption rule.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. WHD considered possible future improvements to the FairPay Seminar, which would include industry specific examples of compliance issues as new policies are defined or clarified or as new compliance problems are identified through the agency’s compliance efforts.</li> <li>2. WHD verified that the FairPay Web site is up-to-date and that email and telephone reply process were in place.</li> <li>3. WHD has developed and disseminated through the organization abridged versions of the seminar.</li> </ol>	
<p><b>Actions Remaining:</b> No additional actions planned at this time.</p>	<p><b>Expected Completion:</b> NA</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained from Wage-Hour Division, Employment Standards Administration, U.S. Department of Labor, FPB S-3502, 200 Constitution Ave., N.W., Washington, D.C. 20210, or by calling 202-693-0051.</p>	
<p><b>17. Issue: Budget and performance integration</b></p>	
<p><b>Program Area:</b> ESA WHD</p> <p><b>Performance Goal:</b> <b>Goal 05-2.1A</b> – American workplaces legally employ and compensate workers.</p>	<p><b>Report Title:</b> Budget and Performance Integration Model Evaluation</p> <p><b>Date Completed:</b> October 2004</p> <p><b>Conducted By:</b> ICF Consulting</p>
<p><b>Program Implications:</b> Refining a model to integrate WHD’s budget and performance will improve cost effective management of resources.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>1. WHD is in the early stages of a successful budget and performance integration effort and the basic processes used by the WHD budget and performance integration model are appropriate, given the constraints under which they operate.</li> <li>2. The current WHD budget/performance integration model uses a proportional distribution methodology to map non-investigative time and resources to WHD program goals. This is based on the assumption that the distribution of total costs is similar to the investigator hour’s distribution, determined by the database. In the absence of an activity-based cost system, this is a reasonable approach to allocate non investigative time and resources, but does not accurately reflect total costs required to achieve performance goals.</li> <li>3. The current WHD model does not take full advantage of the capabilities of spreadsheet technology and may not utilize all of the actual data currently collected and available from existing systems.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Include output measures in the model, in order to calculate unit costs for activities.</li> <li>2. Use enhanced unit-cost data by calculating the fully loaded unit costs and direct unit costs of output measures, in order to determine if resources would be better spent on one performance goal or another.</li> <li>3. Use object class codes to improve the precision of the allocation process.</li> <li>4. Distinguish direct costs from other costs in the model to consider the impact of shifting resources from one performance category to another to meet performance goals.</li> <li>5. Calculate regional costs and track performance throughout the year against the budget to better evaluate performance at the regional level.</li> <li>6. Document the mechanics of the model and the data relationships to ensure that information is available to enable others to understand the mechanics of the model and the distribution approach.</li> <li>7. Incorporate links and formulas in the model’s spreadsheets to reduce data entry time and errors.</li> <li>8. Identify all contract costs and collect staff travel time; assign them across all performance goals.</li> <li>9. Incorporate the results of the DOL Cost Analysis Manager (CAM) survey into the model.</li> <li>10. Explore the advantages/disadvantages of using: (a) dollar-weighted labor hours, (b) three-year averages, and (c) a correction step in the model.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. Evaluation findings were communicated throughout the organization; some recommendations are still under consideration, such as using three-year averages, distinguishing between direct and other costs, and calculating fully loaded unit costs and direct unit costs of output measures.</li> <li>2. Incorporated output measures into the model to calculate unit costs for activities. All of the output measures developed for CAM are incorporated into the performance budget and can be identified in the “Summary of Performance and Resource Levels” table.</li> </ol>	

<ol style="list-style-type: none"> <li>3. Used major object class codes to improve the precision of the allocation process.</li> <li>4. Incorporated the results of the CAM survey into the model.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Document the mechanics of the model and the data relationships to ensure that information is available to enable others to understand the mechanics of the model and the distribution approach.</li> <li>2. Incorporate links and formulas in the model's spreadsheets to reduce data entry time and errors.</li> <li>3. Improve the output measures in CAM to more accurately reflect unit costs.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. March 2006</li> <li>2. March 2006</li> <li>3. October 2005</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained from Wage-Hour Division, Employment Standards Administration, U.S. Department of Labor, FPB S-3502, 200 Constitution Ave., N.W., Washington, D.C. 20210, or by calling 202-693-0051.</p>	

**18. Issue: Assessing the connection between the UI program and reemployment services**

<p><b>Program Area:</b> ETA UI</p> <p><b>Performance Goal:</b> <b>Goal 05-2.2A</b> – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employees.</p>	<p><b>Report Title:</b> Better Data Needed to Assess Reemployment Services to Claimants (GAO-05-413)</p> <p><b>Date Completed:</b> June 2005</p> <p><b>Conducted By:</b> GAO</p>
---	--

**Program Implications:** Although there are program specific tracking systems in place, there is no single, comprehensive database that tracks the extent to which all claimants are receiving reemployment services (including self-services) and the outcomes of those services.

**Findings:**

1. Little data are available to gauge the extent to which UI claimants are receiving reemployment services or about the outcomes they achieve.
2. Information is generally collected on a program-by-program basis or is focused on a single category of claimants. This does not allow for a comprehensive, nationwide understanding of claimants' participation in the broad range of reemployment services provided through federal programs nor do they move states in the direction of having the data they need to better manage their systems.

**Recommendations:**

1. As part of the development of the ETA's Management Information and Longitudinal Evaluation (EMILE) system, the Department should work with states to develop a plan for considering the feasibility of requiring states to collect more comprehensive information on UI claimants' use of reemployment services and the outcomes achieved by claimants, including the length of time claimants receive UI before they are reemployed.

**Actions Taken:**

1. Developed a performance measure of the extent to which UI beneficiaries become reemployed.
2. Funded 21 States to conduct in-person Reemployment and Eligibility Assessments (REAs) with UI beneficiaries.
3. Requested additional funding for REAs in the FY 2006 budget.

<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Issue instructions to States for reporting reemployment data.</li> <li>2. Incorporate the reemployment measure into the performance measurement system.</li> <li>3. Collect information from nine States on the results of the REAs.</li> <li>4. Seek authority to collect data from all States funded for REA activity.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. September 2005</li> <li>2. April 2006</li> <li>3. May 2006</li> <li>4. February 2006</li> </ol>
--	--

**Additional Information:** A copy of the complete report can be obtained at <http://www.gao.gov/new.items/d05413.pdf>

**19. Issue: Gaining a better understanding of the UI program**

<p><b>Program Area:</b> ETA UI</p> <p><b>Performance Goal:</b> <b>Goal 05-2.2A</b> – Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up Unemployment tax accounts promptly for new employees.</p>	<p><b>Report Title:</b> Unemployment Insurance. Information on Benefit Receipt (GAO-05-291)</p> <p><b>Date Completed:</b> March 2005</p> <p><b>Conducted By:</b> GAO</p>
---	--

**Program Implications:** The UI program, administered by ETA in partnership with states, plays a critical role in ensuring the financial security of America's workforce.

<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>About 38 percent of workers born between 1957 and 1964 received UI at least once between 1979 and 2002, with almost half of these individuals receiving UI benefits more than once.</li> <li>Another 39 percent of this age group of workers were eligible to receive UI benefits, but never did so.</li> <li>Nine percent of all workers in this age group are estimated to have been unemployed at least once, but were never eligible for UI benefits, mostly because of the conditions under which they separated from their jobs.</li> <li>UI receipt varied by industry and occupation.</li> </ol>	
<p><b>Recommendations:</b> None made.</p>	
<p><b>Actions Taken:</b> NA</p>	
<p><b>Actions Remaining:</b> NA</p>	<p><b>Expected Completion:</b> NA</p>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/new.items/d05291.pdf">http://www.gao.gov/new.items/d05291.pdf</a>.</p>	
<p><b>20. Issue: Difficulties obtaining workers' compensation benefits for exposure to Agent Orange</b></p>	
<p><b>Program Area:</b> ESA OWCP  <b>Performance Goal:</b> <b>Goal 05-2.2B</b> – Minimize impact of work-related injuries.</p>	<p><b>Report Title:</b> Limited Information is Available on the Number of Civilians Exposed in Vietnam and Their Workers' Compensation Claims (GAO-05-371)  <b>Date Completed:</b> April 2005  <b>Conducted By:</b> GAO</p>
<p><b>Program Implications:</b> Meeting the needs of civilian federal employees exposed to Agent Orange during the Vietnam war may require changes to the (a) ways claims are processed, (b) dissemination of information to claimants, and (c) legislation.</p>	
<p><b>Findings:</b></p> <ol style="list-style-type: none"> <li>Claimants faced many difficulties and delays because of a lack of readily available information on how to file a claim, their Vietnam era employers, and their exposure to Agent Orange.</li> <li>Claimants faced processing delays caused by employers, insurance carriers, and DOL.</li> <li>Both DOL and private insurance carriers had difficulty identifying the number of claims they had received, largely because they do not assign a unique code to Agent Orange claims that would enable easy identification.</li> </ol>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>DOL should enhance its processing and management of claims, including improving the information used to track claims.</li> <li>DOL should maintain better information on the insurance carriers it licenses.</li> <li>DOL should provide better information to claimants to use in filing claims.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>The Longshore Case Management System (LCMS) was changed in March 2005 to record a unique nature of injury code for Agent Orange claims, as well as requiring that a country code for Vietnam is entered for each Agent Orange case. The accuracy of the data entry will be subject to the performance measures and standards currently in place.</li> <li>The case management system for FECA is also being modified to accommodate the new identifiers.</li> <li>The Cleveland district office, where all special claims are processed, has been notified of the intent to use this new identifying information.</li> <li>The Longshore Program Web site has been enhanced to direct potential claimants to the existing Defense Base Act (DBA) question and answer web page where the information and forms for submitting claims are already available at <a href="http://www.dol.gov/esa/owcp/dlhwc/DBAFaqs.htm">www.dol.gov/esa/owcp/dlhwc/DBAFaqs.htm</a>. The DBA Frequently Asked Questions section has been specifically updated with reference to claims arising from Agent Orange exposure in Vietnam.</li> <li>Regarding the specific recommendation that information be posted on Vietnam era contractors, please see the GAO findings on the lack of surviving records with regards to Vietnam era employment records. In view of this, we agree to preserve information we still have on Vietnam era employment.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>Most of the claims activity and records pertaining to "Vietnam era employers" predates the automation of the Longshore Case Management System (LCMS) by many years. The GAO reported that, "most agency records maintained during this period were not computerized, and because so much time has elapsed, many paper records have been destroyed and many agency personnel knowledgeable of the period are no longer working at these agencies." The GAO also documented similar difficulties common to the private insurance companies which had provided the coverage under the DBA. Nevertheless, the Longshore Program has already committed to more closely enforce the coverage card submission requirement. An evaluation of the Longshore database is underway and</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>FY 2006</li> </ol>



