



A Competitive Workforce for a Global Economy

U.S. Department of Labor
Report on Performance and Accountability

2003 Annual Report

GLOBALLY

WORKFORCE

Report on Performance and Accountability



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Management Discussion and Analysis



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Secretary's Message



Elaine L. Chao
Secretary of Labor

As I look back over the events and challenges faced by our Nation and the Department of Labor during 2003, I am proud of our accomplishments and excited about the foundation we are preparing for the future American worker. Not only does this year's annual report theme — *A Competitive Workforce for a Global Economy* — describe our current efforts to advance the Nation's prosperity in a dynamic world order, but it also serves to focus where we must put our energies in the years ahead. With the publication of the Department's *FY 2003 – 2008 Strategic Plan*, we have formally articulated the importance of *A Competitive Workforce* as a fourth strategic goal. This goal complements our other goals — *A Prepared Workforce, A Secure Workforce, and Quality Workplaces* — by seeking to identify the emerging changes in our economy, the implications for our Department, and the initiatives we must develop to meet the demands for a skilled and productive workforce in the 21st Century.

Supporting the military men and women fighting the war on terrorism

The events of September 11, 2001 and their aftermath continue to have profound effects on the Nation and the Department. The continuing military presence in Afghanistan, the war and reconstruction of Iraq, and other commitments around the globe mean that large numbers of Reserve and National Guard service members along with the regular troops have been called away from their families and normal work lives and thrust into the difficult and dangerous environment of their military duties. The Department stands ready to support them and their families so that their return to civilian jobs is not impeded, to assist the newly separated and current veterans in finding quality employment, and to provide effective employment services to military spouses. We are proud of the many men and women who protect our freedom while serving on the front line in the war on terrorism. We are committed to ensuring their rights and connecting them with employers eager to tap their dedication, talent, and skills.

Employment and Training

A strong national economy depends, in part, on preparing workers to be qualified job candidates possessing skills that are relevant to the needs of today's employers. Just as we want *No Child Left Behind* because of an inadequate education, we at the Department of Labor want to make sure no worker is left behind. My commitment for the Department is to help all of the Nation's workers secure long-term, productive employment. Our challenge is to provide effective programs that cover a wide spectrum of job seekers, including those with the necessary job qualifications as well as those with special needs such as the disadvantaged, people with disabilities, veterans, disadvantaged youth, and those who have lost their jobs.

America's economy will maintain its competitive edge in the global marketplace with a workforce equipped to perform within the dynamics of new technologies, increased market-place competition, and changing labor markets. The Department has a leadership responsibility that emphasizes: supporting a strong academic foundation for workers; better understanding the needs of workers and employees; working with training providers to identify or create training to meet employer needs; testing and implementing innovative options; and expanding the role of faith-based and community organizations to equip Americans in need of finding and sustaining employment.

A competitive edge through compliance assistance and enforcement

Strengthening the Nation's competitive position in the world economy also requires that we give employers the assistance and flexibilities to operate efficiently while maintaining strong worker protections. The *Compliance Assistance Initiative* we instituted last year continues to grow and is a key strategy for the Department.

One simple, yet effective approach we have taken is to translate our publications and our web sites into multiple languages as well as having interpreters to assist non-English speakers who call the Department's telephone center for information. The Nation's workforce is becoming ever more diverse, and we cannot afford to deny access to important workplace information because of language barriers.

Providing information and assistance to employers and workers in conjunction with fair enforcement yields multiple benefits. For example, in work place safety and health, when workers stay healthy and whole, businesses and employees prosper. As a result of improved safety and health programs, employers experience lower workers' compensation insurance costs, reduced medical expenditures, smaller expenditures for return-to-work programs, fewer faulty products, increased productivity, increased quality, higher morale, and reduced turnover. DOL's recent investment in compliance assistance tools, programs and partnerships for well-intentioned employers, coupled with increased enforcement activity that targets repeat offenders, has resulted in the lowest rates of workplace injuries and fatalities ever recorded.

Retirement Security

One of the highest priorities for the Department is providing retirement security for America's workers. Integrity in the management and administration of pension and health plans is fundamental to the success of our voluntary system of employment-based benefits. Employees, beneficiaries, and their families trust that employers and plan officials meet their responsibilities and expect the Government to act when laws are broken. The Department is bringing the full weight of enforcement against companies and plan fiduciaries that harm the retirement security of workers.

President's Management Agenda

Since the announcement of the President's Management Agenda in 2001, we continue to make solid progress in implementing its five Government-wide initiatives: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*. DOL is also one of the departments selected to participate in the Faith-Based and Community Initiative of the President's Management Agenda. While we are among the leaders of Cabinet agencies — with status scores of Yellow for four of the five Government-wide initiatives, and progress scores of Green for the same four initiatives — we recognize the areas needing improvement and have the plans in place to achieve them.

In the area of *Human Capital*, I want to ensure that we have an effective succession plan in place to prepare those rising through the ranks to fill critical positions as senior managers retire. As part of this effort we have initiated a Masters in Business Administration Fellows Program to recruit and develop new employees for future management positions requiring advanced business skills. The Department also continues to refine its *Budget and Performance Integration*.

To increase our ability to provide decision-support for the Department, the Chief Financial Officer is investing in upgrades to its financial data system and developing a managerial cost accounting system. The Chief Financial Officer is investing in a new core financial management system that will re-engineer business processes to get the right information to the right people at the right time. In the Information Technology area, we are working toward consolidating all DOL agency requests in support of *Expanded E-Government*.

Program Data and Financial Performance

Just as publicly owned companies are accountable for their financial results, performance and financial data presented in this report comports with guidance from the Office of Management and Budget with respect to completeness and reliability. The Department's managers routinely use the performance information and financial data summarized in this report to improve internal management accountability for program accomplishment and improve the quality of DOL services to the public. There are two exceptions: Data for Performance Goals 1.1B and 1.1E (Public Labor Exchange) are considered incomplete because of transition to a new measurement and reporting system that delays receipt of employment and retention outcome information until Program Year 2003 (reporting in the DOL FY 2004 report). Data for Performance Goal 1.2C (Youth Opportunity Grants) are considered incomplete because older youth employment and retention rates are available for participant outcomes associated with only half of the grantees. More complete explanations of these issues and discussions of the Department's plans are contained in the respective performance goal narratives.

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

I hope this *Annual Report for FY 2003* is helpful in providing a clear picture of what the Department strives to achieve and an assessment of how well we have done. The Department of Labor may have diverse missions and many program objectives, but in everything we do a single core value drives our work: to help workers and their families share in a strong America through better wages, secure pensions and health benefits, and expanded economic opportunities while fostering safe and healthful workplaces that are free from discrimination.



Elaine L. Chao
Secretary of Labor

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 major component agencies, each headed by an Assistant Secretary or Commissioner who administers 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 are Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), Employment Standards Administration (ESA), Occupational Safety and Health Administration (OSHA), Mine Safety and Health Administration (MSHA), Bureau of Labor Statistics (BLS) and the Pension Benefit Guaranty Corporation (PBGC), an independent Federal corporation. The entire DOL organization chart and agencies' missions are in Appendix 1.

Introduction

This report, prepared in accordance with the Reports Consolidation Act of 2000, presents the results of the Department of Labor's (DOL) program and financial performance for FY 2003. It is divided into four major sections:

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

The *Financial Performance Report* demonstrates our commitment to effective stewardship over the funds DOL receives to carry out the mission of the Department, including compliance with relevant financial management legislation.

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

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

A summary of each of the four sections follows.

I. Annual Performance Report

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

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

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

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

Program Performance Overview

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

A tally of goals achieved, while providing a quick indication of whether DOL is on schedule with its plan, does not convey any actual performance information. To understand what was achieved in terms of benefits to the public, it is necessary to look not just at whether targets were reached, but also at how observed results compare with historical trends. Several examples from FY 2003 illustrate how the Department uses performance measurement to set goals and to provide feedback on which strategies are working. The first two are success stories; the third indicates changes are in order:

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

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

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

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

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

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

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

¹ Net cost data is presented. *Net Cost* reflects the *full cost* of each program as assigned by DOL entities to the Department's outcome goals less any exchange revenue earned. *Full cost* consists of (a) both direct and indirect costs, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities.

DOL Program Costs (Millions of Dollars)

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

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

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

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

Strategic Goal 1 – A Prepared Workforce

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

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

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

Strategic Goal 2 – A Secure Workforce

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

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

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

Strategic Goal 3 – Quality Workplaces

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

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

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

Reporting Performance Results

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

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

The following appendices provide supporting information:

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

II. Financial Performance Report

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

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

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

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

III. Audit Report and Financial Statements

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

The principal financial statements in this report summarize DOL's financial position, net cost of operations and changes in net position; provide information on budgetary resources and financing; and present the sources and disposition of custodial revenues for fiscal years 2003 and 2002. Highlights of the financial information presented in the principal financial statements are shown below:

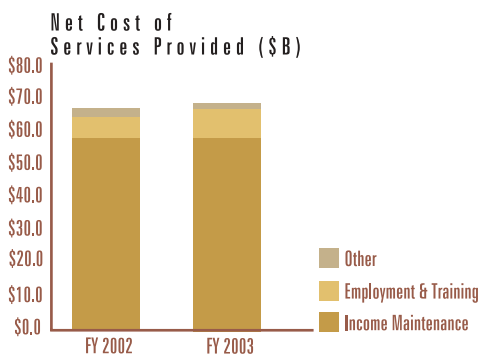
Net Cost of Operations

The total net cost of DOL operations in FY 2003 was \$67.9 billion, a four percent increase over the prior year. The continued economic downturn during FY 2003 caused a \$2.5 billion increase in unemployment claims, increasing DOL operating costs during the year. As seen in the chart below, income maintenance — unemployment checks paid to individuals who are laid off or out of work and seeking employment — comprise the major portion of DOL costs. Income maintenance also includes payments to individuals who qualify for disability payments due to injury or illness suffered on the job.

Employment and Training programs comprise the second largest cost. These programs are designed to help individuals deal with the loss of a job, research new opportunities, find training to acquire different skills, start a new job or make long-term career plans. The \$2 billion in "Other" funds programs to protect worker safety, health, and employment standards; to safeguard pension and health plan benefits; to provide statistical information; and to support departmental management and infrastructure.

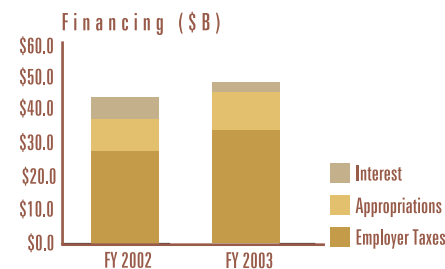
Financing

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



Financial Position

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



Limitations on the Principal Financial Statements

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

IV. Management and Performance Challenges

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

Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding

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

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

Integrity of Foreign Labor Certification Programs

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

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

Financial and Performance Accountability

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

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

Information Technology and Electronic Government

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

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

Security of Pension Assets

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

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

Workforce Investment Act Reauthorization

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

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

Grant Accountability, Performance, and Effectiveness

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

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

Effectiveness of Mine Safety and Health Programs

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

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

Addressing Issues that Require Joint Action with Other Federal Entities

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













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

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

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

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

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

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

Strategic Management of Human Capital

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

Competitive Sourcing

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

Improved Financial Performance

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

Expanding Electronic Government (E-government)

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

Budget and Performance Integration

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

Faith Based and Community Initiatives

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

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

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

Annual Performance Report



COMPETITIVE

WORKFORCE

GLOBAL ECONOMY

Strategic Goal 1:

Enhance Opportunities for America's Workforce

Americans' quality of life is closely tied to the productivity of its workforce. Without a workforce possessing skills that are relevant to the needs of today's employers, we will not continue to enjoy a competitive edge in the global economy. The Department's commitment to preparing American workers for current and future opportunities is the focus of this goal.

The outcome DOL seeks to achieve is to help all of the Nation's workers secure long-term, productive employment. However, certain groups of job seekers face barriers in their efforts to secure employment. Accordingly, the Department concentrates its efforts on those with special needs such as the disadvantaged, people with disabilities, veterans, and disadvantaged youth. In addition, the Department produces important national economic indicators and detailed employment statistics by occupation, education and training requirements, and industry – thereby providing American workers, employers, and policy makers with vital information on the U.S. labor market.

While employers and workers bear ultimate responsibility for adapting to these challenges, 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. How well the Department performs in assuring a Prepared Workforce is determined by measuring the accomplishments of programs that support three broad objectives:

Outcome Goal 1.1

Increase Employment, Earnings and Retention

Outcome Goal 1.2

Increase the Number of Youth Making a Successful Transition to Work

Outcome Goal 1.3

Improve the Effectiveness of Information and Analysis on the U.S. Economy

Agencies with programs supporting this strategic 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).

In FY 2003, the Department further improved employment outcomes for Americans – despite the challenge of a sluggish economy and its disproportionate effect on DOL target populations. Although just half of the 10 performance goals measured were achieved or substantially achieved (four and one, respectively), in most cases this year's indicators continued an upward trend.

Under Outcome Goal 1.1, which includes six performance goals – three for ETA, one for ODEP and two for VETS – DOL achieved one goal, substantially achieved another, did not achieve three and did not measure one.

- Workforce Investment Act (WIA) Adult programs increased employment rates of its participants to 74 percent and retention rates to 84 percent. Earnings increased, too (\$2900), but by less than the targeted amount.
- Employment Service programs (placement and referral) listed 10.2 million jobs on the public labor exchange – fewer than in the prior year.
- The Apprenticeship program increased the number of new apprentices by 130,615 (98 percent of target) and increased the number of new programs in new and emerging industries to 359.
- The Office of Disability Employment Policy initiated 42 demonstration projects to test strategies that address the special needs of persons with significant disabilities.

A Prepared Workforce

- Employment and retention rates for veteran job-seekers were not measured due to a major transition to a new system of measuring and reporting labor exchange service outcomes.
- Over 60 percent of Homeless Veterans Reintegration Project participants successfully entered employment – well above prior years' performance.

All three performance goals under Outcome Goal 1.2 are associated with ETA's youth programs. One was achieved and the other two were not achieved.

- The Diploma attainment rates for 14-18 year old participants in the WIA Youth program (55 percent) was above target, as were employment (67 percent) and retention rates (80 percent) for 19-21 year olds.
- The number of Job Corps graduates who obtained diplomas rose sharply to 6381, while employment, retention and earnings results fell just short of targeted increases.
- The Youth Opportunity Grant program's older youth (19-21) retention rate of 78 percent exceeded its target. Diploma and employment rate targets were not reached, however.

Both of BLS's performance goals under Outcome Goal 1.3 were achieved.

- Timeliness and accuracy targets for six reports/indices published regularly were reached, and planned improvements to Internet access to maps and statistical data were completed.
- All six milestones for improving the accuracy, efficiency, and relevancy of economic measures were met.

In the years to come, DOL will provide essential leadership to meet further challenges by emphasizing the following strategies:

- Supporting a strong academic foundation for workers
- Better understanding the needs of business
- Working with training providers—especially Community Colleges—to identify or create training to meet employer needs
- Working with employers to test new and innovative options in proven programs such as apprenticeship
- Expanding the role of faith-based and community organizations to equip Americans in need of finding and sustaining employment.