enhancements to Longshore’s data capacity will result from that study.	
<b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/cgi-bin/getrpt?GAO-05-371">http://www.gao.gov/cgi-bin/getrpt?GAO-05-371</a> .	
<b>21. Issue: Cost to the government of insurance coverage purchased under the Defense Base Act (DBA)</b>	
<b>Program Area:</b> ESA OWCP <b>Performance Goal:</b> <b>Goal 05-2.2B</b> – Minimize impact of work-related injuries.	<b>Report Title:</b> Defense Base Act Insurance: Review Needed of Cost and Implementation Issues (GAO-05-280R) <b>Date Completed:</b> April 2005 <b>Conducted By:</b> GAO
<b>Program Implications:</b> DOL administers the DBA and must ensure that workers’ compensation benefits are provided to employees of government contractors working at U.S. defense bases overseas.	
<b>Findings:</b> <ol style="list-style-type: none"> <li>1. The number of employees required to be covered under DBA while working in Iraq is significant. The State Department reported over 150,000 Iraqis were performing work in Iraq on U.S. government-administered projects.</li> <li>2. Conditions in Iraq, such as mixed-funding sources for contracts and language barriers, have led to complications in implementing DBA.</li> <li>3. Challenges include clarifying when DBA applies, providing adequate and accurate information to companies and workers, monitoring compliance, and processing claims.</li> <li>4. There is confusion among federal agencies and contractors over DBA.</li> <li>5. The Department of Labor is limited in the actions it can directly take for non-complying contractors.</li> <li>6. Processing claims has been slowed by difficulty obtaining medical and personal information because of conditions in Iraq and the need to respect local customs. Attorneys involved in DBA issues also report difficulty obtaining necessary documentation, including contracts and marriage records, to file and report claims.</li> </ol>	
<b>Recommendations:</b> <ol style="list-style-type: none"> <li>1. GAO suggests that Congress consider requiring the Director of OMB to determine, in coordination with DOD, DOL, the State Department, and the U.S. Agency for International Development, current and future needs, options, and risks associated with DBA insurance.</li> <li>2. The agencies involved in the coordinated effort should identify necessary actions, including legislative changes.</li> </ol>	
<b>Actions Taken:</b> <ol style="list-style-type: none"> <li>1. The Department of Labor has express a willingness to work with any other agencies on matters of DBA coverage should Congress determine that an interagency initiative is required.</li> </ol>	
<b>Actions Remaining:</b> <ol style="list-style-type: none"> <li>1. To be determined by congressional action.</li> </ol>	<b>Expected Completion:</b> <ol style="list-style-type: none"> <li>1. Determined by congressional action.</li> </ol>
<b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.gao.gov/new.items/d05280r.pdf">www.gao.gov/new.items/d05280r.pdf</a> .	
<b>22. Issue: Customer Satisfaction in follow-up to a Program Assessment Rating Tool (PART) recommendation to conduct more systematic program evaluations.</b>	
<b>Program Area:</b> EBSA, Office of Participant Assistance. <b>Performance Goal:</b> <b>Goal 05-2.2C</b> – Enhance Pension and Health Benefit Security.	<b>Report Title:</b> Office of Participant Assistance Program Evaluation Studies <b>Date Completed:</b> February 2005 <b>Conducted By:</b> The Gallup Organization
<b>Program Impacts:</b> The information gained through these studies continues to be instrumental in enabling EBSA to address program performance issues at the level that has the highest impact to effect change: the interaction that our customers have directly with EBSA personnel and representatives. We have found that those employees who are most engaged with their customers are better able to ascertain situations that require the attention of the enforcement staff. Being able to provide feedback to our employees on their strengths and weaknesses with respect to their customer interactions has been the key to continued program improvements.	
<b>Findings:</b> <u>Participant Assistance Customer Satisfaction Surveys and Mystery Shopper:</u> <ol style="list-style-type: none"> <li>1. EBSA achieved a 62 percent customer satisfaction score (percentage rating 4 or 5 on a 5-point scale).</li> <li>2. EBSA has improved its customer satisfaction score each year since 2001, but variances still exist among offices and staff.</li> <li>3. The program needs to convey that EBSA is willing to work with its constituents to ensure their needs are met.</li> <li>4. The Mystery Shopper study indicated significant improvement in the quality of interaction and technical competence. Variance in technical competence did remain depending on subject matter.</li> </ol>	
<b>Outreach Surveys:</b> <ol style="list-style-type: none"> <li>1. Most attendees and sponsors of outreach seminars rate overall satisfaction and usefulness favorably.</li> </ol>	

2. As in FY03, EBSA presenters are rated favorably for being knowledgeable and well informed, but the information is often found to be unclear and hard to understand.
  3. Satisfaction varies widely by office.
  4. “Presenter excellence” (defined as those receiving a 5 on the 5 point scale) varied greatly by type of program presented.
- Public Disclosure Room:
1. The Public Disclosure Room satisfies 73 percent of its customers.
  2. Two performance attributes were identified as improvement priorities: “the clerk’s level of knowledge” and “the clerk’s ability to explain what would be sent.”
  3. Verbatim comments indicate that accessibility and timeliness of the material in the Public Disclosure Room are issues that need to be addressed.

- Recommendations:**
- Participant Assistance Customer Satisfaction Surveys and Mystery Shopping:
1. Share individual results with Benefits Advisors and supervisors to aid in training.
  2. Due to high percentage of “information only” calls, EBSA should focus improvement efforts on answering questions.
  3. Examine staff fitness for customer service role.
  4. Focus on developing the best talents of each Benefits Advisor.
  5. Set clear expectations and hold Benefits Advisors and Supervisors accountable for their service delivery.
  6. Recognize and compensate for greatness.
- Outreach:
1. Examine organization and comprehensibility of presentations in relation to specific needs of different audiences.
  2. Track specific presenters in the survey process as some are highly rated and others are not.
- Public Disclosure Room:
1. Review results with Disclosure Room staff and develop an action plan for addressing performance.

- Actions Taken:**
- Participant Assistance Program:
1. The Gallup Organization again conducted targeted training in each regional office based on their findings and conducted a focus group of the highest ranking Benefits Advisors to determine best practices.
  2. The Benefits Advisors in each office developed a plan for improving their office’s scores.
  3. Certain offices began experimenting with morale building events to recognize greatness as part of their action plans to improve service.
  4. Regional Directors are now rated on whether or not they meet the current year goal for customer satisfaction.
- Outreach:
1. EBSA will continue to evaluate this service and relate updated findings to the presenters and offices conducting outreach.
- Public Disclosure Room:
1. Results have been communicated to the Supervisor of the Public Disclosure Room for development of an action plan to address the issues identified in the study.

- |   |   |
|---|---|
| <p><b>Actions Remaining:</b></p> <p><u>Outreach:</u></p> <ol style="list-style-type: none"> <li>1. Public speaking training is being made available to those conducting outreach events to improve outreach performance.</li> <li>2. Public Disclosure Room personnel have met to devise methods for improving service in the areas identified by the report and will continue to work toward improving performance.</li> </ol> | <p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. Training to take place in FY 2006.</li> <li>2. Ongoing.</li> </ol> |
|---|---|

**Additional Information:** A copy of the complete reports can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5625 Washington, DC, 20210, or by calling 202-693-8655.

**23. Issue: Office of Technology and Information Service – EFAST Data Accuracy**

<p><b>Program Area:</b> Office of Technology and Information Service.</p> <p><b>Performance Goal:</b> <b>Goal 05-2.2C</b> – Enhance Pension and Health Benefit Security.</p>	<p><b>Report Title:</b> EBSA Should Mandate Electronic Filing Of the Form 5500 to Improve Data Accuracy (OIG 09-05-002-12-121)</p> <p><b>Date Completed:</b> September 2005</p> <p><b>Conducted By:</b> OIG</p>
--	---

**Program Impacts:** The ERISA Filing and Acceptance System (EFAST) is EBSA’s system for processing the Form 5500 reports. The Form 5500 is the primary source of employee benefit plan information for both the Federal Government and the private sector. EFAST processes approximately 1.2 million Form 5500s per year and distributes the data to the IRS, PBGC, and EBSA. The Form 5500 data provides the foundation for EBSA’s enforcement, participant assistance, and disclosure programs. Maintaining accurate data is critical to achieving the program’s ambitious performance goals and EFAST is the locus of that data.

- Findings:**
1. EBSA has not ensured that its contractor, NCS-Pearson, met the data accuracy standards specified in the contract.
  2. Data from electronically filed Form 5500s met the data accuracy standards.
  3. EBSA has not received the quality for the price paid.

- 4. Electronic filings processed by EFAST were significantly more accurate than paper filings but only constitute about 1 percent of filings.
- 5. Agency user resources have been diverted to address data accuracy issues.

**Recommendations:**

- 1. Mandate electronic filing.
- 2. Consider withholding payment to NCS-Pearson if accuracy standards are not met.
- 3. Include in future systems development contracts, specific remedies for noncompliance with data accuracy standards.

**Actions Taken:**

- 1. EBSA supports mandating electronic filing of the Form 5500 and has issued a Notice of Proposed Regulation in the Federal Register on August 30, 2005.
- 2. EBSA has considered withholding payment to NCSP if accuracy standards are not met but wants to ensure no unintended adverse consequences. If adopted, this approach would have to be taken with the approval and assistance of the Offices of Procurement Services and Solicitor.
- 3. EBSA will consider, and implement as appropriate, specific remedies for noncompliance with data accuracy standards in EFAST2.

**Actions Remaining:**

- 1. As deliverables are received, EBSA will consider whether performance targets are met and will consider withholding payment consistent with the contract.
- 2. Contingent on EFAST2 funding approval, EBSA will implement, as appropriate, remedies for noncompliance with data accuracy standards.

**Expected Completion:**

- 1. On-going
- 2. On-going

**Additional Information:**

A copy of the complete report can be obtained from the U.S. Department of Labor Office of Inspector General, 200 Constitution Avenue, N.W., Washington, D.C. 20212 or from <http://www.oig.dol.gov/>.

**24. Issue: Providing timely information on private pension and other employee benefit plans**

**Program Area:** EBSA and PBGC  
**Performance Goal:** **Goal 05-2.2C** – Enhance Pension and Health Benefit Security. **Goal 05-2.2D** – Improve service to pension plan customers.

**Report Title:** Government Actions Could Improve the Timeliness and Content of Form 5500 Pension Information (GAO-05-491)  
**Date Completed:** June 2005  
**Conducted By:** GAO

**Program Impacts:** DOL will need to coordinate with the Internal Revenue Service (IRS) and PBGC to overcome processing delays and the lack of critical information on multiemployer plans.

**Findings:**

- 1. Statutory reporting requirements, processing issues, and current DOL practices affect the timeliness of the release of Form 5500 information about private pension plans, resulting in a three year lag.
- 2. Form 5500 is filed 98 percent of the time in a paper format. These take more than three times as long as electronic filings to process and have twice as many errors.
- 3. The release of Form 5500 information in the research file is further delayed because DOL waits until all filings for that plan year are processed, which can take up to two years.
- 4. Form 5500 still lacks key information that could better assist DOL, IRS, and PBGC in identifying and tracking all plans over time and monitoring multiemployer plans.