All major DOL programs associated with this strategic goal, along with their purposes, results, costs, strategies, management issues and plans for FY 2004 are discussed in the following pages. Detailed historical information on each indicator is available in Appendix 4.

Outcome Goal 1.1

Increase Employment, Earnings, and Assistance

Ernest was working as a security guard at Johns Hopkins Hospital when he heard about the Skills-based Training for Employment Promotion (STEP) program. STEP offers low-wage parents the opportunity to train for in-demand health careers. The program is coordinated by the Mayor's Office of Employment Development and involves partnerships with a consortium of hospitals, Baltimore City Community College, and the Baltimore Workforce Investment Board. Through STEP, workers train at Baltimore City Community College for positions such as pharmacy technician, dietary manager, and surgical technician. Ernest successfully completed the training and is now employed at Johns Hopkins Hospital as a pharmacy technician. In describing STEP, Ernest says, "The program has given me a new outlook on things. I'm a totally different thinker. Now, I'm learning new things and keeping up. It's limitless as to where I am going to go."



Photo Credit: Baltimore Mayor's Office of Employment Development

Overview

America's prosperity and continued leadership in the global economy depend, in large part, on the competitiveness of our workforce. Without a skilled workforce prepared to perform the jobs offered by employers, America's economy will not maintain its competitive edge in the global marketplace. Workers need quick and easy access to a broad array of high quality and highly effective workforce development services. Our nation's network of some 2,000 One-Stop Career Centers provides a focal point for communities to offer the services that enable adults to acquire the skills needed for jobs and career changes that lead to high wages. This comprehensive workforce development system also helps businesses meet their ongoing recruitment and human services needs.

Technology has dramatically increased the Department's ability to offer services and products to individuals and businesses. Through a variety of automated, online tools the national, State, and local workforce delivery systems provide customers with job matching, labor market information, resource directories, and occupational and career information. Customers can access these tools and services at any time and anywhere that personal computers can be found, such as customers' homes, businesses, and public libraries. These features of the modern workforce development system have significantly lowered barriers to access for all Americans. For those with disabilities, the One-Stop Centers have improved access to their facilities and services by installing assistive technologies such as text telephones, screen readers, voice input and output directed programs, large print monitors, accessible desks, and alternative keyboards.

Serving The Public

The Employment and Training Administration (ETA) and the Veterans' Employment and Training Service (VETS), with support from the Women's Bureau, the Office of Faith-Based and Community Initiatives and the Office of Disability Employment Policy (ODEP), operate a number of programs that provide the information, assistance, and skill-building opportunities that lead to increased employment and earnings.

ETA administers the majority of programs that contribute to the achievement of Outcome Goal 1.1. During this past program year (from July 2002 to June 2003), ETA programs served more than 16 million adults. Through the One-Stop Career Centers, 93 percent of these individuals received core employment services. Other programs such as the Workforce Investment Act (WIA) Adult and Youth programs and the Registered Apprenticeship program provided more comprehensive services to job seekers and businesses.

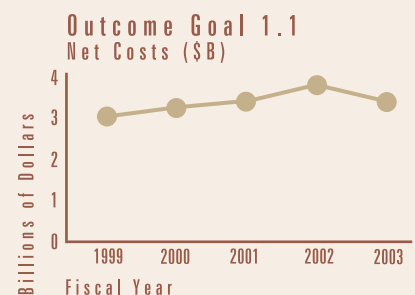
Overall, these programs demonstrated good progress toward meeting their annual performance goals under challenging economic conditions. The trend for adult programs shows that most are exceeding their annual goals in employing people and keeping them employed. However, there is a negative trend in meeting the goals for earnings gains due to tight labor markets and slight increases in unemployment.

DOL programs that provide services to adults achieved the following results this past year:

- Adult programs authorized under WIA provided necessary workforce preparation, training, and support services to a total of 457,565 individuals who increased their skills, employment opportunities, and earnings: 74 percent of those exiting the program entered employment, 84 percent remained employed, and demonstrated an average earnings increase of \$2,900.
- Wagner-Peyser Act employment services include access to resource rooms equipped with the latest technology; job referral and placement services; recruitment and screening services for employers; and labor market and career information. In FY 2003, a total of 10.2 million openings were listed with the public labor exchange: 6.1 million job openings were listed with the State Workforce Agencies and 4.1 million job openings were posted directly on America's Job Bank.
- ETA's Office of Apprenticeship Training, Employer and Labor Services has increased the number of apprenticeship occupations, providing opportunities for satisfying and rewarding careers in highly paid, skilled occupations. The additional 130,615 new apprentices hired this year contributed to the total of 488,927 active in the program. The program further expanded into new and emerging industries with the addition of 359 new programs.
- VETS oversees the delivery of employment services to America's veteran population, with an emphasis upon disabled veterans, homeless veterans, and recently separated veterans. VETS serves over 1.5 million veterans annually through the public labor exchange, and over 100,000 separating military service members participate each year in the intensive job search skill workshops provided through the agency's Transition Assistance Program.
- The Women's Bureau seeks to increase women's opportunities in occupations where worker shortages have been identified (e.g., nursing), high-technology fields, and nontraditional occupations and to increase work opportunities for older women workers, women with disabilities, immigrants, and Hispanics. In FY 2003, as a result of participation in Bureau demonstration projects, 650 women and girls either pursued employment, coursework, or training in identified worker shortage fields.
- The Office of Faith Based and Community Initiatives encourages utilization of the potential service providers in faith-based and community-based organizations. Since PY 2001, ETA has awarded a total of 61 system-building grants to States, intermediaries and small grass-roots organizations.
- ODEP develops, evaluates, and disseminates strategies to ensure that individuals with disabilities have full and complete access to all of the services delivered through the workforce development system.

Program Costs

FY 2003 program costs of \$3.4 billion supported Employment and Training Administration programs to provide employment and training for adults through formula grants to States, registered apprenticeship, and employment services; Veterans



Employment and Training Service job placement for veterans and homeless veterans; Office of Disability Employment Policy efforts to develop, evaluate, and disseminate strategies to improve employment outcomes for job seekers with disabilities; Office of Faith Based and Community Initiatives contracting outreach; and Women's Bureau efforts to increase job opportunities for women.

Lower costs in FY 2003 resulted largely from slower than anticipated State Workforce Investment Act formula grantee spending, together with small increases in veterans reemployment services, apprenticeship training, gender pay equity efforts, outreach to faith based and community organizations, and policy development to assist with the implementation of the Olmstead decision to integrate Americans with disabilities into the community. Additionally, with the phasing out of the Welfare-to-Work program that was funded in FY 1998 and FY 1999 appropriations, net costs for ETA decreased from FY 2002 to FY 2003.

DOL recognizes the importance of measuring cost effectiveness in order to maximize its positive impact on employment. In FY 2004, DOL will begin to calculate and report an efficiency measure for each of its adult training programs.

DOL Challenges for the Future

As the 21st Century unfolds, the American workforce will be vastly different than it is today. Three powerful forces will transform the workforce and the manner in which we work: (1) Globalization – increased competition and opportunities from increasing fair and free trade with an expanding number of trade partners and interaction with global corporations; (2) Demographics and Diversity – changing composition and increased diversity of the workforce; and (3) Technology – increased use of technology and increased demand for high-skilled workers with some post-secondary education and training.

DOL's challenge will be to ensure that its programs, services, and guidance of the workforce investment system reflect these changes and address contemporary issues to contribute to economic growth. As a step in this direction, the Department is increasing collaboration within the One-Stop framework, leveraging the full array of services available from all partners, to enable all workers to secure employment with the opportunity for increased earnings and career advancement. To more effectively meet the needs of workers, the Department is also focusing increasingly on engaging the employer community as both customer and partner to help satisfy their needs and thereby assist in creation of good jobs with good wages for our workers.

The Department and its partners also will take advantage of available technology, address infrastructure and capacity needs, and seek new ways to break down the barriers to integrated One-Stop service delivery. The Department has increased its emphasis on performance accountability for all programs and services. The collective goal is to continue to provide high quality services and information that best serve the nation's job seekers and employers.

Increase Employment, Retention, and Earnings for Qualified Adults

Performance Goal 1.1A (Employment and Training Administration) – PY 2002

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

Indicators

70 percent will be employed in the first quarter after program exit.

80 percent of those employed in the first quarter after program exit will be employed in the third quarter after program exit.

The average earnings change will be \$3,423 for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit.

Results

The goal was not achieved. The Department exceeded its targeted levels for individuals entering employment and job retention, achieving actual rates of 74 percent and 84 percent, respectively. The increased earnings target was not fully achieved. The actual increase of \$2,900 fell \$523 short of the target.

Program Description

The Adult Program under Title I of the Workforce Investment Act (WIA) of 1998 is designed to increase the skills, employment, retention and earnings of adult participants to help employers find the skilled workers they need to compete in a global economy. Funds are provided by formula to States and local communities, allowing them to operate statewide networks of One-Stop Career Centers, which serve as the primary vehicles for service delivery to both workers and employers. To achieve the purposes of the program, One-Stop Career Centers provide:

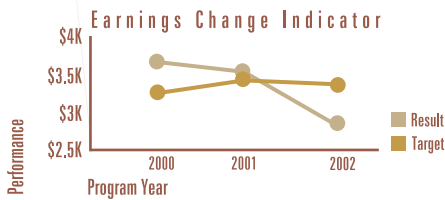
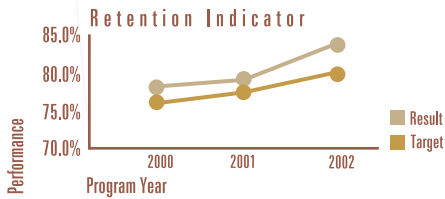
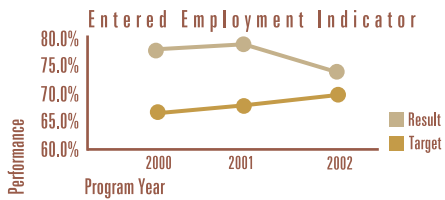
- Core Services such as outreach, labor market information, job search and placement assistance to help workers get back to work as quickly as possible.
- Intensive Services such as skills assessment, job counseling, and career planning, to help unemployed individuals who are unable to find or retain jobs through core services, or to assist employed individuals who require additional services to become self-sufficient.
- Training Services such as job-related skills, on-the-job-training, business training, and basic skills training such as English, reading, writing, and mathematics, for those eligible individuals who were unable to find or retain work through intensive services. "Individual Training Accounts" are provided to allow participants to take training of their choice from qualified training providers.
- Supportive Services such as transportation, childcare, dependent care, and housing and needs-related payments to help eligible individuals participate in the program.

States and localities are responsible for program management and operations, including eligibility determination, enrollment, service delivery, and certification of training providers. During PY 2002, approximately 457,565 adults received services, an increase of 16 percent from the number served in 2001.

After years of struggling through school with undiagnosed learning disabilities, Ian is now a successful entrepreneur with a thriving media and information technology business. Through assistance from Virginia's Department of Rehabilitation Services (DRS), Ian was diagnosed with ADD/ADHD and a mathematics disorder, and was encouraged to fill out an application for TRAIN IT. TRAIN IT is a unique partnership between multiple Virginia workforce investment boards, DRS, and the Woodrow Wilson Rehabilitation Center with the primary goal of helping individuals with significant disabilities pursue careers in information technology. Through TRAIN IT, Ian increased his technology skills and knowledge, including earning six certifications from Adobe and Microsoft, and was given the physical and emotional tools to build his own business. Ian now has several clients, both local and international companies, and his services range from documentary filming to computer consultation, training, and repairs. When asked about the future of his company, Ian says, "The sky is the limit... and I plan to fly!"



Photo Credit: DOL/ETA



Analysis of Results

The Department exceeded two of its three PY 2002 performance targets. DOL developed these targets in close collaboration and negotiation with the States. The results reflect performance reported by 50 States, the District of Columbia and Puerto Rico through the fourth quarter of the Program Year ending June 30, 2003. These results represent a significant improvement in retention (a 6.5 percent increase over 2001, when 78.9 percent of workers reported employment in the third quarter following participation). While the PY 2002 earnings change target was set \$159 above that of 2001, it was not achieved. This may reflect lower wages as a consequence of increased productivity (fueled by technological advances, as opposed to additional hours of people working), surplus of products to sell, and the tendency of incumbent workers to stay on the job during the uncertain period of slow economic recovery. Employers have reduced by 1.1 percent the total number of hours worked since November 2001 and have not provided salary increases for most jobholders.

The decrease in WIA Adult program participants' earnings gain may also be related to the increase in the unemployment rate of 5.4 percent in September 2002 to 6.1 percent in September 2003. The number of unemployed individuals for this same period rose from 7.7 million to 8.9 million. The economy showed some small wage increases in 2000 and 2001, but these increases were not reflected in PY 2002 outcomes. Workers had difficulty finding good paying jobs during 2002, as indicated by the increase in the poverty level from 11.7 to 12.1 percent from 2001 to 2002.

Strategies

Through the production of new tools, creation of incentives, and simplification of the coordinating process, the Department's strategies are intended to help employers find the workers they need; to prepare the workers for and place them into jobs with an emphasis on growth occupations having career potential; and to retain those workers in the labor market so that they can achieve wage progression and self-sufficiency. These strategies include:

Strengthening business relationships to assure demand-driven services and to better identify and fill jobs in growth occupations. The Department is identifying growth occupations and creating industry-specific "hiring profiles" for use as planning tools, to assure that organizations qualified to train in high-growth fields are recruited by States and local communities to appear on One-Stop Career Center eligible training provider lists. These profiles also anticipate the need for informed customer choice, an important principle in the Administration's proposed Personal Reemployment Accounts.

Through ETA's Business Relations Group, DOL is working to raise business awareness and use of the workforce investment system by testing innovative ideas through national partnerships with entities such as the U.S. Chamber of Commerce, the Economic Development Council, the National Association of Manufacturers and the Computing Technology Industry Association (CompTIA).

Assuring universal access to the workforce investment system with emphasis on targeted outreach and returning dislocated workers to good jobs. DOL will encourage and provide incentives for State and local program operators to increase their number of qualified refer-

rals to growth occupations from traditionally underutilized labor pools, including people with disabilities and limited English proficiency. DOL will work with community and faith-based organizations to increase local access to such labor pools. The Department has taken steps to improve labor market information products and to increase access to information for career and business planning and for more effective job search strategies.

Leveraging Non-WIA resources to prepare the workforce. In many cases, individuals eligible and enrolled in programs under WIA are also eligible for other federal, state and local programs. The cost burden for WIA can be eased and the level of resources available greatly increased by *co-enrolling* an individual in both WIA and such other programs. While WIA might handle skill-training costs, for example, another program in which the individual is co-enrolled might cover supportive services (such as transportation and child care).

A frequent drawback to co-enrollment is that different programs often have different performance standards, and co-enrollment of an individual (particularly a person with a large number of barriers to employment) might have a negative impact on one program's standards, but not on another's. DOL is working to define and publish co-enrollment examples and policies that do not have such an effect. DOL is also experimenting with the use of other non-WIA resources, which will allow for upgrading of entry-level workers in order to obtain employer agreement to backfill the vacated entry positions with WIA participants.