**Recommendations:**

- 1. Require electronic filing of Form 5500.
- 2. Modify DOL processing methods to improve timeliness, reduce errors, and maximize efficiency.
- 3. Evaluate ways to speed up the release of the research file, including making interim information available prior to the final release to the public.
- 4. Modify Form 5500 to collect additional information on multiemployer pension plans.

**Actions Taken:**

- 1. The Department of Labor, the IRS, and PBGC are working to implement a mandatory, wholly electronic system for the receipt and processing of Form 5500 data to improve timeliness and reduce errors.
- 2. PBGC is actively pursuing actions to obtain much of the multiemployer data mentioned by GAO. A decision, however, has not yet been made to add these questions to the Form 5500.

**Actions Remaining:**

- 1. DOL, IRS, and PBGC will continue to work to implement electronic Form 5500 processing

**Expected Completion:**

- 1. Work will continue throughout FY 2006.

**Additional Information:** A copy of the complete report can be obtained at <http://www.gao.gov/cgi-bin/getrpt?GAO-05-491>.

## GOAL 3: QUALITY WORKPLACES

### 25. Issue: Improving performance monitoring and the selection of cases for inspection

**Program Area:** OSHA  
**Performance Goal:** **Goal 05-3.1A** – Reduce work-related fatalities. **Goal 05-3.1B** – Reduce work-related injuries and illnesses.

**Report Title:** Safety in the Meat and Poultry Industry, while Improving, Could Be Further Strengthened (GAO-05-96)  
**Date Completed:** January 2005  
**Conducted By:** GAO

**Program Impacts:** Program performance could be better assessed and inspections could be targeted more effectively if changes are made to data systems.

**Findings:**

1. The meat and poultry industry still has one of the highest rates of injury and illness of any industry. The most common injuries are cuts, strains, cumulative trauma, and injuries sustained from falls, but more serious injuries, such as fractures and amputation, also occur.
2. Evidence suggests that OSHA’s efforts have a positive impact on injury/illness rates in meat and poultry plants.
3. OSHA could improve its selection process for inspection by considering plants’ injury and illness rates over time.
4. It is difficult to assess the effectiveness of OSHA’s efforts because the agency does not assign a unique identifier to each plant, making it hard to compare the data on injury/illness rates with information collected through inspections.

**Recommendations:**

1. OSHA should consider adjusting its criteria for selecting plants for inspection and audit to include those that have had large reductions in their injury and illness rates over time.
2. OSHA should change the way it collects data on plants in order to make it easier to measure the impact of its programs.

**Actions Taken:**

1. OSHA has solicited public comments on its Site Specific Targeting (SST) program; we are currently reviewing comments from industry associations, employers and safety and health professionals.

**Actions Remaining:**

1. Upon completion of the review of the SST comments, OSHA will consider expanding the criteria for SST inspections in the meatpacking industry.
2. OSHA will consider expanding data-collection efforts for multiple years for trend analysis, inclusion of recordkeeping submittals to capture contract workers illness and injuries, linking the IMIS and other data processing systems to come up with unique identifiers.

**Expected Completion:**

1. April 2006
2. FY 2006

**Additional Information:** A copy of the complete report can be obtained at [www.gao.gov/cgi-bin/getrpt?GAO-05-96](http://www.gao.gov/cgi-bin/getrpt?GAO-05-96) .

### 26. Issue: Identifying Nationally Recognized Testing Laboratories (NRTL) to perform safety testing/certifications.

**Program Area:** OSHA  
**Performance Goal:** **Goal 05-3.1A** – Reduce work-related fatalities. **Goal 05-3.1B** – Reduce work-related injuries and illnesses.

**Report Title:** OSHA Correctly Denied ED&D’s Incomplete NRTL Application (OIG 05-05-002-10-001)  
**Date Completed:** March 2005  
**Conducted By:** OIG

**Program Impacts:** Changes to Nationally Recognized Testing Laboratories (NRTL) review and audit procedures will improve OSHA’s process of selecting organizations to conduct safety testing and certification.

**Findings:**

1. OSHA’s decision to deny Education Design and Development, Inc. (ED&D) NRTL recognition was justified because ED&D did not meet all the elements required for recognition.
2. OSHA’s records adequately supported its decision to grant recognition to several organizations ED&D alleged were given recognition inappropriately.
3. OSHA permitted some applicants to self-certify they were independent and did not verify these statements.
4. OSHA did not appropriately handle ED&D’s application in two areas, but these deficiencies did not adversely affect the outcome of the application.

<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. OSHA should make independence review a mandatory part of application reviews and periodic audits.</li> <li>2. Modify current policy to ensure that all areas related to an NRTL’s recognition are reviewed at least once during each five-year recognition period.</li> <li>3. Review two NRTLs’ current business practices to ensure conformance with the independence requirement.</li> <li>4. Ensure that incomplete applications are closed.</li> <li>5. Maintain a log of contacts with the applicants and NRTLs.</li> <li>6. Develop procedures to acknowledge all requests for feedback.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. OSHA is revising and supplementing its procedures for verifying an NRTL’s independence.</li> <li>2. OSHA is developing procedures to ensure review of NRTL’s recognition requirements every five years.</li> <li>3. OSHA procedures will be adhered to ensure that incomplete applications are closed.</li> <li>4. OSHA is now using a phone log for tracking substantive contact with NRTL applicants and will develop tracking tools to capture all contacts with applicants or other parties.</li> <li>6. OSHA is augmenting its current controls for acknowledging all requests for feedback.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Final implementation of new policy and revised procedures for reviewing independence and other areas.</li> <li>2. Review of the independence of two NRTLs.</li> <li>3. Final implementation of chronological log referred to in Actions Taken #4.</li> <li>4. Final enhancements to procedures for feedback request acknowledgement, referred to in Actions Taken #5.</li> <li>5. Review of two specified NRTL’s for independence are planned.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. March 2006</li> <li>2. September 2006</li> <li>3. September 2006</li> <li>4. September 2006</li> <li>5. September 2006</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.oig.dol.gov/public/reports/oa/2005/05-05-002-10-001.pdf">http://www.oig.dol.gov/public/reports/oa/2005/05-05-002-10-001.pdf</a>.</p>	
<p><b>27. Issue: Evaluation required by Section 610 of the Regulatory Flexibility Act and Section 5 of Executive Order 12866</b></p>	
<p><b>Program Area:</b> OSHA  <b>Performance Goal:</b> <b>Goal 05-3.1A</b> – Reduce work-related fatalities. <b>Goal 05-3.1B</b> – Reduce work-related injuries and illnesses</p>	<p><b>Report Title:</b> Regulatory Flexibility Act Review of the Occupational Safety and Health Administration’s Ethylene Oxide Standard.  <b>Date Completed:</b> March 2005.  <b>Conducted By:</b> OSHA</p>
<p><b>Program Impacts:</b> Regulatory review indicates the ethylene oxide standard has been effective in reducing exposures and achieving health benefits.</p>	
<p><b>Findings:</b> OSHA determined that the Ethylene Oxide standard should be continued without change.</p>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. As a result of the review and comments received, OSHA will enhance its compliance assistance materials on the subject.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. OSHA has initiated a review of its guidance materials in order to enhance compliance assistance information</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Development and publication of clarified guidance material.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. December 2006</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.osha.gov/dcsp/compliance_assistance/lookback.html#Completed%20Lookback%20Reviews">http://www.osha.gov/dcsp/compliance_assistance/lookback.html#Completed%20Lookback%20Reviews</a></p>	
<p><b>28. Issue: The impact of OSHA’s Voluntary Protection Programs (VPP)</b></p>	
<p><b>Program Area:</b> OSHA  <b>Performance Goal:</b> <b>Goal 05-3.1A</b> – Reduce work-related fatalities. <b>Goal 05-3.1B</b> – Reduce work-related injuries and illnesses</p>	<p><b>Report Title:</b> Evaluation of the Voluntary Protection Program  <b>Date Completed:</b> September 2005  <b>Conducted By:</b> The Gallup Organization</p>
<p><b>Program Impacts:</b> This report provides OSHA with models and formulas to project the participation benefits of the Voluntary Protection Program (VPP). With this information, OSHA is able to measure VPP’s value accurately, demonstrate the programs’ benefits, and promote program growth.</p>	



**Findings:**

1. The draft study indicates that VPP sites may have a leveraging effect in their dissemination of safety and health knowledge through outreach and mentoring conducted by the sites to other establishments in like industries, both within their own corporations and outside.
2. The draft study measured injury and illness rates at the respondent VPP sites and documented overall reductions from the time of the early decision and inception phase to full participation in the VPP process. These data will be available to OSHA for further analysis, in response to the GAO recommendation that OSHA obtain data on VPP sites for analysis.
3. The draft study documented a model and provided data from a limited number of responding sites, estimating the costs and benefits of VPP. This model could be used as the basis for a broader sampling and in-depth evaluation of the national program.

**Recommendations:**

1. OSHA should continue to use and build upon the data gathered for this evaluation to strengthen the data analysis capabilities for the VPP and other voluntary programs.

**Actions Taken:**

1. Preparations are being made to disseminate the study to VPP managers for analysis and opinion.
2. Information from the study will be presented to companies expressing interest in the program.

**Actions Remaining:**

1. OSHA will consider broader uses of the study’s models and formulas for future standardized assessments of VPP effectiveness.

**Expected Completion:**

1. 4<sup>th</sup> Quarter, FY 2006.

**Additional Information:** A copy of the complete report can be obtained at <http://www.osha.gov>.

**29. Issue: Providing services to and tracking injury, illness, and fatality rates for independent contractors**

**Program Area:** MSHA

**Performance Goal:** **Goal 05-3.1A** – Reduce work-related fatalities. **Goal 05-3.1B** – Reduce work-related injuries and illnesses

**Report Title:** Evaluation of the Mine Safety and Health Administration’s Efforts to Deliver Services and Support to Miners Working for Independent Contractors

**Date Completed:** September 2005

**Conducted By:** Research Triangle Institute (RTI)

**Program Impacts:** The increased use of independent contractors by mine operators creates unique workplace safety and health challenges. Consequently, MSHA is seeking ways improve the delivery of its enforcement, educational, and technical support activities at independent contractor operations.

**Findings:**

1. Mine operators may use independent contractors to lower their costs and liability, and increase staffing flexibility.
2. Fatality rates for contractor employees are higher. However, accidents and non-fatal injuries may be underreported in some cases, and there is incomplete information on contractor employee work hours at the mine level.
3. Contractor work on mine property is transient and temporary in some cases, and some independent contractors may have multiple mine identification numbers. These factors, combined with the lack of contractor employment data by mine site, limits MSHA’s ability to provide compliance and educational assistance to independent contractors and accurately measure program impacts.

**Recommendations:** None made.

**Actions Taken:** MSHA is developing plans to improve its ability to obtain more accurate data on the hours worked by independent contractors and for delivering support and services to independent contractors.

**Actions Remaining:**

1. MSHA will respond to the GAO recommendation to collect hours worked by independent contractors at the mine-specific level.
2. MSHA will develop a plan to improve services to independent contractors.

**Expected Completion:**

1. FY 2006
2. FY 2006 (MSHA revised Strategic Plan)

**Additional Information:** A copy of the complete “interim” report can be obtained from the Mine Safety and Health Administration at 1100 Wilson Boulevard, 21<sup>st</sup> Floor, Arlington, VA 22209-3939 or by calling 202-693-9607.

**30. Issue: Selecting establishments for compliance reviews**

<p><b>Program Area:</b> ESA OFCCP  <b>Performance Goal:</b> <b>Goal 05-3.2A</b> – Federal contractors achieve equal opportunity workplaces.</p>	<p><b>Report Title:</b> An Evaluation of OFCCP’s Equal Opportunity (EO) Survey  <b>Date Completed:</b> March 2005  <b>Conducted By:</b> Abt Associates Inc.</p>
---	---

**Program Implication:** Targeting establishments that are most likely to be involved in systemic discrimination should improve the cost effectiveness of efforts to increase regulatory compliance.

**Findings:**

1. Four main predictor variables seem to be related to the presence or absence of system discrimination:
  - whether the establishment reported more than 200 full-time employees
  - the ratio of average tenure among minority employees to average tenure among non-minority employees
  - the absolute value of the difference between the proportion of female employees and the proportion of male employees in EEO-1 Category 3 (technicians)
  - the ratio of female-to-male tenure ratio to the median of those ratios in the establishment’s comparison group.
2. The model fits the data reasonably well and has acceptable predictive ability, although alternative approaches are possible.
3. Systemic discrimination was found in only about 3 percent of establishment reviewed; thus screening on the basis of the predicted probabilities would be expected to produce large numbers of false positives.
4. The ability to use a model and data from the Equal Opportunity (EO) Survey may be strengthened by more extensive cleaning of submitted data.

**Recommendations:**

1. OFCCP could select a stratified random sample of establishments for compliance reviews.
2. Data provided by contractors at the desk audit stage of the review could be used to develop specified data elements.
3. Over several years, OFCCP could accumulate a substantial amount of data, consisting of the compliance reviews and corresponding data elements similar to those collected by the EO Survey.
4. This approach has the advantage of collecting more accurate and more pertinent data than provided by the current EO Survey.

**Actions Taken:**

1. Based on the final report, OFCCP prepared a document, summarizing the findings from the Abt report and outlining options for the next steps.

<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. Potential interactions with the compensation analysis initiative and the finalization of the applicant issue will be considered and next steps determined.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. December 2005</li> </ol>
--	---

**Additional Information:** More information may be obtained from the Office of Federal Contract Compliance Programs, Employment Standards Administration, Department of Labor, FPB N-3402, 200 Constitution Avenue, N.W., Washington, DC 20210, 202-693-1109.

**31. Issue: Finding a data system to support timely information and interagency cooperation**

<p><b>Program Area:</b> ESA OFCCP  <b>Performance Goal:</b> <b>Goal 05-3.2A</b> – Federal contractors achieve equal opportunity workplaces.</p>	<p><b>Report Title:</b> Evaluation of the OFCCP Prototype Construction Contractor Information System (CCIS)  <b>Date Completed:</b> November 2004  <b>Conducted By:</b> ERG</p>
---	---

**Program Implication:** A secure web-based implementation system for construction contractors would improve the cost effectiveness of OFCCP’s information collection and reporting on construction awards.

**Findings:**

1. There is strong evidence that the prototype CCIS can be implemented nationally to establish a universe of construction contractor information based on the best available data.
2. CCIS would provide OFCCP with a solid foundation for implementing a methodology that supports neutral selection of construction contractors for compliance review.
3. Using the GSA’s Federal Procurement Data System-Next Generation (FPDS-NG) as a data source raises some difficulties that would need to be resolved.
4. To accomplish national implementation, OFCCP would need to fully integrate the system with data sources and prepare for an expanded user community.
5. Estimated startup costs for implementation of the national CCIS are in the range of \$165,000-\$210,000.

6. Estimated first-year operating costs are in the range of \$60,000-\$70,000.

**Recommendations:**

1. In the short term, OFCCP could implement CCIS using F.W. Dodge data only. Even though Dodge data include fewer data elements than FPDS-NG, OFCCP already has routine access to these data.
2. In the longer term, it appears that CCIS would be most useful if tied into the evolving FPDS-NG and related E-Government initiatives.

**Actions Taken:**

1. The structural framework for a database system has been completed.
2. Start up and operational costs have been determined.
3. The prototype is currently under review.

**Actions Remaining:**

1. OFCCP will not develop and disseminate guidance to District and Regional offices regarding the use of sources for selecting construction contractors for compliance evaluations until decisions are made on the prototype CCIS.
2. Additionally, the proposed meeting with GSA to discuss the feasibility for accessing FPDS-NG contract information has been pushed back to the end of FY 2005.

**Expected Completion:**

1. September 2005
2. September 2005

**Additional Information:** More information may be obtained from the Office of Federal Contract Compliance Programs, Employment Standards Administration, Department of Labor, FPB N-3402, 200 Constitution Avenue, N.W., Washington, DC 20210, 202-693-1109.

**32. Issue: The employment needs of National Guard and Reserve members returning from active duty**

**Program Area:** VETS

**Performance Goal:** **Goal 05-3.2B** – Reduce employer-employee issues arising from service members’ military obligations conflicting with their civilian employment.

**Report Title:** Survey of USERRA Issues for Returning Military Members

**Date Completed:** October 2004

**Conducted By:** K.W. Tunnell Company, Inc.

**Program Implication:** Identifying patterns of difficulty experienced by Guard and Reserve members returning from active service will assist VETS in meeting the statutory Uniformed Services Employment and Reemployment Rights Act (USERRA) requirements.

**Findings:**

1. There is considerable evidence that the protections of USERRA work most of the time; many employers make considerable efforts to be supportive.
2. There are some problem areas and these are increasing as more Guards and Reservists are called to active duty; over 40 percent of respondents reported difficult gaining assistance with USERRA issues.
3. There needs to be a systematic approach and multiple briefings on job issues prior to active duty.
4. VETS staff members are often asked informally to answer questions and resolve complex issues, such as pension and health care benefits, for which they need additional training.

**Recommendations:**

1. Implement and monitor an Annual Briefing Plan, identifying how every customer will be briefed several times each year.
2. VETS should extend the briefing materials and consider using a briefing evaluation form.
3. Improve the USERRA Web site with deeper content on specific issues.
4. Provide a one-stop telephone hotline with experts on specific issues, such as pensions, health insurance, and training. Customers need to know that ongoing information and assistance is always available; all customers should know how to access such information and assistance.
5. Provide training and information support for VETS field personnel and state agency representatives.

**Actions Taken:**

1. VETS is closely monitoring Guard and Reserve mobilizations and demobilizations in each State.
2. Nationwide mobilization and demobilization schedules are being consolidated monthly.
3. VETS is delivering USERRA briefings to affected Guard/Reserve members at either mobilizations or demobilizations or both, as time and resources permit. The consolidated schedules help Regional and Headquarters staff plan the briefings.
4. The VETS Web site was enhanced during FY 2005 with the addition of the Electronic Form 1010 – an online function available to the public which references USERRA information. This enhancement enables anyone to directly file an official USERRA claim online and open a USERRA case with VETS.
5. VETS field personnel are receiving information on complex issues from qualified USERRA practitioners in their State, or in



other States, other Regions, or VETS Headquarters.	
<b>Actions Remaining:</b> 1. All other recommendations are still pending consideration and possible action.	<b>Expected Completion:</b> 1. FY 2006
<b>Additional Information:</b> A copy of the complete report can be obtained at the Veterans Employment and Training Service (VETS), Roon S1316, U. S. Department of Labor, 200 Constitution Avenue, Washington, D.C. 20210, or by calling Keenan Torrans at 202-693-4731	
<b>33. Issue: The trends and patterns found in 55 mid-term and final evaluations of DOL-funded projects implemented by the International Labor Organization’s International Program on the Elimination of Child Labor (ILO-IPEC)</b>	
<b>Program Area:</b> ILAB <b>Performance Goal:</b> <b>Goal 05-3.3A</b> – Contribute to the elimination of the worst forms of child labor internationally	<b>Report Title:</b> Comparative Assessment of ILO-IPEC Evaluation Reports Since 1995 <b>Date Completed:</b> April 2005 <b>Conducted By:</b> Academy for Educational Development
<b>Program Impacts:</b> The design, implementation, and monitoring of new and ongoing child labor-elimination projects can be enhanced through a synthesis of findings and recommendations of past project evaluations.	
<b>Findings:</b> This assessment synthesized finding and recommendations from the 55 evaluation reports.	
<b>Recommendations:</b> 1. Use national rather than international staff as main project implementers in the future. 2. Give more attention to sustainability of projects in their design and implementation. 3. Remove bureaucratic overload by reducing the number and frequency of progress reports.	
<b>Actions Taken:</b> 1. ILAB is pressing grantees to first consider national staff before proposing international experts as key project personnel. In cases where international experts are proposed, ILAB will request that grantees justify their choice. ILAB is taking this action not only to improve the cost efficiency of projects, but also to build local capacity to eliminate the worst forms of child labor and promote project sustainability. 2. The greater the government involvement and commitment, the greater the chance that project successes will be sustained after the project ends. ILAB is, therefore, giving funding priority to projects in countries where governments are involved and committed to the project objectives. ILAB is taking particular note of instances where governments contribute financial or in-kind support to the projects. 3. ILO-IPEC plans to update ILAB regularly on the status of project sustainability efforts through a separate section of upcoming technical progress reports. 4. ILAB will address the issue of sustainability at all grantee meetings in Fall 2005 and Winter 2006. 5. ILAB has reduced the reporting frequency for its child labor projects from quarterly to semi-annually for low-risk grantees.	
<b>Actions Remaining:</b> 1. ILAB will continue to work with ILO-IPEC on these recommendations from the evaluation reports and on future recommendations.	<b>Expected Completion:</b> 1. ILAB will continue to work with ILO-IPEC.
<b>Additional Information:</b> A complete copy of the report can be obtained from ILAB’s International Child Labor Program at <a href="mailto:GlobalKids@dol.gov">GlobalKids@dol.gov</a> or by calling (202) 693-4843.	
<b>GOAL 4: A COMPETITIVE WORKFORCE</b>	
<b>34. Issue: Identifying contractual responsibilities and action of contractors assisting with researching the impact of the proposed and final overtime rule</b>	
<b>Program Area:</b> ESA WHD <b>Performance Goal:</b> <b>Goal 05-4.2A</b> – American workplaces legally employ and compensate workers.	<b>Report Title:</b> Fair Labor Standards Act: Labor Made Key Decisions in Studies of Updated Overtime Rule and Contractor Provided Support <b>Date Completed:</b> June 2005 <b>Conducted By:</b> Government Accountability Office (GAO)
<b>Program Implications:</b> Reports on the cost/benefit analysis of WHD’s new overtime security rule.	