Management Issues

A recent Office of Inspector General (OIG) report raised concerns about whether data reported by States for WIA performance were accurate and supportable. In response, DOL has developed data validation handbooks and software, and has issued guidance for data validation of Program Year 2002 data. States are required to conduct both report validation and data element validation by April 1, 2004.

Another OIG audit assessed training activities under the WIA adult program, finding that WIA requirements, along with state and local policies, discourage eligible training providers (ETP) from participating in the One-Stop Career system. In response to OIG recommendations that ETA enact policy changes to reduce ETP burdens, the Department notes that the passage of the WIA reauthorization proposal includes changes to ETPs that will address these concerns (see study 4 in Appendix 3).

The General Accounting Office (GAO) has also issued five reports relating to the WIA adult program. Two reports addressed performance measurement issues (studies 13 and 15 in Appendix 3), the third report examined spending and financial reporting by States (study 14 in Appendix 3), the fourth report discussed transportation services for transportation-disadvantaged populations (see study 16 in Appendix 3), and the fifth report recommended development of a research agenda for integration of programs in One-Stop Career Centers (see study 17 in Appendix 3). ETA is addressing these GAO findings and recommendations through issuance of clarifying reporting guidance; examination of methods and systems for adjusting analysis of performance outcomes to take into account economic, demographic, and other factors; with the Coordinating Council for

Access and Mobility; commissioning an evaluation of the WIA performance measurement system; and development of a five-year research plan. Additionally, the WIA reauthorization proposal will address several of the recommendations in the GAO reports. ETA also contracted with an independent research team to conduct an interim evaluation of the Workforce Investment Act of 1998 (see study 23 in Appendix 3). By examining national goals and the roles of Federal, State, and local partners in implementing the law in eight states, the study provides information on the administration and delivery of publicly funded workforce development services. Details of these reports' specific findings, recommendations, and DOL actions taken can be found in Appendix 3.

Goal Assessment and Future Plans

The creation of a more agile, competitive workforce investment system that gives States discretion to move with the economy is needed. A reauthorized WIA can better integrate the Adult and Dislocated Worker formula programs and the labor exchange functions under the Wagner-Peyser Act. Labor exchange and information services can form the foundation of a unified approach with training and intensive services. A better integrated system can be tailored to local conditions, workforce trends, and the specific needs of business.

The Department anticipates that system integration and the expanded use of technology to inform adult customers about the labor market, current job opportunities and services, will increase performance due to the greater efficiencies that will be realized by these actions. Greater use of technology will also lead to increased staff capacity through distance learning and will improve on-demand communications with grantees and customers.

Improve Public Labor Exchange Users' Outcomes

Performance Goal 1.1B (Employment and Training Administration) – PY 2002

Improve the outcomes for job seekers and employers who receive public labor exchange services.

Indicators

55 percent of job seekers registered with the public labor exchange will enter employment with a new employer by the end of the second quarter following registration.

70 percent of job seekers will continue to be employed two quarters after initial entry into employment with a new employer.

The number of job openings listed with the public labor exchange (with both State Workforce Agencies and America's Job Bank) will be at least the number obtained in Program Year 2001.

Results

The goal was not achieved. The Program Year 2002 performance targets for the retention and entered employment indicators were estimates, based on studies conducted by the Employment and Training Administration (ETA) and the Veterans' Employment and Training Service (VETS) using Program Year 1999 and 2000 data to simulate a new labor exchange performance measurement system that was implemented in Program Year 2002. Due to the transition to a new measurement and reporting system, ETA will not have nation-wide employment and retention data until next year. However, data are available from a recently completed study of seven States that suggest performance levels exceeded estimates for this reporting year.

In Program Year 2002, a total of 10.2 million openings were listed with the public labor exchange: 6.1 million job openings were listed with the State Workforce Agencies and 4.1 million job openings were posted directly on America's Job Bank. This number of total listings is a decline from Program Year 2001, during which 11.8 million jobs openings were listed, including 7.2 million jobs posted with the State Workforce Agencies and 4.6 million jobs posted on America's Job Bank.

Program Description

The purpose of the public labor exchange is to match labor market supply with demand and to provide businesses that have employment openings with appropriate job seekers to fill their vacancies. As part of this process, the public labor exchange system receives and publishes job openings, either through businesses posting their openings with State workforce agencies, or on America's Job Bank — a national Internet-based labor exchange system that complements other workforce investment system services.

The accomplishments of the public labor exchange are reflected through the success of job seekers served by the system. Entered employment rates show how many job seekers were placed into employment. Retention rates show how suitable the match was for both the business and the job seeker — determined by how many placed job seekers remain

Faith-based and community organizations can be powerful catalysts in transforming people's lives. The Department is expanding opportunities for these grassroots groups to receive grants and other resources to carry out their mission of bringing hope and opportunity to individuals and improving our communities. Many grants are specifically designed to link the service expertise of faith- and community-based organizations with the One-Stop Career System. The grants are a central component of President George W. Bush's effort to ensure federal policy and programs are accessible so all qualified organizations are able to compete for government funds.

In September 2003, the D.C. Department of Employment Services (DOES) Office of Faith and Community-Based Partnerships launched the new One-Stop Mobile Career Center which travels to neighborhoods and worksites throughout Washington, D.C., providing direct access to employment and literacy services for unemployed and underemployed workers.



Photo Credit: Shawn T. Moore

with that employer for at least six months. The number of job openings listed provides context to the entered employment indicator, as an increased number of employment opportunities creates better chances for job seekers to find employment through the public labor exchange system, just as a decrease in the number of employment opportunities decreases the chances.

Analysis of Results

In Program Year 2002, with the implementation of a new labor exchange performance measurement system that uses Unemployment Insurance (UI) wage records to determine employment outcomes, States were only able to report on characteristics of registered job seekers and services provided. Information on employment and retention outcomes for registered job seekers served in Program Year 2002 will not be available until the end of Program Year 2003, because these indicators track registrants' entry to jobs for up to eight months after registration and employment retention for an additional six months after placement.

A total of 10.2 million openings were listed with the public employment service during Program Year 2002: 6.1 million job openings were listed with the State Workforce Agencies and 4.1 million job openings were posted directly on America's Job Bank, falling short of the goal of 11.8 million job openings (the same level as Program Year 2001). This shortfall can be attributed to three primary causes. First, although the economy began to grow during the last portion of Program Year 2002, the job openings indicator still reflected the tough labor market for much of the reporting period. The job growth that occurs with an economic recovery usually lags the increase in Gross Domestic Product by several months. Second, the revised reporting system implemented in Program Year 2002 changed the method State Workforce Agencies use to count job listings. Only new listings received during the Program Year are counted; existing job listings on their systems from the previous Program Year are now excluded. Finally, a new version of America's Job Bank, introduced in October 2002, encountered some problems in receiving job orders from large-batch employers during its first month of operation. The issue was resolved, but resulted in fewer jobs openings being listed on America's Job Bank during that quarter than would have otherwise been received. Because the last two factors were one-time events, performance is expected to improve in Program Year 2003.

Strategies

To help job seekers find and maintain jobs ETA has aggressively expanded outreach efforts to employers. Through its Regional Offices and the Business Relations Group, ETA has undertaken concentrated steps to partner with businesses by engaging large, multi-State employers in high-growth industries to educate them on the benefits of partnering and listing their job openings with the One-Stop service delivery system. Through these partnerships, ETA has helped several businesses meet their staffing needs, while linking job seekers with high-growth employment. Additionally, through continuing refinements to America's Job Bank, and other Internet resources such as America's Career InfoNet, and America's Service Locator, ETA provides expansive labor market and career information to help job seekers and employers make informed decisions about employment.

Management Issues

ETA is focusing on three issues that impact reporting the results of the public labor exchange system: data validation, common measures, and upgrading the reporting capabilities of America's Job Bank. First, recent performance audits by the Department's Office of the Inspector General have questioned the oversight and accuracy of ETA's performance reports for workforce investment system programs.

To address these findings and to increase the reliability of performance information for the workforce investment system, ETA has implemented a data validation initiative that requires States to ensure that their performance reports for the public labor exchange system are accurate and supportable at the data source. In addition to providing technical assistance and training, ETA has developed a set of validation tools, including instructional handbooks, software, and user guides that States and grantees can use to validate data.

Second, with the implementation of the common measures for federal employment and training programs in Program Year 2004, ETA will provide policy guidance and technical assistance to State and local partners to ensure a smooth transition to a revised performance measurement and reporting system. Third, ETA will review and improve the reporting capabilities of America's Job Bank to ensure data from this source has the same reliability as the data obtained from the State Workforce Agencies.

Goal Assessment and Future Plans

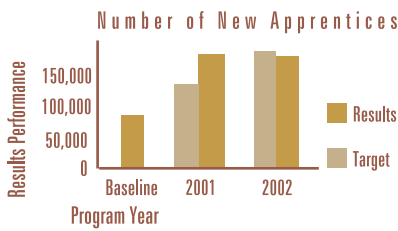
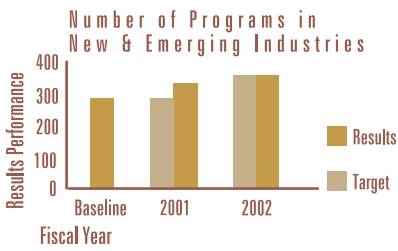
ETA's ability to meet its target for the job openings indicator is highly dependent on economic factors. For Program Year 2003, ETA will revise this indicator using a methodology that can measure continuous improvement relative to increased listing of job openings regardless of economic conditions. Beginning in Program Year 2004, ETA will not officially report on this indicator, but the agency will continue to track this information for management purposes.

ETA plans to refocus the role of America's Job Bank during Program Year 2003 to provide better and more demand-driven services. Additionally, in Program Year 2004, ETA will begin to integrate the program with WIA core services and report outcomes of the public labor exchange system using the common measures for federal employment and job training programs, which are the entered employment rate, retention rate, and earnings increase.

A mother's work is never done. Odetta of Washington D.C. is a mother of six children and one grandchild. Odetta spent ten years on public assistance raising her children prior to enrolling in the Employment and Training Administration's welfare-to-work program, "Project Empowerment." Through Project Empowerment, she entered a pre-apprenticeship program with the Plumbers Union Local No. 5, and ranked first in her class of 20 during the training period. Odetta is now a first-year apprentice with the Plumbers Union, working at the Pentagon and earning \$12.45 per hour. She will be earning incremental pay increases during her apprenticeship-training period.



Photo Credit: Bill Petros;
Contracted by the D.C. Department of Employment Services



Strengthen Registered Apprenticeship

Performance Goal 1.1C (Employment and Training Administration) – FY 2003

Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.

Indicators

Increase the number of new apprentices over the established baseline from 78,700 to 133,909.

Increase the number of new programs in new and emerging industries – at a minimum Information Technology, Health Care and Social Services – over the established baseline from 266 to 359.

Results

The goal was substantially achieved. Although States predicted slow economic growth in most industries, the Office of Apprenticeship Training, Employer and Labor Services (OATELS) was able to increase the number of newly registered apprentices to 130,615—within 98 percent of the target of 133,909 – and was successful in developing 359 programs in new and emerging industries. OATELS staff, which accounted for 52 percent of the newly registered apprentices, exceeded the goal for Federal staff to register 67,293 new apprentices. The remaining 48 percent of newly registered apprentices were registered by State Apprenticeship Councils’ staff (SACs), who are not under direct authority of OATELS. Since FY 2002, apprenticeship programs have created job opportunities and skills training for over 267,000 individuals. Simultaneously, there were over 680 new programs registered in new and emerging industries, even though these industries are not traditionally known to use the apprenticeship training model.

These targets and results are consistent with the findings and recommendations of the Advancing Apprenticeship in the 21st Century Initiative. As a result of these findings, OATELS developed the Advancing Apprenticeship Initiative (AAI) Implementation Plan designed to (1) educate and inform target populations about the benefits of registered apprenticeship as a learning strategy for acquiring valuable skills; (2) increase the number of new apprenticeship employer/sponsors; (3) expand the number of new apprenticeship programs; and (4) increase the number of new apprenticeship programs in new and emerging industries.

Program Description

Registered Apprenticeship is the combination of on-the-job learning and related technical and theoretical instruction in a skilled occupation. Industries develop apprenticeship programs based on the skills and knowledge that these industries require of their employees. Sponsors voluntarily operate and cover costs of the programs that are registered with the DOL or a federally approved State Apprenticeship Agency. Registered Apprenticeship provides positive returns on investment, as it requires a formal employer-employee relationship, including provision of wages during the instruction period. At the successful completion of the related instructional training and required on-the-job learning, apprentices receive Certificates of Completion from DOL that are portable and recognized nationally.

Analysis of Results

The targets established, though ambitious, were pursued in support of the activities related to the Advancing Apprenticeship Initiative. Despite slow economic growth in certain sectors of the economy, the Registered Apprenticeship program continued to expand opportunities for 130,615 apprentices. Nationally, the apprenticeship system developed 359 programs in new and emerging industries, particularly high-growth industries. While 359 programs may appear few in comparison to the total number of programs, it represents a 35 percent increase in two years over the baseline of 266 programs. This achievement resulted from staff training and development, the extensive dissemination of new outreach materials, industry specific materials, workshops, and special program events.

The performance goal was established during FY 2002 with indicator baselines determined using the average of FYs 1999, 2000, and 2001 data. Over four years, new apprentices and programs for new and emerging industries were to increase over the baselines by 60 percent and 40 percent, respectively. The two indicators were selected to track the progress of new registered apprentices and the penetration of apprentice programs in new and emerging industries. Performance targets have since been revised upward as the program's success exceeded expectations.

Strategies

The Federal staff coordinated with the National Association of State and Territorial Apprenticeship Directors (NASTAD) and State Apprenticeship Councils (SACs) to deploy the strategies outlined in the Advancing Apprenticeship implementation plan. With these strategies, DOL focused on increasing the current base of employers or sponsors and educating these potential employers or sponsors of new and emerging industries and occupations, and making connections with the workforce development system and other ETA initiatives. OATELS worked closely with ETA's Business Relations Group to connect to businesses interested in registered apprenticeship. This partnership resulted in including apprenticeship in a number of dynamic initiatives supporting, for example, manufacturing — the National Institute for Metalworking Skills (NIMS), information technology — the Computing Technology Industry Association (CompTia), and health care — the Council for Adult and Experiential Learning (CAEL), and the geospatial industry — University of Mississippi.

Three years of planning, implementation, and coordinated partnering with internal and external entities have resulted in the successes achieved thus far. Strategies to develop a career lattice approach in credentialing and certifying training continues to show potential. Through outreach efforts to industries and businesses that traditionally have not used registered apprenticeship, OATELS has demonstrated that the recruitment and registration of apprentices does indeed expand opportunities for workers and meet the needs of employers for a skilled workforce.

Management Issues

Since GAO issued its report titled *Registered Apprenticeships: Labor Could Do More to Expand to Other Occupations* in September 2001, OATELS has addressed all four of GAO's recommendations.

Casie is a March 2003 graduate of the Construction Trades Prep program. Supported by the Women's Bureau and based in New York City, Construction Trades Prep provides extensive job readiness training for working women interested in trade careers.