**Findings:** GAO found that CONSAD Research Corporation, in accordance with its contract, provided DOL with technical and analytical support and that DOL made all of the key decisions in estimating the impact of the updated overtime rule.

**Recommendations:** None made.

**Actions Taken:** NA

**Actions Remaining:** NA

**Expected Completion:** NA

**Additional Information:** A copy of the complete report can be obtained at <http://www.gao.gov/new.items/d05580r.pdf>.

**35. Issue: The implementation of Trade Adjustment Assistance (TAA) reforms, changes in the demand for TAA training, and program effectiveness**

**Program Area:** ETA TAA

**Performance Goal:** **Goal 05-4.1B** – Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade and who receive trade adjustment assistance benefits.

**Report Title:** Reforms Have Accelerated Training Enrollment, But Implementation Challenges Remain (GAO-04-1012)

**Date Completed:** September 2004

**Conducted By:** GAO

**Program Implication:** DOL needs to monitor the new TAA provisions and proposed legislation if there is a negative impact.

**Findings:**

1. Most workers are enrolling in services more quickly than in prior years. DOL reduced its average petition-processing time from 107 days to 38 days.
2. Due to a new deadline for enrolling, some workers may be negatively affected because it does not always leave enough time to assess workers’ training needs.
3. States reported challenges implementing some new provisions of the TAA Reform Act.
4. Demand for TAA training increased substantially in fiscal year 2002, prior to the implementation of reforms. However, States have struggled to meet this higher demand with available TAA training funds, even though funds available doubled nationally between fiscal years 2002 and 2003. Most states have responded by using other Federal employment and training resources.

**Recommendations:**

1. Monitor the implementation of certain provisions of the TAA Reform Act and propose legislative changes if:
  - The new training enrollment deadline is negatively affecting some workers, or
  - The eligibility criteria for the new wage insurance provision are resulting in denial of services to some older workers who could benefit from them.

**Actions Taken:**

1. DOL has convened a summit of select States to discuss TAA Reform Act implementation issues.
2. DOL is conducting a review of implementation and post-implementation issues to gauge whether there has been positive change over time, with a particular focus on the collection of information relating to the training enrollment deadline as well as the eligibility requirements for the wage insurance program for older workers, known as the Alternative Trade Adjustment Assistance (ATAA) program.

**Actions Remaining:** The Department will utilize the information gleaned from all of the activities discussed above, as well as information provided in the GAO report, as we move forward on the development and implementation of a work plan to address these issues.

**Expected Completion:**  
1. December 2006

**Additional Information:** A copy of the complete report can be obtained at <http://www.gao.gov/new.items/d041012.pdf>

**36. Issue: The completeness and reliability of the CY 2003 data used to support the FY 2003 performance goal 2.3B**

**Program Area:** ETA TAA

**Performance Goal:** **Goal 4.1B** – Increase the employment, retention, and earnings replacement of workers dislocated in important part because of trade who receive trade adjustment assistance benefits.

**Report Title:** GPRA Data Validation Review, Trade Adjustment Assistance Program (OIG 22-05-007-03-330)

**Date Completed:** September 2005

**Conducted By:** OIG

**Program Implication:** DOL relies on accurate and complete participant data, submitted quarterly by the states, to assess whether or not the TAA program is achieving its yearly goals and if changes are needed to make it more accurate.

**Findings:**

1. The OIG verified seven data elements to source documentation found in participant files.
2. The “date of exit” data element could not be verified because it was recorded as an anticipated date, not the last data of services as required by TAA guidelines and because the State Workforce Agencies did not have source documentation to

<p>verify it.</p> <p>3. Five of the seven verified data elements were dependent on the “date of exit” and, therefore, were not complete or reliable.</p>	
<p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. The TAA Program should collect and record the participant’s actual “date of exit” according to ETA’s written definition.</li> <li>2. The TAA Program should properly manage and maintain source documentation to support the actual “date of exit” and make it readily available for review.</li> </ol>	
<p><b>Actions Taken:</b></p> <ol style="list-style-type: none"> <li>1. ETA clarified the “date of exit” definition and issued a list of source documentation requirements for each of the data elements being validated.</li> <li>2. In FY 2003, ETA implemented a data validation initiative for the Trade Act Participant Report (TAPR).</li> <li>3. ETA has recently received OMB approval of a revision that reflects common performance measures and reporting definitions.</li> <li>4. ETA completed a series of three national training sessions for all states on reporting definitions and documentation requirements for outcome reports, including TAPR.</li> </ol>	
<p><b>Actions Remaining:</b></p> <ol style="list-style-type: none"> <li>1. The TAA program will move to the common measures.</li> <li>2. ETA intends to issue additional guidance to the states.</li> </ol>	<p><b>Expected Completion:</b></p> <ol style="list-style-type: none"> <li>1. FY 2006</li> <li>2. FY 2006</li> </ol>
<p><b>Additional Information:</b> A copy of the complete report can be obtained at <a href="http://www.oig.dol.gov/public/reports/oa/2005/22-05-007-03-330.pdf">http://www.oig.dol.gov/public/reports/oa/2005/22-05-007-03-330.pdf</a>.</p>	

### 3. Improper Payments Information Act Reporting Details

#### I. Risk Assessment

The Department's risk assessment for FY 2005 was developed by establishing criteria for determining levels of risk and evaluating all major programs against these criteria. Different methodologies were necessary for assessing the risks of improper payments for benefit programs and grant programs because of the differences in the administration of these programs and the availability of data.

##### Benefit Programs

The Department performed the risk assessment for all benefit programs according to the criteria defined below:

##### *1. Programs with outlays less than \$200 million*

The Department assumed a low risk of improper payments unless a known weakness existed in program management, based on reports issued by oversight agencies such as the Department's Office of Inspector General and/or the Government Accountability Office. Unless such weaknesses were identified, the Department made an assumption that the improper payment rate for these programs would not exceed the IPIA defined threshold of 2.5 percent. As a result of this review, no programs with outlays less than \$200 million were deemed to be susceptible to risk of improper payments.

##### *2. Programs with outlays greater than \$200 million*

The Department sampled FY 2004 data in order to determine an improper payment rate. The sampling details, including sampling methodology and sampling selection, are provided in the next section. The Department sampled Federal Employees Compensation Act (FECA), Unemployment Insurance (UI), Black Lung Disability Trust Fund, and Energy Employees Occupational Illness Compensation Program. In addition, the Department sampled the Job Corps program, a direct grant program, since data was available to conduct the sampling to determine a statistical improper payment rate. The Department applied the improper payment rate determined through sampling to the program outlays for FY 2004 in order to determine if the amount of potential improper payment for these programs exceeded the \$10 million threshold. UI was the only program deemed to be susceptible to risk as a result of this approach. However, the Department reported FECA's improper payment rate since it is required under Section 57 of the Office of Management and Budget (OMB) Circular A-11.

##### Grant Programs

The Department used a separate methodology to assess the risk of improper payments in grant programs because these programs are administered differently than benefit programs. However, as noted above, the Department sampled the Job Corps program, a direct grant program, since data was available to conduct the sampling to determine a statistical improper payment rate.

Since the Department provides grants to states, cities, counties, private non-profits, and other organizations to operate programs, it relies significantly on single audits (as required by the Single Audit Act of 1996) to monitor funding to all grant recipients. Therefore, the Department analyzed these single audit reports<sup>36</sup> in order to determine the improper payment rate for all grant programs.

The Department reviewed all FY 2003 single audit reports with Department of Labor-related findings from the Federal Audit Clearinghouse and identified all questioned costs. FY 2003 reports were the most recent single audit

---

<sup>36</sup> The Single Audit Act of 1996 provides for consolidated financial and single audits of state, local, non-profit entities, and Indian tribes administering programs with Federal funds. Since 1997, all non-Federal entities that expend over \$300,000 (\$500,000 for fiscal years after December 31, 2003) or more of Federal awards in a year are subject to a consolidated financial single audit; any non-Federal entities that do not meet this threshold are not required to have a single audit. All non-Federal entities are required to submit all single audit reports to a Federal Audit Clearinghouse (Clearinghouse) that is administered by the Census Bureau.

reports available for review. Based on a review of the definition of questioned costs in OMB Circular A-133 and OMB's IPIA implementation guidance, we determined that questioned costs can be used as a proxy for improper payments.

To determine an approximate rate of improper payments for the WIA program, the Department divided the projection of questioned costs from the FY 2003 single audit reports by the FY 2003 program outlays identified in the Federal Audit Clearinghouse. The Department applied this improper payment rate to the program outlays for FY 2004 in order to determine if the amount of potential improper payment for these programs exceeded the \$10 million threshold.

For the other non-WIA grant programs, the Department determined an overall improper payment rate by dividing the projection of the non-WIA questioned costs by the total non-WIA outlays.<sup>37</sup> No grant programs were determined to be susceptible to risk as a result of this approach. However, like FECA, the Department is reporting on WIA's improper payment rate since it is also a Section 57 designated program though its improper payment rate is well below the 2.5 percent threshold.

### Results

Based on the risk assessment methods applied to benefit programs and grant programs, only one program, UI, was determined to be high risk. Two other programs, FECA and WIA, were classified as high risk because they are Section 57 programs, although their risk assessments do not support such a high risk designation. However, the Department plans to continue to identify corrective actions to reduce improper payments in these programs and established improper payment reduction and overpayment recovery targets in accordance with IPIA and associated OMB Guidance.

*Table 2: Department of Labor's High Risk Programs*

<i>DOL Program/Activity</i>	<i>Risk</i>	<i>Reason for High Risk Classification</i>	<i>Type of Program</i>
Unemployment Insurance (UI)	High	Exceeds OMB Threshold; also Section 57	Benefit
Federal Employees Compensation Act (FECA)	High	Section 57	Benefit
Workforce Investment Act (WIA)	High	Section 57	Grant

The Department also sampled the following programs in FY 2005 despite their low risk status in FY 2004. A listing of programs that were sampled is presented below in Table 3.

*Table 3: Additional programs that were sampled*

<i>DOL Program/Activity</i>	<i>Type of Program</i>	<i>Risk</i>
Job Corps	Direct Grant	Low Risk
Black Lung Benefit Payments	Benefit	Low Risk
Energy Employees Occupational Illness Compensation Program (EEOICP)	Benefit	Low Risk
DOL Salaries	Other	Low Risk
DOL Expenses	Other	Low Risk

## **II. Statistical Sampling**

The Department's risk assessment identified only the UI program as being risk susceptible based on OMB guidance threshold. However, two additional programs, WIA and FECA, were added to this list due to their Section 57 status. In addition, the Department sampled several other programs that did not qualify as risk-susceptible programs.