A native New Yorker, Casie attended college on an athletic scholarship and received her Bachelor's degree in criminal justice. Her work experience remained within the criminal justice field, including three years with the United States Secret Service. After returning to New York, Casie decided she needed a change. "I began making a living, or trying to, using the skills I have already, and have found it very difficult due to the fact that I am independent. I made contact with Non-Traditional Employment for Women and was given the opportunity to take a step closer to stable employment within a union." Casie graduated at the top of her class, winning the coveted "Golden Hammer Award," a staff-elected honor that signifies excellence in carpentry and leadership. "I love working with my hands. I've been doing this kind of work for many, many years for myself. I really enjoy the variety, the constant learning and the reality and feeling of accomplishment." Casie is currently employed as a first-year apprentice with the Empire State Carpenters on Long Island, where she is attending training classes and working steadily.



Photo Credit: Anne Rascon, Director of Training,
Non-Traditional Employment for Women

GAO's first recommendation was to *lead a systematic effort to work with State apprenticeship councils and others interested to identify apprenticeable occupations that have shortages of skilled labor and establish plans for promoting apprenticeship programs in these occupations.* In response, OATELS, NASTAD and the SACs launched the Advancing Apprenticeship Initiative and have completed two phases of a three-phase Implementation Plan. OATELS has also collaborated with SACs to implement apprenticeship programs in new and emerging industries that do not traditionally engage the apprenticeship model as a key training strategy.

GAO also recommended OATELS *work with other Federal workforce development programs to identify funding for developing apprenticeships when additional support is needed.* OATELS addressed this recommendation by successfully securing over \$18.5 million of workforce investment discretionary funds, in collaboration and partnership with other agencies, to address the needs of incumbent workers, dislocated workers, youth, and other key segments of the workforce.

In addition, GAO recommended OATELS *establish a mechanism for sharing among labor representatives and employers information on apprenticeship programs,* particularly those in occupations that have not used the apprenticeship system in the past. OATELS continues to partner with organizations and stakeholders to increase the number of new apprenticeship employers or sponsors, expand the number of new apprenticeship programs, and increase the number of new apprenticeship programs in new and emerging industries. These successful endeavors have resulted in significant increases of apprenticeships in new industries such as Information Technology, Health Services, and Geospatial.

Finally, GAO recommended OATELS *ensure that the apprenticeship database contains detailed information on current programs so that accurate and complete information is shared and progress in meeting labor market needs can be evaluated.* OATELS response to this recommendation is a work in progress. Detailed, current, accurate, and complete information on programs is collected through the Registered Apprenticeship Information System (RAIS), which went on-line in February 2002. RAIS is continually evolving to address OATELS business needs and general statistical data is shared internally and externally via the OATELS website.

Goal Assessment and Future Plans

In FY 2004, OATELS will establish two new indicators that will replace the current indicators. The first indicator will focus on increasing the number of apprentice graduates, and will support DOL's strategic goal for a prepared workforce in order to address businesses' need to develop and maintain qualified, competitive, and skilled workers. Apprenticeship training programs' graduation rates will be compared to other post-secondary programs as a benchmark. The second indicator will focus on apprentices' wages, will be compared to the Bureau of Labor Statistics Report on Wage Earnings and will be used to project how apprentices' earnings steadily increase with the level of proficiency. This indicator can help identify how trends in program selection and retention behavior are reflected in wages.

Increase Employment for Persons with Disabilities

Performance Goal 1.1D (Office of Disability Employment Policy) – FY 2003

Implement new demonstration programs, through grants, designed to develop and test strategies to address the special needs of persons with significant disabilities.

Indicators

Implement 30 new Olmstead grant projects, targeted at persons with significant disabilities who are institutionalized.

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.

Results

The goal was not achieved. ODEP expanded its focus in 2003 beyond initiating projects focused on Olmstead populations and youth. For that reason, of the 42 pilot projects initiated in FY 2003, only sixteen focus specifically on Olmstead populations, 21 focus on youth (seven of which are new technology skills projects), and five focus on Customized Employment. There are several reasons for this expansion outlined in the “Strategies” section below.

Program Description

The Office of Disability Employment Policy's (ODEP's) mission is to provide national leadership to increase employment opportunities for adults and youth with disabilities. ODEP also supports the employment-related goals of the President's *New Freedom Initiative*, with the objective of positively impacting employment opportunities for the millions of adults and youth with disabilities. The employment rate for persons with a severe disability in 1997 was 31.4 percent and 82 percent for persons with a non-severe disability, according to the U.S. Census Bureau. These low employment rates for people with disabilities clearly present the magnitude of the challenges ODEP faces.

ODEP undertakes pilot projects and other research initiatives to assess effective practices and workforce development strategies that will assist people with disabilities in obtaining meaningful employment, training, and employment support. ODEP's efforts focus primarily on selecting, implementing, and evaluating pilot projects. For each successful pilot project, ODEP collects data regarding effective practices and workforce development strategies. ODEP then disseminates the effective practices and strategies broadly for replication in mainstream employment, training, and employment support programs.

Olmstead projects were designed to address implementation of the 1999 Supreme Court decision in *Olmstead v. L.C.* and the subsequent Executive Order issued in 2001 by President George W. Bush (EO #13217: Community Based Alternatives for Individuals with Disabilities). Accordingly, these projects develop, identify, test, and evaluate effective employment, training, and employment support strategies that improve employment outcomes for people with disabilities. Improvement in employment outcomes will allow

While Belinda had worked for a number of years, reoccurring episodes of a psychiatric disability required her to interrupt her work due to many hospital stays. These episodes severely eroded her confidence and hindered her ability to continue in her profession. While she was working through a depressed state, ODEP's Customized Employment program in Napa, CA accepted her and developed for her an individualized employment plan that began by restoring her confidence in her abilities. These first steps focused on building her work experiences by giving her interim supervisor responsibilities for one or two persons with severe disabilities. This experience proved to her that she could make a difference in people's lives. She now serves as one of the program's full-time Job Coaches, assisting other persons with disabilities in employment skill development. Belinda's goal is to work her way back to a supervisory position in her former field. She's well on her way toward that goal.



Photo Credit: Napa Job Connection

Pedro, having been diagnosed with schizophrenia, was referred by his mental health case manager to the ODEP Customized Employment project in Napa, CA for employment services. He had poor English skills, low self-esteem and few job skills when he started the program. Some of the services organized to assist Pedro achieve his employment goals included opportunities to improve his English skills and confidence in his ability to work. Through various customized employment activities, including career exploration activities, Pedro developed an interest in food preparation. He wants to become a cook. The Napa grant staff organized their work preparation plan behind his interest and ambition. Now, he is working as an assistant cook and looks forward to advancing further in his chosen field.



Photo Credit: Napa Job Connection

individuals with disabilities to move from nursing homes or other institutions and residential facilities into the community; continue living in the community; achieve economic self-sufficiency; and attain full access to, and participation in their communities. While issuing the Executive Order, President Bush said, “Olmstead and the ADA rightly mandate that individuals with disabilities who can receive support and treatment in a community setting should be given a reasonable opportunity to live close to their families and friends when appropriate.”

Analysis of Results

In FY 2003, ODEP initiated 42 pilot projects ranging from one to five years in length, which focus on various Olmstead populations and youth, and additionally, on customized employment. The pilot projects include eight grants for *Home Modification* (Olmstead), three grants for *WorkFORCE Action* (Olmstead), five grants for *Reducing Homelessness through Employment* (Olmstead), seven grants for *High School/High Tech Development and Implementation* (Youth), eight grants for *Innovative State Alignment Grants for Improving Transition Outcomes for Youth with Disabilities through the Use of Intermediaries* (Youth), six grants for *Intermediary Grants for Mentoring Youth with Disabilities* (Youth), and five grants for *Customized Employment*.

ODEP’s determination to shift and broaden its focus from initiating 30 grants focusing on Olmstead populations and 12 grants focusing on youth is based on Congressional language in the FY 2003 budget. ODEP’s funding increase in FY 2003 includes, “...an expansion of One-Stop accessibility grants to support the process of implementing the ‘ticket-to-work’ through One-Stop Career Centers; expanding the provision of grants aimed at developing and implementing innovative programs for moving youth with disabilities from school to work; and funding an Olmstead grant program to assist persons with significant disabilities in making the transition from institutional settings to the community and employment.” Congress also urged ODEP, “...to establish a special, structured, fall and spring semester internship program to augment existing programs supporting undergraduate students with disabilities in their efforts to pursue careers in public service.”

Further, based on analysis of feedback provided by 2002 Olmstead WorkFORCE Coordination applicants and grantees, ODEP determined that while interest in WorkFORCE Coordination pilot projects is high, States’ infrastructures do not yet fully support the capability to implement them. As a result, ODEP reevaluated and redirected the focus for Olmstead and other pilot projects to be initiated in FY 2003.

Strategies

ODEP undertakes pilot projects that develop, identify, test, and evaluate strategies that enhance opportunities for youth and adults with disabilities to enter and retain employment and to fully participate in all aspects of community life. Once these strategies are proven effective, ODEP collaborates with other DOL and Federal agencies engaged in employment, training, and employment support services programs, such as DOL’s Employment and Training Administration and the U.S. Department of Housing and Urban Development, to encourage their implementation and replication.

Management Issues

Internal Program Evaluations and Audits: Pilot projects submit monthly, quarterly, and close out reports. These reports, used for evaluative purposes, address the effectiveness of strategies and the reliability of performance data.

External Program Evaluations and Audits: Pilot projects are evaluated by an external evaluator through site visits, telephone surveys, and regular reporting documents. The evaluators' reports address the effectiveness of strategies and the reliability of performance data.

Goal Assessment and Future Plans

In FY 2004 ODEP will continue evaluating ongoing pilot projects and will implement new pilot and research projects focused on strategies that enhance opportunities for youth and adults with disabilities to enter and retain employment and to fully participate in all aspects of community life. ODEP will measure increases in: the number of participants served at pilot project sites; participants served at pilot project sites who enter employment; and the three-month and six-month retention rates for participants served at pilot project sites. Finally, ODEP will measure the increase in effective practices identified at pilot project sites and through other research initiatives.

Mantonio is 28 years old with a special education diploma. Mantonio had previously been in a community rehabilitation program, but there was not enough work available. When ODEP's Customized Employment grant staff based in Knoxville, TN first met with Mantonio, he did not participate in classroom activities. Under the ODEP grant, the local staff created and implemented a customized employment plan. He also participated in a series of workshops designed to help Mantonio determine his own skills and employment goals. On October 22, 2003, Mantonio interviewed with a local restaurant and was hired to clear, bus, and clean tables. The employer has indicated strong satisfaction with Mantonio's work overall. The restaurant is small, and there is a family-like environment among the employees. Co-workers readily interact with Mantonio, and he responds positively to them. Getting a pay-check and going to the bank are sources of enjoyment for Mantonio. The restaurant manager says that Mantonio contributes greatly to the success of the restaurant.



Photo Credit: Iryna Loboda

VETS has helped many veterans successfully enter the civilian workforce after struggling with disabilities and other challenges following their military service. For example, Gary, pictured below, joined the United States Army in August 1973, and served until May 1994. After his retirement he was granted VA compensation for multiple disabilities. Initially, he did not seek work, but after a 2-year hiatus Gary attended the State University of New York (SUNY) Canton Technical College, in Canton, NY, where he earned his AAS in Manufacturing Technology in May 1998. He then attended the Rochester Institute of Technology where he earned a BS in Computer Integrated Manufacturing Engineering Technology, and found employment in Boonville, NY. Unfortunately, Gary once again became incapacitated by a recurrence of his disabilities and lost that job as a consequence. Subsequently, Gary successfully completed rehabilitation and moved to Albany, NY where he obtained housing at the Veterans' House. It was during this transition that the Albany Disabled Veteran Outreach Program Specialists (DVOPs) started to work with Gary. Working in conjunction with the VA-funded Vocational Rehabilitation and Employment program, DVOPs assisted Gary in the interviewing process and gave him over 25 referrals to prospective employers. Gary was hired and began working for the New York State Department of Civil Services as an Engineering Personnel Examiner. Gary moved out of the Veterans' House and entered a Masters degree program in Instructional Technology/Curriculum Design at American Intercontinental University. He has a 3.8 GPA.



Photo Credit: Michael Ray, DVOP, New York State Department of Labor, Veterans Program Office

Help Veterans Get and Keep Jobs

Performance Goal 1.1E (Veterans Employment Training Service) – FY 2003

Increase the employment and retention of veteran job seekers registering for public labor exchange services

Indicators

58 percent of veteran job seekers will be employed in the first or second quarter following registration.

72 percent of veteran job seekers will continue to be employed two quarters after initial entry into employment with a new employer.

Results

The goal was not measured. During FY 2003, the Department implemented a new measurement and reporting system for public labor exchange outcomes. As a result of this transition, four calendar quarters of nationwide data on veterans' entry to employment will first become available near the end of FY 2004. The outcomes reported at that time on veterans receiving public labor exchange services will be included in the FY 2004 Annual Performance and Accountability Report.

Program Description

VETS is responsible for ensuring the delivery of employment and training services to America's veterans. A key channel for the delivery of those services is the public labor exchange. The public labor exchange offers, to both job seekers and employers, access free of charge to a nationwide network of information technology resources and public service offices that provide a common ground for the exchange of information on the requirements of available job openings and the qualifications of available job applicants. DOL shares the responsibility for maintaining the public labor exchange with State Workforce Agencies, which conduct labor exchange activities at the state and local level under Wagner-Peyser grants administered by the Employment and Training Administration (ETA).

VETS administers grants with the same State Workforce Agencies that partner with ETA in maintaining the public labor exchange. These grants provide Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representative (LVER) staff at public labor exchange offices throughout the country. DVOP specialists provide a variety of public labor exchange services, including career coaching, vocational guidance, employability assessment, job development, referral to training, and supportive services for veterans with special needs. LVER staff members ensure that veterans receive services on a priority basis at public labor exchange facilities, train front-line staff, conduct job search skill workshops for transitioning service members and veterans, and conduct outreach to employers and other community groups.

Analysis of Results

ETA is the Department's lead agency for the collection and reporting of data on public labor exchange services, including those services provided to veterans. As indicated previously, ETA was responsible for managing the transition to a new method of measuring outcomes based on UI wage records during Program Year 2002 (July 1, 2002 through June, 30 2003). In light of the absence of systematic data for FY 2003 that resulted from this transition, VETS partnered with ETA to conduct a study of the new measurement and reporting procedures in seven states. Although the data from this pilot study do not reflect nationwide results for veterans receiving labor exchange services, these initial results indicate that VETS is on track to meet both the entry to employment target and the employment retention target established for FY 2003. While these results suggest that, once assisted to enter employment, veterans are quite successful in staying employed, these same data also suggest that assisting veterans to achieve active participation in the workforce is challenging.

Strategies

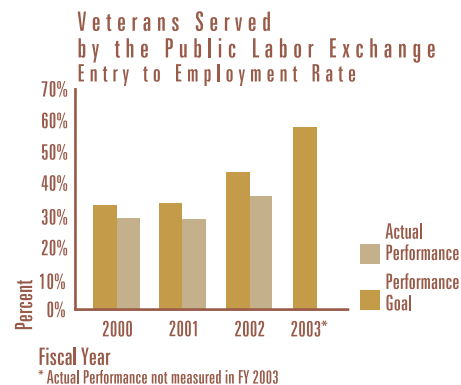
The Jobs for Veterans Act, enacted as the FY 2003 Annual Performance Plan was being finalized, served to redirect DOL's public labor exchange activities on behalf of veterans in significant ways. The most fundamental shift introduced by this legislation has been to markedly reduce program rigidity by devolving more authority to State Workforce Agencies, which now have broader latitude to adapt the delivery of public labor exchange services for veterans according to the prevailing economic conditions in each State and the specific conditions within the different regions of a given State.

Prior to the Jobs for Veterans Act, the state agencies submitted their funding requests in response to a uniform set of specifications. For FY 2004, all state agencies submitted customized State Plans to DOL and negotiated key provisions. Policy issues formerly handled by DOL alone are now handled by DOL in close concert with its many partners throughout the network of State Workforce Agencies. For example, during FY 2003 state and Federal staff members participated jointly in a number of work groups focusing on the implementation of key aspects of the new legislation.

Management Issues

During FY 2003 VETS was challenged by the need to oversee the operational flexibility newly granted to state agencies by the Jobs for Veterans Act. While encouraging flexibility in service delivery approaches, VETS also has the responsibility to define criteria that establish reasonable boundaries and to issue clear guidance that assures an appropriate degree of consistency in the nationwide delivery of public labor exchange services for veterans.

Another management challenge that became evident during FY 2003 and that is expected to continue into the future relates to the integration of public labor exchange services for veterans with other workforce development programs operating at the state and local level. While the flexibility provisions of the Jobs for Veterans Act clearly favor increased integration of veterans' services, the new priority of service provisions establish criteria that call for consideration of, and accommodation in, integrating services for veterans at the state and local levels. This will also require focused oversight by DOL in 2004.



A DOL policy research effort currently nearing completion is expected to provide improved documentation of the linkages among: the characteristics of veterans registered with the public labor exchange; the types of public labor exchange services provided to veterans; and the outcomes experienced by veterans who receive public labor exchange services. We expect the results of this research will assist DOL to identify past practices that have been most successful, and to identify options for new service delivery approaches.

Goal Assessment and Future Plans

The Program Year (PY) 2003 (July 1, 2003 - June 30, 2004) performance indicators for the delivery of public labor exchange services to veterans are the same as for FY 2003, both with respect to entry to employment (58 percent) and retention in employment (72 percent). As indicated, the results of the pilot study conducted suggest that VETS is on track to meet those goals.

For PY 2004, VETS will add a new indicator – the rate at which disabled veterans enter employment after receiving public labor exchange services. The pilot study results suggest that VETS is not currently on track to reach the target of 60 percent. Therefore, VETS plans to undertake a comprehensive review of its strategies for the delivery of public labor exchange services to veterans, and especially to disabled veterans, in an effort to improve the matching of services to needs so that outcomes for disabled veterans can be improved.

Homeless Veterans Are Assisted to Obtain Employment

Performance Goal 1.1F (Veterans Employment Training Service) – FY 2003

Increase employment for Homeless Veterans' Reintegration Program participants

Indicator

At least 54.5 percent of veterans enrolled in HVRP grants enter employment.

Results

The goal was achieved. At the end of the most recent reporting period for Homeless Veterans' Reintegration Program (HVRP) grants, on June 30, 2003, the average rate of placement into employment for all HVRP grantees was 60.3 percent. The successful performance of HVRP grantees reflects a total of 9,255 homeless veterans who were placed in employment, out of a total of 15,336 homeless veterans who were enrolled as participants.

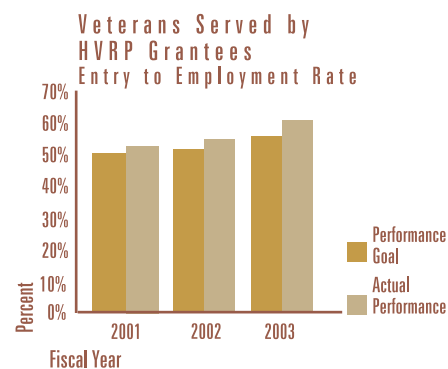
During FY 2003, VETS initiated a new policy of funding and measuring HVRP grantee performance on a schedule that is consistent with the Department's program year. Consequently, this is the first year of operations within the framework of a program year performance period supported by FY 2003 funds (July 1, 2003 through June 30, 2004). Results in this report cover only the outcomes achieved prior to July 1, 2003. The Annual Performance and Accountability Report for FY 2004 will treat the results achieved during the program year 2003 performance period.

Program Description

The Homeless Veterans' Reintegration Program focuses on the provision of employment and training services to homeless veterans to enable their successful reintegration into the workforce. This program also funds provision of or referral to related support services such as medical treatment, temporary and/or permanent housing, counseling, and transportation. Organizations receiving grants under this program typically provide job search, counseling, placement assistance, remedial education, classroom and on-the-job training, and supportive services such as transportation and transitional housing. These services are often provided in concert with HUD, VA, HHS, and other service providers. Grantees are also strongly encouraged to collaborate with rehabilitation agencies for such services as drug and alcohol counseling. During FY 2002, over 15,000 of the Nation's approximately 250,000 homeless veterans requested and received assistance from the Homeless Veterans' Reintegration Program.

Analysis of Results

As indicated by the chart, the HVRP program has consistently achieved an entry to employment rate in excess of 50 percent for the last three years. HVRP grantees are generating increasingly positive outcomes by assisting homeless veterans to enter employment, despite the difficulty of serving this particular population in a period of relatively high unemployment. These results also indicate that the program has achieved a basic level of operational maturity, since it has demonstrated consistent performance during the past three reporting periods, with the criterion of entry to employment as its key indicator of success.



Strategies

The high rate of success achieved by HVRP grantees in serving this subset of the veteran population, which typically is characterized as having multiple barriers to employment, is attributable to the strategy established by VETS calling for close coordination and integration of services. The HVRP network includes a variety of community-based organizations, including faith-based grantees, which focus their limited fiscal resources on the delivery of customized employment services and coordinate closely with other sources of related specialized services.

As the operational maturity of the HVRP grantee network became increasingly apparent during the course of FY 2003, DOL initiated a new technical assistance grant to be administered by the National Coalition for Homeless Veterans. This technical assistance initiative calls for implementation of two distinct and complementary types of technical assistance activities. First, a best practices study will be conducted with the objective of identifying the 25 practices expected to be the most useful to HVRP grantees. Second, the best practices identified will be disseminated to all HVRP grantees through a variety of communication channels.

To support this new initiative, a toll-free telephone number will be established to permit updating of the best practices, based on grantees' direct experiences implementing them and to provide clarifications, explanations, and examples to grantee staff who seek assistance in their efforts to adopt specific best practices. This initiative exemplifies the underlying strategy of applying resources to take advantage of the practical experience already gained by HVRP grantees and to call upon the HVRP network as the best source of expertise.

Management Issues

Because the HVRP network consists of grantees that are widely dispersed, highly diverse and locally focused, the collection of complete, accurate and consistent data on program performance has been a chronic management challenge. The web-enabled reporting system scheduled for implementation during FY 2004 should help address this area of concern.

As the HVRP network has increased in size and diversity, it has become clear that improved oversight of grantees' financial practices is imperative. HVRP program operators and DOL's field staff are clarifying expectations applicable to financial management practices, and defining and formalizing their respective roles and responsibilities in this important area of program management.

Goal Assessment and Future Plans

For the current HVRP performance period (July 1, 2003 through June 30, 2004), the original FY 2003 target of a 54.5 percent entry to employment rate will continue to apply. Results for that period will be included in the FY 2004 Annual Performance and Accountability Report. The entry to employment rates previously achieved by HVRP grantees, as well as the pattern of improvement demonstrated for that outcome, strongly suggest that performance during that period will meet or exceed the goal.

For the program year 2004 performance period (July 1, 2004 through June 30, 2005), HVRP performance will be assessed by two indicators: the entry to employment rate and retention of HVRP participants in employment at six months following their entry to employment. Both indicators target a rate of 55 percent. HVRP grantees and the program's technical assistance provider will continue to emphasize the development and dissemination of service delivery approaches that are intended to help homeless veterans maintain their active participation in the workforce once they have succeeded in re-entry.

Outcome Goal 1.2

Increase the Number of Youth Making a Successful Transition to Work

In an effort to introduce youth to health occupations, Weld County Employment Services and Aims Community College collaborated with North Colorado Medical Center (NCMC), the University of Northern Colorado (UNC), Bonell Good Samaritan Center, and Medline to offer an extraordinary program: Gee Wiz Health Camp. The program was designed to familiarize youth ages 14-20 with health care occupations using a see, touch, experience, and share format. The twenty youth chosen for this program are high risk youth and were enrolled in either the Workforce Investment Act (WIA) or Temporary Assistance for Needy Families (TANF) Summer Youth Programs. Occupations introduced ranged from Registered Nurse to Paramedic. The youth participated extensively in putting on casts, suturing, assisting with staged accidents, and science experiments. All twenty youth graduated successfully from this program with 90 percent of the youth interested in health occupations. In the older group, ages 16-20, three will begin Certified Nurse Assistant classes; one will begin prerequisite classes for Medical Assistant, one is completing a work experience through the WIA Program as a Dental Hygienist, one is continuing in high school; and one is currently working in another field. The program demonstrates that there is great value in hands-on career guidance.



Photo Credit: Employment Services Center of Weld County, Colorado

Overview

Studies reveal strong correlations among education levels, employment, and lifelong earnings. DOL administers youth programs under the Workforce Investment Act (WIA), including the Job Corps program, the youth formula grant program and the Youth Opportunity Grant program, as well as research and demonstration projects that address the needs of at-risk youth, both in and out of school. 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 the necessary skills to attain educational credentials (i.e., high school diploma or a GED), participate in vocational and post-secondary training opportunities, and transition into gainful employment or a career. The Women's Bureau GEM-SET program connects young girls with professional women who serve as mentors in the science, engineering, and technology fields. Through these programs, our nation makes a 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.

The WIA youth formula-funded program funds every local workforce investment area across the country to provide comprehensive employment and training services to disadvantaged youth in order to prepare them for the changing and challenging demands of the workforce. Services include academic preparation for both in and out-of-school youth with emphasis on high school diploma and/or GED attainment; employment and occupational training; supportive services; and one full year of follow-up services.

Job Corps is a nationwide network of residential facilities that provides a comprehensive and intensive array of training, career development, job placement and support services to disadvantaged young people. Job Corps offers residential living and support services; academic instruction that leads to a high school diploma or a GED certificate; competency-based vocational training; and life skills preparation that will enable students to make sound economic decisions for themselves and their families.

Youth Opportunity Grants, a demonstration program that is approaching its final year of funding, focus on the most disadvantaged youth in high-poverty areas. Youth one-stop centers within the high-poverty communities provide primarily out-of-school youth with academic preparation leading to high school diploma and GED attainment, employment preparation and occupational skills training, as well as supportive services and two full years of follow-up services to ensure a successful transition of youth into the workforce and/or post-secondary education.

Serving The Public

DOL's youth programs primarily serve eligible low-income youth between the ages of 14 – 24 who are out of school, and in-school youth who are at risk of dropping out, including youth with disabilities and others who may require additional assistance to complete an educational program or to secure and hold employment. In the most recent program year (PY 2002) ending June 30, 2003, the WIA formula-funded program served 396,470 youth, 26,000 more than the previous program year. In addition, performance increased in all three indicators of success: entered employment rate, employment retention rate, and

diploma attainment rate. In fact, the diploma attainment rate increased fourteen percent over the prior program year.

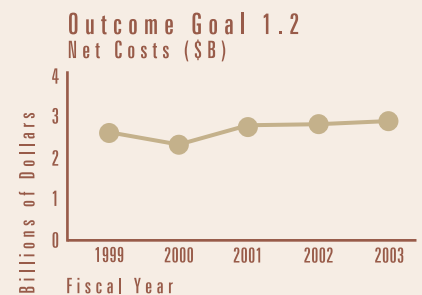
The Job Corps provides intensive, long-term training in a residential setting that includes a secure, drug-free learning environment, academic, vocational and social skills development, medical care, and career and personal counseling. Job Corps students come from economically disadvantaged families, are primarily high school dropouts and are considered the hardest-to-serve population. There are 118 Job Corps Centers located in 48 states plus the District of Columbia and Puerto Rico. In PY 2002, the Job Corps program served 64,043 youth while achieving a 96 percent year-on-year increase in high school diploma attainment; a placement rate of 87 percent for graduates placed in jobs or entering advanced training/education programs; an average hourly wage of \$8.03 per hour for employed graduates; and a 63 percent retention rate for graduates still employed or enrolled in advanced education programs after initial placement. In April 2003, Secretary Chao announced the selection of Milwaukee, Wisconsin and Pinellas County, Florida as locations for two new Job Corps centers.

Youth Opportunity Grants concentrate resources for a variety of youth services for all young people residing in 36 high-poverty areas, including 24 urban neighborhoods, 6 rural areas and 6 Indian Reservations, and in selected migrant and seasonal farm worker communities. The Youth Opportunity Grants served 49,995 youth, an increase of over 18,000 youth from the previous program year. The Youth Opportunity Grants increased the number of long-term placements in unsubsidized employment, post-secondary education, and occupational skills training by 125 percent from the previous program year. In addition to the increase in placements, the quality of job placements also increased with an average wage at placement of \$8.72 as compared to an average wage at placement of \$7.00 the previous year. The Youth Opportunity Grants also increased the number of credentials (GEDs, diplomas, and other credentials) by 138 percent from the previous program year.

Program Costs

FY 2003 program costs of \$3.0 billion supported ETA programs providing employment and training assistance to youth through formula grants to States, Job Corps, and the Youth Opportunity Grants program. Increased costs in this area resulted largely from spending on the Job Corps physical plant and buildup of the Youth Opportunity Grant program serving at-risk youth in needy areas.

Costs have trended upward over the last two years, given the rising cost of providing individualized and concentrated services to these hard-to-serve populations. Increased costs in the Job Corps program are associated with providing longer-term interventions which have led to more successful participant outcomes and better retention in the program. Both the WIA formula-funded program and the Youth Opportunity Grants lowered their cost per participant by increasing the number of participants served while expending approximately the same amount of resources. DOL is aware of the importance of measuring cost effectiveness in order to optimize the large investment in DOL youth programs. DOL will begin to measure efficiency as part of the implementation of the common performance measures for job training programs beginning July 1, 2004.



DOL Challenges for the Future

The youth population between the ages of 16 and 24 is increasing. Unemployment levels among these youth have risen over the past few years, accounting for a large portion of the Nation's job losses. Without the necessary marketable skills and experience to succeed in the workplace, these youth would not be able to compete effectively. DOL youth programs offer services that help turn challenges into opportunities for these youth, preparing them to adapt to and prosper in the ever-changing labor market.