<sup>37</sup> A review of the FY 2003 single audit reports revealed questioned costs for only some of the grant programs. Even for those programs that had questioned costs, there were not enough samples to make a valid projection. Therefore, an aggregate projection of questioned costs was made for all non-WIA grant programs and an overall estimated improper payment rate was calculated by dividing this projection by the total non-WIA outlays identified in the Clearinghouse. This estimated improper payment rate was then applied to the specific grant program outlay to calculate the estimated amount of improper payments.

### Unemployment Insurance (UI)

*Sampling Methodology:* Improper payment rates are obtained from the Benefit Accuracy Measurement (BAM) program. It is designed to determine the accuracy of paid and denied claims in the three largest permanently authorized unemployment compensation (UC) programs: State Unemployment Insurance (State UI), Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX). BAM provides two rates of improper payments. The first, the Annual Report Overpayment Rate, includes estimates of nearly every divergence from what state law and policy dictate the payment should have been. The second rate, the Operational Overpayment Rate, includes only recoverable overpayments states are most likely to detect through ordinary overpayment detection and recovery procedures, known as Benefit Payment Control (BPC) procedures. Operational overpayments are the most likely to be detected and established for eventual recovery and return to the Trust Fund.

BAM reconstructs the UI claims process for randomly selected weekly samples of payments and denied claims using data verified by trained investigators. For claims that were overpaid, underpaid, or improperly denied, BAM determines the amount of benefits the claimant should have received, the cause of and the party responsible for the error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the error.

In reconstructing each sampled payment, the BAM program retroactively investigates the accuracy of the UI claim's monetary and separation determination as well as all information relevant to determining weekly eligibility for the sampled payment, including the claimant's efforts to find suitable work, ability and availability for work, and earnings from casual employment or other income sources, such as pensions.

Using the same methodology applied to paid claims, the Denied Claim Accuracy module of BAM assesses the accuracy of denial decisions made at the monetary, separation, and continuing eligibility levels of eligibility determination.

*Sample Selection:* The universe (population) is the payments and denials under the State UI, UCFE, and UCX programs. State UI, UCFE and UCX account for approximately 95% of UC programs activity in an average year. Data on overpayment and underpayment rates for FY 2005 shown in the Improper Payment Reduction Outlook Table are for the period July 1, 2004, to June 30, 2005. The paid claim accuracy sample selected consisted of 24,520 payments. For Denied Claims Accuracy (DCA), states sample 150 cases for each of the monetary, separation, and non-separation denials; the allocated sample for each type is 7,800 cases per test per year. A total of 47,784 items were selected and investigated for both the BAM and DCA samples for the period July 1, 2004, to June 30, 2005.

### Federal Employees' Compensation Act (FECA)

*Sampling Methodology:* A stratified sampling approach was applied to estimate improper payments for both medical bill payments and compensation payments. For medical bill payments, sampling was designed to test payment issues, such as duplicate payments, appropriate receipts, and billing consistent with regional allowances, payment made for appropriate procedures, and eligibility at date of service. The compensation payment sampling was designed to test issues such as compensation payments consistent with identified injury, current medical evidence supporting continued compensation payments, eligibility requirements, and calculations of compensation amounts.

*Sample Selection:* The universe of the population is for both the compensation and medical payments paid out of the FECA program in the testing period, October 1, 2004, to April 30, 2005. The population was stratified in compensation payments and medical payments from five district offices. Samples of 183 items from compensation payments and of 264 items from medical payments were selected. A total of 447 items were selected and tested for the FY 2005 FECA sample.

### Black Lung Disability Fund

*Sampling Methodology:* A stratified sampling approach was applied to estimate improper payments for both medical bill payments and benefit payments. The population was stratified into medical payments and benefit payments. The medical bill payment sampling was designed to test payment issues such as duplicate payments, eligibility at date of service, procedure covered by program, and appropriate receipts and paperwork. The compensation payment

sampling was designed to test issues such as eligibility requirements, calculations of compensation amounts, and calculations of compensation offsets due to dependants.

*Sample Selection:* The universe of the population is for medical payments made at Computer Sciences Corporation (CSC) and for all benefit payments paid out of the Black Lung program in the testing period, October 1, 2004, to February 6, 2005. The universe of the population is also medical payments made at affiliated Computer Services (ACS) in the testing period, February 7, 2004, to July 31, 2005. The sample consisted of 75 benefit payments and 78 medical bill payments. A total of 153 items were selected and tested for the FY05 Black Lung sample.

#### Energy Employees Occupational Illness Fund

*Sampling Methodology:* The sampling approach for Energy's compensation payments consisted of Monetary Unit Sampling (MUS) to estimate improper payments. The compensation payment sampling was designed to determine that the benefits paid were in accordance with specified policies and procedures, that eligibility requirements were followed, and that payments were made in the correct amount.

Statistical sampling for the Energy medical bill payment population was deemed unnecessary since total medical benefits paid for the period October 1, 2004, to April 30, 2005 were not material (less than 10% of the total benefit payments). Although no sampling was conducted this year, the Department plans to continue to scan on a periodic basis the medical payment database for unusual activity or relationships.

*Sample Selection:* The universe of the population consisted of the compensation payments made under EEOICP in the testing period, October 1, 2004, to April 30, 2005. Of the four district offices that process compensation payments, MUS was applied to select compensation payments from the Jacksonville and Cleveland district offices due to their high volume of claims processed. Using MUS, 113 compensation payments were selected out of the compensation population.

#### Job Corps

*Sampling Methodology:* The sampling approach consisted of a stratified sampling effort to estimate improper payments. The population was first stratified between Job Corps center operating costs and student allowances. For student allowances, the population was further stratified and a two-stage stratified cluster sampling designed was used. In the first stage, the Job Corps centers were stratified based on center costs. In the second stage, a random sample of students was selected from 12 centers for both living allowances and transition allowances.

*Sample Selection:* The universe of the population of Job Corps center operating costs is all of the operating expenses reported by Job Corps centers in the testing period, October 1, 2004, to March 31, 2005. The sample selected consisted of 150 payroll items and 230 non-personnel expense items. Additionally, 240 significant non-personnel expenses were sampled from 12 centers. A total of 620 items were selected and tested for FY 2005 Job Corps operating costs sample. The universe of the population of Job Corps student allowances is the entire student living and transition allowances made by Job Corps centers in the testing period, October 1, 2004, to March 31, 2005. The sample selected consisted of 320 living allowances and 355 transition allowances. A total of 675 items were selected and tested for FY 2005 Job Corps student allowance sample.

#### Department of Labor Salaries

*Sampling Methodology:* DOL Salaries consist of the department payrolls of the national office and three regional offices: Atlanta, Philadelphia, and San Francisco. To accomplish the sampling for the payroll, a stratified approach was applied. The testing criteria consisted of testing items such as employee's eligibility, earnings and leave tracked correctly, time card consistent with payment, and pay rate calculated correctly.

*Sample Selection:* The universe of the population of Department salaries is comprised of the payroll transactions in the testing period, October 1, 2004, to March 31, 2005. A sample of 102 items from the Department's payroll transactions was selected for testing.

Department of Labor Expenses

*Sampling Methodology:* DOL expenses consist of department expenses related to the operation and administration of programs' and headquarters' activities. Expense transactions were stratified into seven groups and samples were then statistically drawn from each stratum. For non-payroll costs, sample testing focused on testing criteria such as: (1) appropriate contracts used, (2) payments supported with invoices, (3) invoices correct, and (4) whether or not the purchase was allowable under program costs.

*Sample Selection:* The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2004, to March 31, 2005. A total of 72 items were selected and tested.

**III. Corrective Actions**Unemployment Insurance

For the past several years, the causes of overpayments have remained fairly constant, although total rates have improved for FY 2005. The principal cause is "Benefit Year Earnings" (BYE) - payments received by claimants who continue to claim benefits despite having returned to work. These constitute about a quarter of overpayments using the broad Employment Training Administration (ETA) Annual Report Overpayment measure and about half of the recoverable overpayments detectable by BPC that the Operational Overpayment measure includes. The next largest cause is errors associated with the reasons claimants separate from work. These errors are over a fifth of the broad definition and a quarter of the narrower definition of overpayments. Because of their prominence, ETA has devoted a significant proportion of its integrity efforts in the past few years to preventing or detecting BYE and separation-related overpayments. ETA's major integrity initiatives are as follows:

- Implementation of the Denied Claim Accuracy measurement program (DCA) to assess the accuracy of denial decisions (September 2001).
- Development of a Detection of Overpayments measure to assess how well the system is detecting and establishing overpayments for recovery to the Trust fund (first incorporated into the Strategic and Annual Performance Plans in FY 2003). This measure is based on the Operational Overpayments definition of which BYE overpayments are nearly one half.
- Continuing analyses of the causes, costs, and benefits of improper payment prevention or establishing recovery operations.<sup>38</sup>
- Encourage state implementation of benefit integrity initiatives by providing funding to assist them in these endeavors. One such benefit integrity initiative is the use of data on new hires to detect and prevent BYE overpayments. States initially began to implement the State Directory of New Hires (SDNH) for this purpose, and ETA estimates suggest that savings from the use of this tool—largely, prevention of overpayments due to unreported work while in payment status—increased from approximately \$55 million in CY 2002 to \$84 million in CY 2004. During CY 2004, 42 states were using the SDNH.
- Enhancement of states' ability to detect BYE violations by UI claimants working in other states or for certain multi-state employers who may post all new hires to only one state. Based on draft legislation proposed by the Department, the President signed P.L. 108-295 on August 9, 2004, granting state UI agencies access to the National Directory of New Hires (NDNH). A three-state pilot in 2005 indicated that the NDNH should result in a substantial increase in "hits" of claimants with potential BYE violations over the SDNH. Twenty-nine states are expected to begin using NDNH cross-matches during FY 2006.
- ETA has also promoted and funded states to provide connectivity to systems to exchange data with the Social Security Administration (SSA) on a real-time basis. This will give states the ability to verify claimants' identity and will help prevent many, if not most, overpayments due to fraudulent or mistaken use of SSNs. Since 2002, the Department has worked with the states to establish electronic communications with SSA and on implementation plans. On March 5, 2004, the ETA and SSA signed a memorandum of understanding formalizing the data exchange agreement.