To meet the challenge of serving young people most in need, DOL continues to focus its efforts on improving the effectiveness of services under the WIA formula grant and Job Corps programs. With the impending WIA reauthorization and the implementation of the common measures for employment and training programs, the Department will also focus its efforts on preparing States and local workforce investment areas for this transition. Three major focus areas in the coming year will include:

- *Implementation of the Common Performance Measures.* In 2004, all ETA programs, including the youth programs funded by the Workforce Investment Act, will implement the common performance measures for employment and training programs. The Department will provide extensive guidance and technical assistance in order to ensure a smooth transition to the new reporting system.
- *Recruiting and Retaining Out-of-School Youth.* Because the current WIA reauthorization proposal focuses on serving primarily out-of-school youth, recruiting, retaining, and providing increased services to dropouts and out-of-school youth will continue to be a priority for States and local workforce investment areas. WIA services for these youth will continue to focus on the provision of educational and occupational skills training that will prepare them for post-secondary education, advanced training, and jobs with a career.
- *Providing Technical Assistance and Identifying Effective Practices.* The Department will provide technical assistance to states and local workforce investment areas through academies, national and regional office conferences, policy guidance, and continued funding and dissemination of studies, reports, and other products that identify best practices in the field. Best practices will focus on evidence-based research in which data indicate successful youth outcomes.

Assist Youth In Making A Successful Transition To Work

Performance Goal 1.2A (Employment and Training Administration) – FY 2002

Increase entrance and retention of youth registered under the WIA youth program in education or employment.

Indicators

51 percent of the 14–18 year-old youth who enter the program without a diploma or equivalent will attain a secondary school diploma or equivalent by the first quarter after exit.

63 percent of the 19–21 year-old youth will be employed in the first quarter after program exit.

77 percent of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

Results

The goal was achieved. All three targets were reached. Fifty-five percent of the 14–18 year-old youth who entered the program without a diploma or equivalent attained a secondary school diploma or equivalent by the first quarter after exit as compared to a target of 51 percent. Sixty-seven percent of the 19–21 year-old youth were employed in the first quarter after program exit as compared to a target of 63 percent. Eighty percent of the 19–21 year-old youth employed in the first quarter after program exit were employed in the third quarter after program exit as compared to a goal of 77 percent.

Program Description

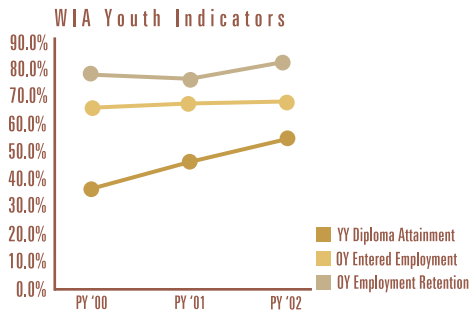
Title I of the Workforce Investment Act (WIA) authorizes services to eligible low-income youth between the ages of 14-21 who have barriers to employment, including those who have deficiencies in basic skills or those who meet one or more of these criteria: homeless, a runaway, pregnant, parenting, an offender, school dropout, or a foster child. The program also serves youth with disabilities and other youth who may require additional assistance to complete an educational program or to secure and hold employment. Programs and services are offered to both in- and out-of-school youth. Service providers prepare youth for post-secondary education by stressing strong linkages between academic and occupational learning, and preparing youth for employment. Local communities create opportunities for youth by providing required program elements, including: tutoring, alternative schools, summer employment, occupational training, work experience, supportive services, leadership development, mentoring, counseling, and follow-up services.

The three performance indicators were selected from seven WIA youth measures. For the older youth population, entrance into employment and retention in employment are the most appropriate indicators of success. 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.

Twenty-year old Noemi is a prime example of how the combination of initiative and the right opportunity can build the foundation for a promising future. Born in Guadalajara, Mexico and raised in Los Angeles, California, Noemi pursued her long-held curiosity about cars by enrolling in the local Automotive Youth Education Services program at Lassen Technical Institute in Susanville, California. Her knowledge and interest in cars continued to grow, as did her confidence in her social and leadership skills. From these beginnings, Noemi desired to increase her prospects by joining SkillsUSA, whose members elected her as their national secondary secretary. In a speech on Capitol Hill, she championed career and technical education. A scholarship award from DaimlerChrysler allowed her to enter their College Automotive Program with the promise of employment. Commenting on differences between SkillsUSA students and other high school students, Noemi says, “[SkillsUSA students] learn how to make more use of their time and talent.”



Photo Credit: Norm Reeves;
Norm Reeves Chrysler/Jeep/Dodge, Temecula, California



Analysis of Results

The results reflect performance reported by 50 states, the District of Columbia, and Puerto Rico through the fourth quarter of the Program Year ending June 30, 2003 (Program Year 2002). Performance against the three indicators has significantly increased compared to Program Year 2001. As illustrated by the corresponding chart, performance under all three indicators increased each program year, despite challenging economic circumstances.

Strategies

DOL's improved youth employment performance across the nation was the result of a variety of strategies undertaken to assist States and local areas in improving program performance. ETA implemented a performance enhancement project that provided specific technical assistance to States and local workforce investment areas that had previously not met their performance goals. States received training in areas such as youth program design and delivery, data collection and performance management, and how to understand, monitor, and analyze WIA performance. This training allowed States to tailor their performance-improvement strategies based on their specific needs and deficiencies. ETA also conducted State and local workforce investment area assessments in order to determine the effectiveness of local youth programs. These on-site assessments helped regional offices to tailor technical assistance resources and develop corrective action strategies to address programmatic weaknesses and improve program outcomes. Additionally, ETA implemented capacity-building initiatives for local workforce investment board staff, whose role is critical to the success of youth programs. ETA conducted eight peer-to-peer learning exchanges in the areas of recruitment and retention of out-of-school youth, strengthening the connection between education and workforce communities, and documenting competencies and gains through appropriate assessments and credentials.

Management Issues

The reliability and accuracy of third party data (data from youth service providers) reported by States for the WIA performance measures are an ongoing management concern. This concern was raised by the Office of Inspector General (OIG) in their September 2002 report, *Workforce Investment Act Performance Outcomes Reporting Oversight*. In response to these concerns, DOL developed data validation handbooks, data validation software, and policy on the implementation of data validation to assist States and Local areas. DOL also issued Training and Employment Guidance Letter 3-03 entitled *Data Validation Policy for Employment and Training Programs* on August 20, 2003, which provides guidance for validating Program Year 2002 data, including the requirements that States conduct both report validation and data element validation by April 1, 2004. Already, it appears that reporting problems experienced in prior program years have mostly been eliminated and the majority of States are submitting more accurate and consistent data.

In another OIG report that reviewed the programmatic aspects of the WIA youth program, the OIG recommended that ETA ensure that the services provided and outcomes achieved are better documented, and that ETA encourage revisions to WIA that improve the youth program (see Study 7 in Appendix 3). In response, ETA revised a comprehen-

sive case management manual and distributed it to all youth workforce investment areas in November 2003.

The General Accounting Office (GAO) issued two reports pertaining to WIA programs overall. The first report examined spending and financial reporting by States (study 14 in Appendix 3), and the second report recommended the development of a research agenda for the integration of programs in One-Stop Career Centers (study 17 in Appendix 3). ETA is addressing these GAO findings and recommendations through issuance of clarifying reporting guidance; examination of methods and systems for adjusting analysis of performance outcomes to take into account economic, demographic, and other factors; commissioning an evaluation of the WIA performance measurement system (discussed below) and an evaluation of the WIA youth program; and development of a five-year research plan. Additionally, the WIA reauthorization proposal will address several of the recommendations in the GAO reports. ETA also commissioned independently conducted studies of two demonstration programs that provided findings applicable to youth programming (see studies 21 and 22 in Appendix 3). Details of these reports' specific findings, recommendations, and DOL actions taken can be found in Appendix 3.

ETA contracted with Social Policy Research Associates (SPR) to conduct an evaluation of the WIA performance measurement system. SPR issued an interim report in August 2003 that recommended that DOL: improve the negotiation process for determining State levels of performance; develop adjustment models to account for differences in participant and economic characteristics; refine older youth measures to reflect emphasis on educational and skill attainment; provide a more standardized definition of credentials; focus on customer satisfaction; and provide additional technical assistance. ETA is incorporating the feedback and recommendations provided by SPR as it develops the new common performance measures that ETA will implement beginning July 1, 2004.

The Administration's Program Assessment Rating Tool (PART) review of WIA Youth performance, conducted in 2002, included two recommendations: adopt common performance measures for employment and training programs, and plan and conduct an impact evaluation. In response, beginning in Program Year 2004, ETA is adopting the common measures, including a new measure to gauge WIA's Youth's cost-effectiveness. ETA will also conduct an impact evaluation beginning in Program Year 2005.

Goal Assessment and Future Plans

ETA will continue with the same three performance indicators for Program Year 2003 (FY 2004). Performance targets for these three indicators will increase for PY 2003, based on the improved performance in Program Year 2002. The older youth entered employment rate is targeted to increase to 65 percent, the older youth employment retention rate is targeted to increase to 78 percent, and the younger youth diploma attainment rate is targeted to increase to 52 percent. Beginning in Program Year 2004 (FY 2005), ETA will implement the common measures for employment and training programs, as developed through an interagency process. The common measures for youth include the following four indicators: placement in employment, post-secondary education, or advanced training; attainment of a degree or certificate; literacy and numeracy gains; and efficiency.

Maurice was a “challenging” teenager growing up in Charleston, S.C., when his mother sent him to the Brunswick Job Corps Center to save her son from a life leading nowhere. Maurice enrolled and studied welding, turned his grades around and graduated with a high school diploma. He commented, “Job Corps gives you room to grow and doesn’t tell you what to do or become.” He earned a scholarship, paid by Job Corps, to Vance-Granville Community College in North Carolina. After one semester of studying criminal justice, Hawkins joined the United States Coast Guard. After the Sept. 11, 2001 terrorist attacks, a campaign ensued to find the sailor who best represented the organization; Maurice was selected from over 200 candidates. He spent a week in San Diego shooting commercials and posing for magazine and billboard ads. “I was honored to be doing it,” he said. Currently, Maurice is stationed in St. Petersburg, Florida. He is also preparing to become part of St. Petersburg’s local Partnership in Education program. Maurice, who plans to make a career of the Coast Guard, was recently promoted to the rank of Petty Officer First Class.



Photo Credit: DOL/ETA

Improve Employment Prospects for Disadvantaged Youth

Performance Goal 1.2B (Employment and Training Administration) PY 2002

Increase participation, retention, and earnings of Job Corps graduates in employment and education.

Indicators

90 percent of Job Corps graduates will enter employment or be enrolled in education.

65 percent will continue to be employed or enrolled in education six months after their initial placement date.

Graduates with jobs will be employed at average hourly wages of \$8.20.

The number of students who attain high school diplomas while enrolled in Job Corps will increase by 20 percent from Program Year 2001.

Results

The goal was not achieved. Two of the four targets were substantially reached or exceeded, while performance as measured by the other two indicators fell just short of their targets. Two indicators were slightly below their targets. In Program Year 2002, 6,381 high school diplomas were attained, compared to 3,260 in Program Year 2001, well exceeding the target of 20 percent increase over Program Year 2001 levels. The target average hourly wage rate of \$8.20 was substantially reached, with an actual rate of \$8.03. The initial placement rate was 87 percent, three percentage points below the target. The six-month placement rate was 63 percent, nearly reaching the 65 percent target.

Program Description

The Job Corps Program is an intensive, primarily residential training program for youth ages 16 to 24 who are economically disadvantaged and face other challenges, including multiple barriers to gainful employment. Job Corps provides occupational skills, academic training, social education, and other support to some 68,000 participants at 118 centers nationwide. The program also provides career support services such as housing, transportation, and family support resources for program graduates for up to 12 months after graduation.

Job Corps helps participants achieve the skills and credentials required to be successful, productive citizens, and to obtain placement opportunities that lead to long-term employment. Job Corps’ approach provides personalized services through a career development services system that includes outreach and admissions, career preparation, career development and career transition services. This continuum of experiences and services is tailored to each student’s needs to reinforce necessary skills throughout all phases of the program.

Analysis of Results

Job Corps' high school diploma attainment rate increased by 96 percent in Program Year 2002, significantly exceeding the 20 percent increase target. This outcome is attributed to a renewed focus on academic achievement and the establishment of new strategies designed to facilitate students' successful completion of diploma requirements.

The average hourly wage for Job Corps graduates continues to increase steadily. The average hourly wage of \$8.03 resulted in a seven cents per hour increase over last year's wage rate. However, since the target was significantly increased this year (by 95 cents), the actual wage improvement was below the \$8.20 target. Given slow economic conditions experienced in Program Year 2002, these are solid results.

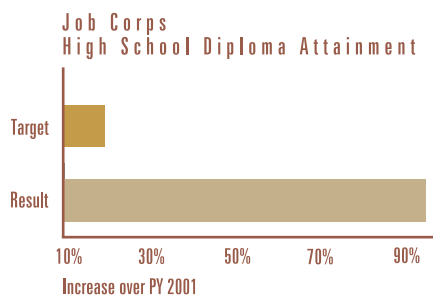
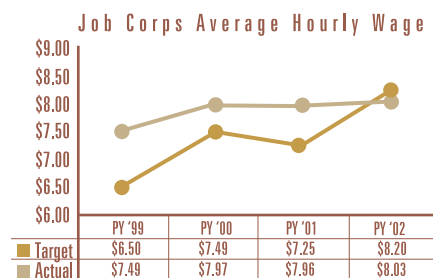
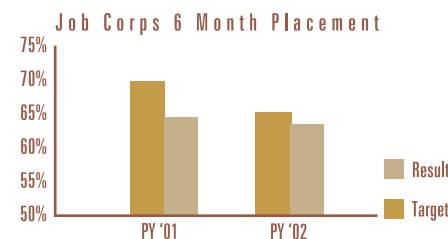
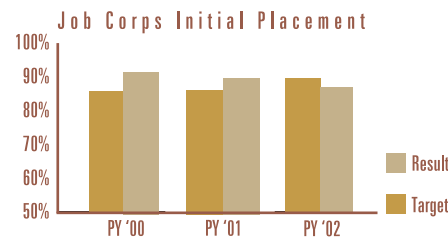
Initial placement and job retention at six months for Job Corps graduates were solid, given economic conditions. Eighty seven percent of Job Corps graduates found jobs or entered advanced education programs after graduation. Moreover, 63 percent were still employed or enrolled in advanced education programs six months later. Even though the placement indicators fell slightly short of their targets, the results are good for this hard-to-serve population.

Strategies

Job Corps helps youth compete for jobs by providing services that are tailored to their individual needs and aptitudes. Job Corps emphasizes strategies that focus on improving program quality and providing individualized services. For example, Job Corps maximizes every opportunity to collaborate with businesses, educational institutions, communities and workforce development partner programs, to ensure that training is relevant to the anticipated needs of the labor market and to reduce duplication of service delivery efforts.

Job Corps' competency-based education program helps students achieve the academic and occupational skills needed to remain competitive. Individualized services include academic and vocational training, work-based learning at employer sites, employability skills development, information technology skills training, counseling/support services, driver's education, childcare support, and placement and transitional services support. Concentrated efforts also focus on helping participants improve basic education skills, particularly the growing population of Limited English Proficiency (LEP) students that Job Corps serves.

The quality and effectiveness of performance improvement strategies is evaluated through on-site assessments and rigorous monitoring of key activities, as well as detailed strategic planning at the service delivery level. Strategies for improving program quality include integrating performance accountability into the competitive procurement process, evaluating vocational training programs to maintain high quality training techniques that meet industry standards, and linking with employers to strengthen employment opportunities in high-growth industries.