---

<sup>38</sup>Posted to the ETA Web site; <http://workforcsecurity.doleta.gov/unemploy>



- The Department provided funds to states to establish cross-matches with other state governmental agencies, such as with state department of motor vehicles, to facilitate fraud and overpayment reduction.
- DOL awarded Reemployment and Eligibility Assessments (REA) grants to 21 states during FY 2005. The grants have been used to conduct in-person claimant interviews in One-Stop Career Centers to assess UI beneficiaries' need for reemployment services and their continued eligibility for benefits and to assure that beneficiaries understand that they must stop claiming benefits upon their return to work.
- The FY 2006 budget request includes both funding to continue and expand REA grants and to combat identity theft. It also includes a legislative proposal— Unemployment Compensation (UC) Integrity Act of 2005 as submitted to Congress by the Secretary on June 14th, 2005 —designed to reduce improper payments by allowing states to fund integrity activities by retaining a percentage of overpayments recovered and from penalties assessed on fraud overpayments, by using collection agencies to recover overpayments, and by recovering overpayments through a Federal Income Tax Offset.
- In FY 2005, ETA promulgated a state-level detection of overpayments performance measure (the measure used for national aggregates as a GPRA indicator), giving states an additional incentive to prevent and detect overpayments. This additional incentive to reduce overpayments will work to improve the integrity of the State Quality Service Plan system that is used to promote performance achievement. ETA also conducted a pilot test of adding a post-audit cross-match component to the BAM paid claim review. ETA is currently evaluating the benefits and costs of using data on UI wage records or new hires to supplement the BAM investigative procedure and better detect and estimate overpayments due to BYE violations.
- ETA is also working with states to ensure recovery of improperly paid benefits. The Department has established a FY 2005 target that the UI system should recover 46 percent of overpayments established. For the 12 months ending 6/30/2005, this ratio stood at 48.5 percent. The Integrity Act changes would give the states both strong incentives to establish and recover overpayments as well as the resources and systems with which to do this.

### Federal Employees' Compensation Act

The FECA program continues its progress in improving medical bill processing using an outsourced bill processing service. Significant attributes of the service include the ability to better match treatments to work related injury or illness and more sophisticated bill editing techniques. The bill processing service uses automated front-end editing operations to check for provider and claimant eligibility, accepted condition and treatment type, billing form and content, and duplications. The service uses proprietary software to screen professional medical and outpatient hospital bills to check for certain improper billing practices. Furthermore, on-site process audits resulted in clearer instructions and corrective action plans. This year's implementation of in-house audits of bill samples will provide the program with additional information about bill processing performance and will also identify weaknesses.

Additional causes of improper payments for FECA include: (1) incorrect or incomplete information submitted for the claims record (such as pay rate, night differential rate, retirement plan, etc.); (2) Office of Workers' Compensation Programs (OWCP)<sup>39</sup> errors including mistakes in judgment or interpretation in making decisions; (3) miscalculations in making payments; and (4) claimant fraud or misrepresentation. OWCP's integrity initiatives to address these issues are as follows:

- Medical bill processing performance is reviewed as a routine function of FECA National Office oversight of the central bill processing contract and is used to score against performance requirements specified in the contract.
- Samples of medical payments are audited monthly by FECA district office staff for both financial and procedural errors.
- Compensation payment performance is reviewed by FECA district office managers, line supervisors, and fiscal operations staff; frequency of review varies according to need (e.g., supervisors and fiscal staff look at performance almost on a per-transaction basis; whereas, summary performance is reviewed daily, weekly, or quarterly by supervisors and managers). Results are monitored in the National Office and used to design procedural revisions or corrective action plans for the District Offices. The National Office also conducts formal biennial accountability reviews to rate each District Office for quality and accuracy. System reports used to analyze payment information include the Report on Receivables Due from the Public (Schedule 9), Accounts

<sup>39</sup> OWCP oversees the administration of four federal employee compensation programs. These programs are the Energy Employees Occupational Illness Compensation program, the Federal Employees' Compensation program, the Longshore and Harbor Workers' Compensation program, and the Coal Mine Workers' Compensation program.

Receivable Aging Schedule and Performance reports. Regular matching of death records is done to reduce improper payments.

- Case management techniques to monitor ongoing entitlement to benefits and payment accuracy. For example, FECA's Periodic Roll Management (PRM) units monitor cases receiving long-term disability benefits. Changes in medical condition or ability to return to work are identified by regular ongoing PRM review of the cases, and compensation benefits may be reduced or terminated. Benefit reductions also result from new information reported about changes in status, such as the death of a claimant. The key outcome measure for PRM is the annual amount of benefit savings generated from these case actions. Benefits savings can also be compared directly to PRM administrative costs.
- Improvements in documentation quality and encouragement of faster transmission of notice of injury and claims for compensation from the agencies to OWCP. Progress in submitting these forms more quickly yields faster and more accurate adjudication and payment and fewer customer service problems. More than a quarter of new claims are now received via Electronic Data Interchange from the Departments of Labor, Defense, Treasury, Transportation, Veterans Affairs, and Homeland Security. That percentage is expected to grow in the future.

### Workforce Investment Act

Ensuring proper fund stewardship is of primary importance to the WIA program. ETA currently uses a multi-step approach to ensure proper administration and effective program performance of WIA grants. First, ETA starts its review/oversight process by conducting a structured risk assessment of all new grants and grantees. Risk assessments are periodically revised as new information about a grant and grantee becomes available. Second, ETA Federal Project Officers (FPOs) conduct quarterly desk reviews of the financial and program performance of each grant. This serves as an early warning system to detect potential financial management and/or programmatic performance issues. Finally, ETA staff (FPOs and others) conduct periodic onsite reviews of grantees. ETA attempts to conduct an onsite review at least once every two years, but actual review schedules are based on the results of the risk assessments and desk reviews. Onsite reviews are conducted using ETA's core financial and performance monitoring guide and program specific supplements. For grantees with large numbers of sub-recipients (e.g., WIA formula grantees), the onsite review will include an assessment of the grantee's sub-recipient monitoring. Whenever deficiencies or problems are identified as a result of a desk review, onsite review, or an independent audit, ETA begins working with the grantee to obtain appropriate corrective actions.

**IV. Improper Payment Reduction Outlook FY 2004 – FY 2008 (in \$ millions)**

Program	FY 04 Outlays	FY 04 %	FY 04 IP \$	FY 05 Outlays	FY 05 %	FY 05 IP \$	FY 06 Est. Outlays	FY 06 %	FY 06 IP \$	FY 07 Est. Outlays	FY 07 %	FY 07 IP \$	FY 08 Est. Outlays	FY 08 %	FY 08 IP \$
Unemployment Insurance (Operational Rate)	\$37,335	5.07%	\$1,893 overpayment	\$32,248	4.98%	\$1,606	\$35,080	4.75%	\$1,666	\$38,010	4.5%	\$1,710	\$39,880	4.25%	\$1,695
Unemployment Insurance (Annual Report Rate)	\$37,335	9.70%	\$3,622 overpayment	\$32,248	9.46%	\$3,051	\$35,080	9.30%	\$3,262	\$38,010	9.0%	\$3,421	\$39,880	8.7%	\$3,470
Unemployment Insurance Underpayment Rate	\$37,335	0.64%	\$239 underpayment	\$32,248	0.67%	\$216	\$35,080	0.64%	\$225	\$38,010	0.64%	\$243	\$39,880	0.64%	\$255
Workforce Investment Act	Not Available <sup>5</sup>	Not Available	Not Available	\$3,743	0.21%	\$7.9	\$3,792	0.20%	\$7.6	\$3,857	0.19%	\$7.3	\$3,899	0.19%	\$7.4
Federal Employees' Compensation Act	\$2,544	0.25%	\$6.37 overpayment	\$2,519	0.13%	\$3.3	\$2,568	0.248%	\$6.4	\$2,626	0.244%	\$6.4	\$2,701	0.24%	\$6.5

<sup>5</sup> WIA's baseline rate was established in FY 2005.

## **V. Recovery Auditing**

DOL expense transactions consist of all non-payroll program operation and administration costs. These transactions were stratified into seven groups and samples were then statistically drawn from each stratum. Sample testing focused on testing criteria such as: (1) appropriate contracts used; (2) payments supported with invoices; (3) invoices correct; and (4) the purchase was allowable under program costs. The universe of the population of expenses is comprised of DOL expense payments in the testing period, October 1, 2004, to March 31, 2005. A total of 72 items were selected and tested, and no improper payments were noted; as such, recovery audit efforts for FY 2005 were not necessary.

The Department will continue to sample and estimate the level of improper payments for all non-payroll expenses to determine if there are costs that must be set up for recovery. In the event that such recoverable costs are identified, the Department will work to institute an effective recovery audit system to ensure that all contract overpayments are recovered and/or resolved. The Department will also make sure that all recovery audit actions, costs, and amounts recovered are clearly documented and reported to OMB on an annual basis.

## **VI. Management Accountability**

Existing control processes and the implementation of the revised OMB Circular A-123 requirements will continue to ensure that the Department's internal controls over financial reporting and systems are well documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse and better ensure that the Department's resources continue to be used effectively and efficiently to meet the intended program objectives. Furthermore, this Department-wide effort will support the Secretary of Labor's annual certification of internal controls in the PAR. As part of its A-123 implementation plan, the OCFO will continue quarterly financial management certifications and reviews with each agency in the Department. These controls began in fiscal year 2003. The primary objectives of this oversight are to obtain assurances of DOL compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Federal Financial Management Improvement Act of 1996 (FFMIA), and IPIA, to enhance the Department's internal financial controls, and to resolve financial management issues in a more efficient and timely manner. The quarterly certification process allows for an open discussion of each agency's progress in resolving internal control issues, audit findings, and improper payments, as well as establishing a formal, early warning process to identify and address other potential problem areas.

## **VII. Information Systems and Infrastructure**

### Unemployment Insurance

ETA believes that in most cases the states have the information systems and infrastructure they need for improper payment reduction. States are implementing systems to exchange data with the Social Security Administration (SSA) and interface with their SDNH. Four fifths of the states are now using the SDNH and 29 are expected to begin using the NDNH during FY 2006. More states plan to access both the SDNH and NDNH during FY 2007.

### Federal Employees' Compensation Act

The Office of Worker's Compensation Programs (OWCP) is currently developing an integrated management information and compensation benefit system that will enhance both compensation payment accuracy and medical bill processing accuracy. The basic system was deployed in March 2005. Completion of the deployment is planned by March 2006. Resources are included in the FY 2006 budget request for this system.

### Workforce Investment Act

ETA currently has multiple technology projects underway in an effort to improve grants management. The WIA program utilizes these tools to execute the risk management process to assess and monitor grantees. They include the web-based EIMS (Enterprise Information Management System), with its GEMS (Grants e-Management Solution)

and EMILE (ETA Management Information and Longitudinal Evaluation) modules. EIMS is the Enterprise Information Management System, a web-based solution used to track and manage grants, including the capture of grant cost reporting meant to improve fiscal integrity. This system is meant to feed data into GEMS and the combination of the two will be part of the cradle-to-grave E-grants solution for all of DOL, expected to begin rollout in January of 2006. The GEMS system is an online grants management tool meant to provide web accessible, customizable, role based context access to grant related information from multiple sources.

## **VIII. Statutory or Regulatory Barriers**

### Unemployment Insurance

The UI program has several legislative barriers to reducing improper payments. First, by statute, states administer the UI program and set operational priorities. The Department has limited ability to ensure they pursue improper payment reduction activities. Second, Sec. 3304(a)(3) of the Federal Unemployment Tax Act, which states that monies in the fund can only be used for benefit payments, precludes the use of recovery auditing techniques. Third, the “immediate deposit” requirement (Sec. 3304(a)(3) of the Federal Unemployment Tax Act (FUTA) and Sec. 303(a)(4), SSA) and the “withdrawal standard” (Sec. 3304(a)(4), FUTA and Sec. 303(a)(4), SSA) both affect recovery efforts. The immediate deposit requirement dictates that dollars for benefits must be paid immediately into the trust fund, and the withdrawal standard says that money in the trust fund can only be used for benefits. There are certain exceptions to the immediate deposit requirement, but they do not apply to recouped benefit overpayments. These requirements preclude Unemployment Insurance from using funds recovered from overpayments to be used towards administrative or operational efforts to improve prevention, detection, and recovery efforts. Elements of the Integrity Act proposal of the FY 2006 budget would relax the “withdrawal standard” barrier to provide additional funding for recovery and other integrity activities.

### Federal Employees’ Compensation Act

With regard to the FECA program, legislation does not currently permit FECA to verify employment earnings with the SSA without the claimant’s written permission. Compensation benefits may be overpaid if an employee has unreported earnings and does not grant permission for the program to verify earnings with SSA.

### Workforce Investment Act

No statutory or regulatory barriers exist that limit WIA’s ability to address and reduce improper payments. The WIA program has the legal authority to establish receivables and implement actions to collect those receivables.

## **IX. Additional Comments**

To achieve IPIA compliance for susceptible grant programs, the Department faces challenges similar to those faced by many other Agencies. In numerous instances, grants are structured to provide federal funds that empower local entities to operate programs based on local need. The Federal government provides the monies to states, cities, counties, private non-profits, and other organizations to distribute these federal funds. The Federal agencies capture information related to only the first level of grantee and rely on the Single Audit Act to monitor grantees.

To investigate how the single audits might be used to meet IPIA compliance in FY05, the Department examined single audits with DOL-related findings from the Federal Audit Clearinghouse and the corresponding single audit reports returned to the Department as the cognizant agency responsible for resolving the identified findings. The Department’s review of single audits indicated a low level of risk for susceptible grant programs. While the rigorous analysis of these sources provided a measure of risk, none offered the detailed information necessary for statistical estimation. However, of the available data sources for IPIA statistical estimation, single audits offer the most efficient means to gather data from these recipients of federal funds.

## 4. Acronyms

<b>ACSI</b>	American Customer Satisfaction Index	<b>GAO</b>	U.S. Government Accountability Office
<b>AJB</b>	America’s Job Bank	<b>GPRA</b>	Government Performance and Results Act
<b>BAM</b>	Benefit Accuracy Measurement	<b>GSA</b>	General Services Administration
<b>BLS</b>	Bureau of Labor Statistics	<b>HGJTI</b>	High Growth Job Training Initiative
<b>BRG</b>	Business Relations Group	<b>HVRP</b>	Homeless Veterans’ Reintegration Project
<b>CAM</b>	Cost Analysis Manager	<b>ILAB</b>	Bureau of International Labor Affairs
<b>CATARS</b>	Capital Asset Tracking and Reporting System	<b>ILO</b>	International Labor Organization
<b>CFO</b>	Chief Financial Officer	<b>IMIS</b>	Integrated Management Information System
<b>CPI</b>	Consumer Price Index	<b>IPEC</b>	International Program for the Elimination of Child Labor
<b>CY</b>	Calendar Year	<b>IPIA</b>	Improper Payments Information Act
<b>DBA</b>	Davis-Bacon Act	<b>IRS</b>	Internal Revenue Service
<b>DOD</b>	U.S. Department of Defense	<b>IT</b>	Information Technology
<b>DOE</b>	U.S. Department of Energy	<b>JFMIP</b>	Joint Financial Management Improvement Program
<b>DOL</b>	U.S. Department of Labor	<b>LMRDA</b>	Labor-Management Reporting and Disclosure Act
<b>DOLARS</b>	Department of Labor Accounting and Related Systems	<b>LPD</b>	Lost Production Days
<b>DVOP</b>	Disabled Veterans’ Outreach Program	<b>LVER</b>	Local Veterans’ Employment Representative
<b>EBSA</b>	Employee Benefits Security Administration	<b>MSHA</b>	Mine Safety and Health Administration
<b>EEO</b>	Equal Employment Opportunity	<b>MSPA</b>	Migrant and Seasonal Agricultural Worker Protection Act
<b>EIMS</b>	Enterprise Information Management System	<b>NAICS</b>	North American Industry Classification System
<b>EMILE</b>	ETA Management Information and Longitudinal Evaluation	<b>NFC</b>	National Finance Center
<b>EO</b>	Equal Opportunity	<b>OASAM</b>	Office of the Assistant Secretary for Administration and Management
<b>ERISA</b>	Employee Retirement Income Security Act	<b>OASP</b>	Office of the Assistant Secretary for Policy
<b>ESA</b>	Employment Standards Administration	<b>OATELS</b>	Office of Apprenticeship Training, Employer and Labor Services
<b>ETA</b>	Employment and Training Administration	<b>OCFO</b>	Office of the Chief Financial Officer
<b>EVMS</b>	Earned Value Management System	<b>OCIA</b>	Office of Congressional and Intergovernmental Relations
<b>FASAB</b>	Federal Accounting Standards Advisory Board	<b>ODEP</b>	Office of Disability Employment Policy
<b>FBCO</b>	Faith-Based and Community Organization	<b>OFCCP</b>	Office of Federal Contract Compliance Programs
<b>FECA</b>	Federal Employees’ Compensation Act	<b>OIG</b>	Office of Inspector General
<b>FFMIA</b>	Federal Financial Management Improvement Act		
<b>FMFIA</b>	Federal Managers’ Financial Integrity Act		
<b>FLSA</b>	Fair Labor Standards Act		
<b>FMLA</b>	Family Medical Leave Act		
<b>FTE</b>	Full Time Equivalent		
<b>FUTA</b>	Federal Unemployment Tax Act		
<b>FY</b>	Fiscal Year		

<b>OLMS</b>	Office of Labor-Management Standards	<b>SSA</b>	Social Security Administration
<b>OMB</b>	Office of Management and Budget	<b>SWA</b>	State Workforce Agencies
<b>O*NET</b>	Occupational Information Network	<b>TAA</b>	Trade Adjustment Assistance
<b>OPA</b>	Office of Public Affairs	<b>TAP</b>	Transition Assistance Program
<b>OSHA</b>	Occupational Safety and Health Administration	<b>TAPR</b>	Trade Adjustment Participant Report
<b>OWCP</b>	Office of Workers' Compensation Programs	<b>UI</b>	Unemployment Insurance
<b>PART</b>	Program Assessment Rating Tool	<b>USPS</b>	U.S. Postal Service
<b>PBGC</b>	Pension Benefit Guaranty Corporation	<b>UTF</b>	Unemployment Trust Fund
<b>PMA</b>	President's Management Agenda	<b>VA</b>	U.S. Department of Veterans Affairs
<b>PPI</b>	Producer Price Index	<b>VETS</b>	Veterans' Employment and Training Service
<b>PRM</b>	Periodic Roll Management	<b>VPP</b>	Voluntary Protection Programs
<b>PY</b>	Program Year	<b>WB</b>	Women's Bureau
<b>SHIMS</b>	Safety and Health Information System	<b>WHD</b>	Wage and Hour Division
<b>SOL</b>	Office of the Solicitor	<b>WHISARD</b>	Wage Hour Investigator Support and Reporting Database
		<b>WIA</b>	Workforce Investment Act

## 5. Internet Links

### Employment Information (For Workers and Employers)

America's Career InfoNet <http://www.acinet.org/acinet/>

America's Job Bank <http://www.ajb.dni.us/>

Occupational Outlook Handbook <http://www.bls.gov/oco/>

Job Corps <http://jobcorps.doleta.gov/>

Join the Team that Keeps America Working <http://www.dol.gov/oasam/doljobs/main.htm>

DisabilityInfo.gov <http://www.disabilityinfo.gov>

Job Accommodation Network (JAN) <http://www.jan.wvu.edu/>

Small Business and Self Employment Service (SBSES) <http://janweb.icdi.wvu.edu/sbses/>

Employer Assistance Referral Network (EARN) <http://www.earnworks.com>

Women's Bureau GEM-Nursing Project <http://www.gem-nursing.org>

### Workplace Laws and Related Information

Compliance Assistance portal <http://www.dol.gov/compliance>

elaws Advisors (Employment Laws Assistance for Workers and Small businesses) <http://www.dol.gov/elaws/>

State Labor Offices and State Laws <http://www.dol.gov/esa/programs/whd/state/state.htm>

Minimum Wage <http://www.dol.gov/esa/minwage/q-a.htm>

Fair Labor Standards Act <http://www.dol.gov/esa/regs/statutes/whd/allfair.htm>

Family & Medical Leave Act <http://www.dol.gov/esa/whd/fmla/>

Small Business Compliance Assistance <http://www.dol.gov/osbp/sbrefa/>

Union Reporting and Public Disclosure <http://www.dol.gov/esa/regs/compliance/olms/rrlo/lmrda.htm>

### Statistical Information

Consumer Price Indexes <http://www.bls.gov/cpi/>

Bureau of Labor Statistics Most Requested Data <http://www.bls.gov/data/>

Current Population Survey <http://www.bls.gov/cps/>

Workplace Injury, Illness & Fatality Statistics <http://www.osha.gov/oshstats/work.html>

Employment Projections <http://www.bls.gov/emp>

International comparisons <http://www.bls.gov/fls/>

Employment, Hours, and Earnings <http://www.bls.gov/ces/>

### Safety and Health Information

OSHA's Partnership Page <http://www.osha.gov/dcsp/partnerships/index.html>

The Workers' Page <http://www.osha.gov/as/opa/worker/index.html>

OSHA Regulations and Compliance Links <http://www.osha.gov/comp-links.html>

OSHA Standard Industrial Classification Search <http://www.osha.gov/oshstats/sicser.html>

OSHA Reading Room <http://www.osha.gov/readingroom.html>

MSHA's Accident Prevention Program [http://www.msha.gov/Accident\\_Prevention/appmain.htm](http://www.msha.gov/Accident_Prevention/appmain.htm)

Health Hazard Information (MSHA) <http://www.msha.gov/hhicm.htm>

To report a safety or health hazard to MSHA <http://www.msha.gov/codeaphone/codeaphonenew.htm>

### Labor Department History

History at the Dept of Labor <http://www.dol.gov/asp/programs/history/main.htm>

Annals of the Dept of Labor <http://www.dol.gov/asp/programs/history/webannalspage.htm>

### Labor Agencies

Bureau of Labor Statistics <http://www.bls.gov/>

Employee Benefits Security Administration <http://www.dol.gov/ebsa/>

Employment Standards Administration <http://www.dol.gov/esa/>

Employment and Training Administration <http://www.doleta.gov>

Mine Safety and Health Administration <http://www.msha.gov>

Occupational Safety and Health Administration <http://www.osha.gov/index.html>

Office of Disability Employment Policy (ODEP) <http://www.dol.gov/odep/>

Veterans' Employment and Training Service <http://www.dol.gov/vets/>

Women's Bureau – A Voice for Working Women <http://www.dol.gov/wb/>