Management Issues

Job Corps uses a rigorously designed and comprehensive data collection system, considered one of the most effective among ETA programs, to measure performance results. Job Corps' Student Pay/Management Information System serves as the source for this data. An independent research contractor retained by Job Corps national management stringently reviews the system to ensure data integrity. The Office of Inspector General also reviews the data and data collection system.

Goal Assessment and Future Plans

To provide a greater emphasis on long-term results, Job Corps' Program Year 2003 graduate placement indicator has been replaced with an indicator for six-month job retention. The new target, graduate average hourly wage at six months, will be \$8.27. The six-month job retention target will remain at 65 percent. The high school attainment rate indicator will remain at a target level of 20 percent over the previous program year. In Program Year 2004, ETA will implement the common measures for employment and training programs that include four indicators: placement in employment, post-secondary education, or advanced training; attainment of a degree or certificate; literacy and numeracy gains; and efficiency.

Increase Opportunities For Youth

Performance Goal 1.2C (Employment and Training Administration) – PY 2002

Increase entrance and retention of Youth Opportunity Grant participants in education, training, or employment.

Indicators

51 percent of the 14–18 year-old youth who enter the program without a diploma or equivalent will attain a secondary school diploma or equivalent by the first quarter after exit.

63 percent of the 19–21 year-old youth will be employed in the first quarter after program exit.

77 percent of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

Results

The goal was not achieved. Forty-six percent of the 14–18 year-old youth who entered the program without a diploma or equivalent attained a secondary school diploma or equivalent by the first quarter after exit as compared to a target of 51 percent. Fifty percent of the 19–21 year-old youth were employed in the first quarter after program exit as compared to a target of 63 percent. Seventy-eight percent of the 19–21 year-old youth employed in the first quarter after exit were employed in the third quarter after program exit as compared to a target of 77 percent.

Program Description

Youth Opportunity Grants (YOGs), which began operation in 2000, are a demonstration aimed at increasing the long-term employment of youth who live in Empowerment Zones, Enterprise Communities, and other high-poverty areas. These grants are targeted to those urban and rural areas and Native American reservations most in need of employment assistance. Although the focus of the initiative is to increase youth employment, YOGs aim to reduce dropout rates and teen pregnancy, increase enrollment in post-secondary education, decrease crime, and improve existing systems in poor communities for serving at-risk youth. FY 2005 is the final year of funding for this demonstration program.

The three performance indicators were selected from seven WIA youth measures. For the older youth population, entrance into employment and retention in employment are the most appropriate indicators of success. For the younger youth population, where services are geared toward academic achievement rather than career preparation, achievement of a diploma or equivalent is the most meaningful indicator of future success in the workforce. Program Year 2002 is the first year in which DOL is reporting against these indicators.

Analysis of Results

Of the three performance indicators, only the older youth employment retention target was reached. More than three quarters of those 19-21 year old youth who were placed in

employment remained employed six months later. The younger youth diploma rate fell short of the goal due to a number of factors. The Youth Opportunity Grant (YOG) targeted population is a difficult population to keep engaged in the program to the point where they are able to attain a diploma or General Education Diploma. For example, the majority of exiters (participants who complete services or leave the program prior to completion) included in this measure are out-of-school youth. Sixty three percent of YOG participants are out-of-school compared to 28 percent in the WIA formula-funded program. The low diploma rate also reflects a greater number of out-of-school youth who leave the program prior to completion.

The older youth entered employment rate fell short of the target for similar reasons. Out-of-school youth are a difficult population to place successfully in employment, especially given the economic circumstances over the past year. In times of recession, the youth workforce typically experiences greater unemployment rates than the population as a whole, and this year has not been an exception. The low entered employment rate also reflects the large number of out-of-school youth who leave the program prior to completion. These youth tend to be highly mobile, and often face many environmental factors that result in these participants leaving the YOG program prior to completion.

Because DOL had little prior experience serving a largely out-of-school youth population, baselines from the WIA youth formula-funded program, a largely in-school youth program, were used. Performance targets set for the YOG program were almost identical to those set for the WIA formula-funded program. These targets have proven difficult to meet in the YOG program, owing in part to the greater proportion of more difficult to serve out-of-school youth.

DOL continues to emphasize to program operators the importance of regular participation for youth, especially out-of-school youth, and the importance of educational services that will lead to GEDs and diplomas. DOL also continues to emphasize the importance of pre-employment services, as they lead to successful entrance into the workforce. Both of these efforts will help to improve performance on the diploma rate and entered employment rate.

Strategies

Highly capable staff working directly with youth is critical to the effectiveness of the program. To that end, ETA conducted peer-to-peer workshops for Youth Opportunity grantee staff in the areas of increasing youth job placement, serving youth with learning disabilities, serving youth with emotional problems, implementing quality case management, and providing vocational training opportunities. ETA also conducted three separate one-week sessions of the Youth Development Practitioner Institute, where front-line staff received intensive training. In addition, ETA continues to provide direct technical assistance to grantees for performance measurement and management. To improve program performance, ETA convenes quarterly meetings with program directors, and closely monitors monthly program progress measures.

Management Issues

Data for the older youth entered employment rate and older youth employment retention rate include data from only half of the Youth Opportunity grantees, due to problems with local grantees obtaining access to State Unemployment Insurance (UI) wage records.

The ability of grantees to report on the employment-related indicators—older youth entered employment rate and older youth employment retention rate—continues to be a challenge. Local grantees have experienced difficulty in working with State agencies to access State UI wage records, which are necessary to calculate the employment-related indicators. Due to these difficulties, not all grantees have been able to report on the two employment-related indicators. Grantees who have not submitted this data continue to work with their respective States, and ETA anticipates data submissions to continue over the course of the year. ETA is confident the data that have been submitted are reliable and accurate. ETA is addressing these data issues for future discretionary grant programs.

Although grantees have struggled with reporting the employment-related WIA outcome measures, they continue to report the additional monthly progress measures required by the Department. These additional measures, which include process and interim measures such as participation and completion rates, have been critical to ETA and grantees for management purposes.

The Office of Inspector General issued a Youth Opportunity Grant program audit entitled *Summary of Educational Services and Vocational Training Provided to Out-of-School Youth* on March 31, 2003. The OIG recommended that ETA consider strengthening educational and vocational training activities, establish procedures for exiting inactive participants, assess the accuracy of performance reporting and correct inaccurate reporting, and provide a clearer definition of out-of-school youth. In response, ETA has emphasized the importance of educational and vocational training activities through a variety of means including training, goal setting, and grant requirements. ETA has procedures in place for exiting inactive participants and has conducted an audit of Management Information System (MIS) specifications. Additionally, ETA has a variety of MIS training available to assess and correct inaccurate reporting. ETA will address the lack of a clear definition of out-of-school youth through the WIA reauthorization process. More information about this audit can be found in Appendix 3 (Study 5).

Goal Assessment and Future Plans

ETA will continue with the same three performance indicators for Program Year 2003.

Quentin was a Molokai High School drop-out at the age of 15. Out of school for two years and four grades behind his peers, Quentin enrolled in Myron B Thompson's E-Charter Academy last year, and made up two years of school work in five months. He was enrolled in the Youth Corps Program where he learned important life skills. As a result of his perseverance in the E-Charter Academy and the Youth Corps Program, Quentin caught up with all of his classes. In July 2003, he achieved his high school diploma and graduated in a Myron B Thompson graduation held at Kamehameha Schools. He was accepted and enrolled at Kapiolani Community College for the 2003 Fall semester, and strives to achieve an Associate Degree in Liberal Arts. Quentin's dream is to run his own business.



Quentin in the Youth Corps at Pelekunu Valley
Photo Credit: DOL/ETA

Outcome Goal 1.3

Improve the Effectiveness of Information and Analysis on the U.S. Economy

The Bureau of Labor Statistics (BLS) makes information related to important economic indicators available to the public through a variety of means, including seminars and trade association conferences.



Photo Credit: Shawn T. Moore

Overview

The Department of Labor's Bureau of Labor Statistics (BLS) is responsible for producing some of the Nation's most important economic indicators. Several of the key BLS data series are Principal Federal Economic Indicators. These key indicators, as well as other economic data produced by BLS, provide American workers, employers, and policy makers with the information they need to keep our country competitive in a global economy. Every month, for example, BLS reports on the number of jobs and on the number of workers in the labor force. BLS publishes job information by industry and location down to the county level within each State.

Serving The Public

BLS provides employment information by occupation, education and training requirements, and industry. One searchable database allows users to search by education and training category to compare data on occupations within the education and training category. A second searchable database allows users to search the nearly 700 occupations within and across 260 industries. For example, an occupation search allows users to see which industries provide the most jobs for workers in that occupation, and an industry search allows users to see which occupations in that industry account for the most jobs.

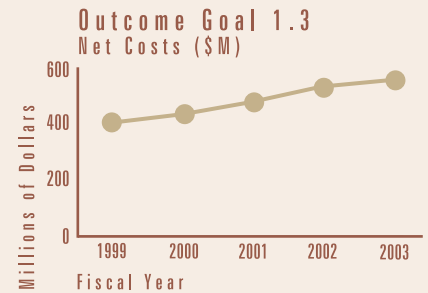
BLS also publishes information about jobs in its popular Occupational Outlook Handbook. This print and website publication assists students and others to compare occupations in terms of employment size, projected employment growth, earnings, education or training requirements, opportunities for self-employment and part-time work, and can be very valuable in career decision-making.

BLS not only provides information on the United States, but it also provides information on the world at large. During this year, BLS partnered with DOL's Bureau of International Labor Affairs to produce a Chartbook of International Labor Comparisons, focusing on the comparative labor market situation in the United States, Europe, and Asia. In her forward to the document, Secretary Elaine Chao noted that "A comparative labor market perspective...can be helpful in the policy development process. This chartbook provides information that can be used to assess U.S. economic and labor performance relative to other countries and to evaluate the competitive position of the U.S. in international trade."

After developing the North American Industry Classification System (NAICS) in cooperation with Canada and Mexico, BLS continues to implement the NAICS in its industry-based series. Not only does NAICS make our data consistent with our neighbors' data, it also changes the focus of industrial classification to being based on the activity in which the establishment is primarily engaged. This approach will help us to move from the old system, which was heavily focused on manufacturing, to a new system that ensures that our economic statistics reflect our Nation's changing economy.

Program Costs

FY 2003 program costs of \$533 million supported BLS programs to produce and disseminate timely, accurate, and relevant information on the economy. The Bureau's budget and costs grew incrementally from 1999 to 2003. This trend is attributed primarily to inflationary cost increases; the creation of new programs, such as the Job Opening and Labor Turnover Survey and the American Time Use Survey; and important improvements to the Consumer Price Index (CPI), Producer Price Index (PPI), and Employment Cost Index (ECI), including efforts to modernize the computing system for monthly processing of the PPI.



DOL Challenges for the Future

Substantial challenges face BLS, including the changing economy, maintaining sufficient response levels, and evolving technology. BLS uses various strategies to address these challenges, which include the following:

To respond to the changing economy:

- Introduce a new quarterly data series on business employment dynamics. The new series tracks gross job gains from expanding and opening establishments and gross job losses from contracting and closing establishments. The additional measures show the dynamic labor market changes that underlie the net employment change and will enhance the ability of economists, policy makers, and the business community to understand business cycles.

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

- Complete research studies to better understand the causes of nonresponse, including factors that are under BLS control and those that are not. Some specific recommendations for reducing nonresponse from the studies include increasing BLS visibility with respondents and accelerating the introduction of additional data reporting options, including Internet reporting and electronic mail.

To meet the challenges of evolving technology:

- Continue to use technology to enhance BLS survey methods to improve the efficiency of BLS programs. An example is the PPI effort to switch from paper forms to broadcast fax as the primary means for respondents to receive that month's survey repricing forms.
- Continue to ensure the security of our computer systems and confidential data by improving virus protection. This is especially important as more and more of our users rely upon our website to obtain the information that they need from BLS.

Timely, Accurate, and Relevant Economic Information

Performance Goal 1.3A (Bureau of Labor Statistics) – FY 2003

Produce and disseminate timely, accurate, and relevant economic information.

Indicators

Percentage of releases of National Labor Force; Employment, Hours, and Earnings; Consumer Price Index; Producer Price Index; U.S. Import and Export Price Indexes; and Employment Cost Index that are prepared on time; measures of accuracy for each Principal Federal Economic Indicator; and BLS Internet site improvement initiative.

Results

The goal was achieved. Targets were reached for timeliness, accuracy, and economic relevance.

Analysis of Results

The Bureau of Labor Statistics (BLS) reports performance for this goal using such measures as timeliness, output, relevancy, accuracy, and access. Extracted from those measures and presented here are the following measures: timeliness, accuracy, and access. The first, timeliness, addresses how often the Department's Bureau of Labor Statistics meets the release dates in the published schedule of its Principal Federal Economic Indicators. The second, accuracy, indicates how well BLS statistics reflect the economic activity described. The third, access, reflects the continued improvements to the BLS Internet site.

Timeliness

BLS met the timeliness measures for all programs. A comparison of actual release dates to the published release schedule of BLS Principal Federal Economic Indicators provides the data for measuring the results of the timeliness indicator. The report includes the results for these indicators: National Labor Force; Employment, Hours, and Earnings; Consumer Price Index; Producer Price Index; U.S. Import and Export Price Indexes; and Employment Cost Index.

For these indicators, BLS scheduled 52 releases in 2003, comprised of quarterly releases of the Employment Cost Index and separate monthly releases of the National Labor Force and Employment, Hours, and Earnings; Consumer Price Index; Producer Price Index; and U.S. Import and Export Price Indexes.

BLS continued efforts to improve the timeliness of the data. For example, more respondents of the U.S. Import and Export Price Indexes and the Producer Price Index now routinely fax responses back to BLS, which has improved the timeliness of respondents' data. The use of electronic data collection has increased. For example, the Internet Data Collection Facility (IDCF) has been expanded to two more programs, with others under development. Once again, this collection method allows for quicker receipt of respondent data and provides more reporting options for respondents.

Accuracy

BLS reached the established accuracy targets. Each of the indicators addressed in this goal has a unique accuracy measure. Appendix 4 provides information on individual program measures and performance. The accuracy measure not only assures that the indicator reflects the economic activity described, but also assures that it is relevant to the user.

To remain responsive to those who rely on BLS data, BLS continuously invites advice and ideas from users and experts in business, labor, professional and academic organizations, and from members of the public. The Federal Economics Statistics Advisory Committee (FESAC), which is composed of economic, statistical, and behavioral science researchers, continued to provide advice and recommendations in areas such as statistical methodology, survey design, and data collection and analysis. For example, the FESAC reviewed papers on the disparity between alternative measures of consumer expenditures and the price indexes associated with them; changes in data editing procedures and strategies resulting from Web-based survey instruments developed for business establishment surveys; and technical and theoretical issues underlying the construction of the Employment Cost Index (ECI). Additionally, spring and fall meetings of the BLS Business and Labor Research Advisory Councils yielded advice for BLS regarding its statistical and analytical work, providing perspectives on the needs of the business and labor communities, respectively.

BLS uses various strategies to maintain a high level of cooperation for its voluntary surveys. BLS continues to reduce respondent burden through ensuring that there is not duplication of data collection efforts. The Confidential Information Protection and Statistical Efficiency Act of 2002 promotes statistical efficiency by providing for the sharing of business data among the BLS, Bureau of Economic Analysis, and Bureau of the Census. Another strategy is to increase the number of options available to respondents for transmitting their information to the Bureau. By giving respondents more data collection options, BLS hopes to ease their burden. For example, the Employment, Hours, and Earnings program encourages respondents to provide data monthly through the Internet, in addition to other options such as touch-tone data entry, computer-assisted telephone interviews, and electronic file transfer.

Access

The BLS Internet site, which averages over two million user sessions each month, continues to improve. For example, a new maps tool was added. With this tool, users can download maps showing unemployment rates by State, county, or metropolitan statistical area, for any month or year since 1990. Also, an interactive query capability to access demographic data in the National Labor Force program was initiated. These enhancements increase the accessibility and functionality of the BLS Internet site for our data users.

When Tom needs an explanation about the process used to convert a data series from the Standard Industrial Classification to the North American Industrial Classification System, he turns to the Economic Analysis and Information (EA&I) Office in Kansas City, one of eight EA&I Offices that DOL's Bureau of Labor Statistics (BLS) maintains throughout the country. Tom reviews procurement contracts as part of his job in Material Estimating at Bombardier Aerospace in Wichita, Kansas. Bombardier assembles the Challenger 300, Learjet 40, Learjet 45, Learjet 45XR, and Learjet 60 business aircraft for clients worldwide. Tom uses BLS earnings data and price indexes to estimate future labor and product pricing based on the terms and conditions negotiated in long-term contracts with suppliers. EA&I staff assist Tom with tasks such as determining when average hourly earnings figures include lump-sum payments, or locating the data he needs among hundreds of price and earnings data series. The Economic Analysis and Information Office in Kansas City, along with EA&I Offices in Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, and San Francisco, can be reached through the website of DOL's Bureau of Labor Statistics at <http://www.bls.gov/bls/reghome.htm>.



Tom of Bombardier Aerospace checks business jet contracts.
Photo Credit: Loretta Reuther, Bombardier Aerospace

Contracts for the manufacture of commercial aircraft use escalation formulas to cover price changes during the time period between customer order and product delivery, which can span many years. These price escalation formulas are often linked to changes in the cost of employee compensation as measured by the Employment Cost Index (ECI) of DOL's Bureau of Labor Statistics (BLS). The ECI is a quarterly index measuring change in labor costs over time. Ty, a senior analyst in The Boeing Company's Commercial Estimating & Pricing group, uses ECI aircraft manufacturing industry data that he downloads from the BLS website to help determine the final price on Boeing's commercial aircraft delivery invoices. As part of his job reviewing and approving invoices, Ty consults staff at BLS to investigate index fluctuations that might raise questions with customers. ECI fluctuations result not only from changes in wages and salaries, but also the cost of benefits such as retirement and health insurance plans. The Employment Cost Index can be found on the website of DOL's Bureau of Labor Statistics at <http://www.bls.gov/hcs/ect/home.htm>.



Ty (left) of Boeing Commercial Airplane Group reviews data with colleagues Michelle and Bob.
Photo Credit: Michael Inman, The Boeing Company.

Management Issues

The performance measures used for this outcome goal highlight the accomplishments of the Bureau's statistical programs. The *Interagency Council on Statistical Policy's Guidelines for Reporting Performance by Statistical Agencies* provides guidance on measuring and reporting on statistical program performance. Timeliness and accuracy are identified as critical aspects of performance, as is achieving customer satisfaction with statistical products and services.

The performance measures used for this outcome goal are obtained from information available to the public. Timeliness data come from comparing the published release schedule to the actual news release date. Likewise, accuracy measures are discussed within the statistical program news release, and detailed documentation of how the measures are derived is provided on individual program home pages on the BLS Internet site. Finally, new Internet functionality can be found on the "What's New" page on the BLS Internet site.

BLS programs are evaluated both internally and externally to ensure that they provide taxpayer value. As described in OMB Statistical Policy Directive #3, the seven statistical series designated as Principal Federal Economic Indicators are evaluated on a three-year schedule. In FY 2003, BLS submitted required performance evaluations for the U.S. Import and Export Price Indexes and the Consumer Price Index.

During this year, the Office of the Inspector General (OIG) conducted a Government Information Security Reform Act (GISRA) Review of the Current Employment Statistics program. The review is described in Appendix 3 of this report (Study 1).

To determine customer satisfaction with BLS statistical products and services, BLS participated in the American Customer Satisfaction Index (ACSI) survey conducted by the University of Michigan. BLS received a customer satisfaction score of 74 in 2003; the aggregated Federal government score in 2002 was 70.2.

Goal Assessment and Future Plans

The Program Assessment Rating Tool (PART) review recommended that BLS develop more outcome-based, quantitative, and transparent performance measures. Working collaboratively with the Department, BLS revised its FY 2004 performance goal: Goal 1.3A — Improve information available to decision-makers on labor market conditions, and price and productivity changes.

Improve Economic Measures

Performance Goal 1.3B (Bureau of Labor Statistics) – FY 2003

Improve the accuracy, efficiency, and relevancy of economic measures.

Result

This goal was achieved. All FY 2003 milestones for improving the accuracy, efficiency, and relevancy of the economic measures were achieved.

Indicators

This goal measures achievement of significant milestones that reflect the Department's Bureau of Labor Statistics (BLS) commitment to continuous improvement of its statistical processes and products.

Analysis of Results

Milestones for Significant New or Enhanced Efforts in FY 2003

NAICS Conversion: The North American Industry Classification System (NAICS) replaces the Standard Industrial Classification (SIC) system and offers a new and more consistent approach to industrial classification that better reflects the modern economy. The following programs completed conversion from SIC to NAICS in FY 2003: Conversion for the National Labor Force data series was completed with the release of January data in February 2003. Conversion for Employment, Hours, and Earnings was completed in two parts; the new series was introduced in March 2003 for State and Metropolitan Area series, and conversion of national series was completed in June 2003. Conversion for the Job Openings and Labor Turnover Survey was completed with the release of May 2003 data in August 2003. In addition, conversion for the industry labor productivity series was completed in September 2003.

Consumer Price Index, Item Sample Update: The accuracy of the Consumer Price Index (CPI) depends on the items that are included in the index. The CPI implemented a new, more rapid process for updating the items in a significant proportion of CPI categories. Items are now updated twice as often as they were in the past. A continuing evaluation of the new item samples relative to the old item samples will be conducted to determine if the objective of keeping samples more in line with current economic conditions is being achieved.

Consumer Price Index, Electronic Data Collection: Each month, CPI data collectors obtain price information from thousands of retail stores, service establishments, rental units, and doctors' offices all over the United States. BLS completed implementation of a new process to electronically collect prices for CPI items other than rent. Implementation began in September 2002, and was completed for all 87 CPI pricing areas in April 2003. The process offers numerous benefits, including the reduction in time required to transmit and process data, and increased accuracy and efficiency in data entry and review.

U.S. Import and Export Price Indexes: BLS has undertaken a multiyear project to modernize the computing system for monthly processing of the Producer Price Index and the U.S. Import and Export Price Indexes. One result of this modernization is to signifi-

The Boulder-Longmont area in Colorado was the leading metropolitan area for software employment relative to overall population from 1998 to 2001, ahead of San Jose, Washington, DC, and San Francisco, according to a "top 25" list released by the Software and Information Industry Association (SIIA) in September, 2003. The SIIA list was developed using Occupational Employment Statistics information from DOL's Bureau of Labor Statistics (BLS), which publishes annual estimates of employment for over 700 occupations for the Nation as a whole, for individual States, for metropolitan areas, and for specific industries nationwide. For the last four years, Anne, SIIA Director of Research, has produced the ranking from an index she creates of software-related occupational employment by metropolitan area. The resulting "top 25" list contains some surprise cities, according to Anne, showing that software jobs are not concentrated just in Silicon Valley. Information from the Occupational Employment Statistics program can be found on the website of DOL's Bureau of Labor Statistics at <http://www.bls.gov/oes/home.htm>.



Anne, of the Software & Information Industry Association discusses software employment index with a reporter.
Photo Credit: Liz Martin, SIIA Designer

cantly improve the reliability of the U.S. Import and Export Price Indexes by producing annually weighted indexes. Historically, these indexes have been re-weighted every five years. These annually weighted indexes will be published in February 2004 with the release of January 2004 data.

Industry Productivity: Users of the productivity statistics have stated the critical need for more coverage in the service sector. Labor productivity and unit labor cost measures for six new service-producing industries were published in January 2003. Multifactor productivity and related cost measures for the airline transportation industry were published for the first time in September 2003. This is a multiyear project with additional service sector coverage planned.

BLS Internet Data Collection Facility: BLS relies on thousands of businesses to provide information on a voluntary basis. BLS offers respondents a wide array of reporting mechanisms, including state-of-the-art technology tools. The Internet Data Collection Facility (IDCF) provides a single, manageable, and secure architecture for Bureau surveys to use in collecting information over the Internet. The IDCF is currently being used to collect respondent information for the Employment, Hours, and Earnings program and the Survey of Occupational Injuries and Illnesses. In addition to providing more reporting options for respondents, this data collection method is intended to increase the accuracy and efficiency of collection. BLS continues to work on new programs under IDCF, including the Producer Price Index and the U.S. Import and Export Price Indexes.

Management Issues

Management issues for performance goal 1.3B can be found under the same section for performance goal 1.3A.

Goal Assessment and Future Plans

The Program Assessment Rating Tool (PART) review recommended that BLS develop more outcome-based, quantitative, and transparent performance measures. In this goal, previous measures indicated if the projects were completed on schedule, rather than if the projects achieved the outcome of improving accuracy, efficiency, or relevancy of the statistical data. Working collaboratively with the Department, BLS revised its performance goals and measures for FY 2004. In many instances, the new measures quantify annual milestones that previously had not been quantified. The new goal reads: Goal 1.3A — Improve information available to decision-makers on labor market conditions and price and productivity changes.

Strategic Goal 2:

Promote the Economic Security of Workers and Families

The Department enhances workers' economic security by:

- Protecting workers' wages and working conditions;
- Providing unemployment compensation and other benefits when workers are unable to work; and
- Expanding, enhancing, and protecting workers' retirement plans, health care plans, and other benefits.

These strategies are designed to overcome the numerous challenges posed by changing demographics and an increasingly global economy.

Protecting vulnerable populations and protecting and expanding pension and health care coverage are key issues for DOL efforts under this strategic goal. In certain industries, violations of labor standards governing wages and working conditions are more often egregious and complaints less common. Employers in many labor-intensive industries, such as agriculture, garment, health care, guard and janitorial services, restaurants, hotels/motels and day-haul, have at times skimmed on wages and benefits, while their workers — including many legal and undocumented immigrants — are less likely than other workers to complain.

Retirement and health care security is also becoming elusive. Once it was common for employees to be covered by defined benefit pension plans, which provided a specified lifetime income upon retirement. Today, many workers participate instead in defined contribution plans — pre-tax individual savings accounts such as 401(k) plans. Thus, where once many workers could look forward to a secure lifetime pension after retirement, workers now must assume more responsibility for retirement savings and planning, including making investment decisions and managing investment risks. Access to benefit plans is also an issue. Small businesses have become an ever more vital component of job creation, yet they lag significantly behind larger businesses in offering retirement and health plans. Employers and employees are confronted with rising health care costs, since today most plans include some self-insurance.

The Department's strategic goal of A Secure Workforce consists of three outcome goals. The first focuses on safeguarding employees' wages, working conditions, and union democracy and financial integrity. The second deals with relief in the form of unemployment, disability, and pension and health care insurance benefits, and the third captures DOL's responsibility to assist workers dislocated by mass layoffs in securing employment, retaining that employment, and replacing lost wages:

Outcome Goal 2.1

Increase Compliance with Worker Protection Laws

Outcome Goal 2.2

Protect Worker Benefits

Outcome Goal 2.3

Increase Employment and Earnings for Retrained Workers

Agencies with programs supporting this strategic goal are the Employment Standards Administration (ESA), Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), and the Pension Benefits Guaranty Corporation (PBGC).

In FY 2003, the Department made the U.S. workforce more secure by a number of measures. Five of eight performance goals were achieved or substantially achieved (one and four, respectively). Highlights of specific improvements are discussed one program at a time in the paragraphs below.

A Secure Workforce

ESA, with responsibility for both performance goals under Outcome Goal 2.1, substantially achieved one and did not achieve the other.

- The Wage and Hour Division reduced the average number of days to conclude a complaint by 16 percent, increased the number of reinvestigations without a violation by 3 percentage points, reduced reinvestigations with identical violations by 2 percentage points and reached 9 of 10 targets for improved compliance in targeted industries.
- The Office of Labor-Management Standards fell short of its target for timely filing of union financial reports but the portion of its resources applied to criminal investigations that result in convictions rose to 63 percent (vs. a target of 53 percent).

Outcome Goal 2.2 consists of four performance goals for four different agencies – ETA, EBSA, ESA and PBGC. One goal was achieved and the other three were substantially achieved.

- ETA's Unemployment Insurance program increased the timeliness of first payments and of determinations that established employers as newly liable for filing UI reports and paying UI taxes.
- EBSA reached all of its targets by achieving a 69 percent corrected violations rate in closed civil cases, referring 40 percent of criminal cases for prosecution and raising its Customer Satisfaction Index score to 59.
- ESA's Office of Workers Compensation Programs reached 8 of its 10 targets. Lost production days (due to illness or injury) in federal agencies rose slightly. However, medical costs were held in check and all claims processing targets were exceeded.
- PBGC significantly reduced the average timeframe to send benefit determinations to participants in defined benefit pension plans they had taken over (from 3.3 years to 2.2 years).

ETA operates the programs in Outcome Goal 2.3. Neither of the two performance goals were achieved this year.

- The Workforce Investment Act Dislocated Worker program exceeded its employment and retention targets with actual rates of 82 percent and 90 percent, respectively. Earnings replacement, though high at 90 percent, was below an ambitious target of 98 percent.
- Trade Adjustment Assistance performance was disappointing, with employment, retention and earnings (62 percent, 84 percent and 75 percent) all well below targets and performance in the prior two years.

Strategies for continued contributions by the Department to Americans' economic security are:

- Help employers and labor unions understand their responsibilities under worker protection laws
- Target enforcement efforts
- Provide unemployment insurance administration oversight and assistance to States
- Improve unemployment insurance information access and analysis
- Create more knowledgeable consumers of employee benefits through outreach and education
- Streamline processing of benefit claims
- Assist federal employees' return to work through better coordination of medical treatment
- Provide women the tools they need to increase their financial security and retirement savings.

All major DOL programs associated with this strategic goal, along with their purposes, results, costs, strategies, management issues and plans for FY 2004 are discussed in the following pages. Detailed historical information on each indicator is available in Appendix 4.

Outcome Goal 2.1

Increase Compliance with Worker Protection Laws

Migrant workers, such as this one tending a vineyard in California, are served by ESA's Wage and Hour Division, which administers and enforces the Migrant and Seasonal Agricultural Worker Protection Act. The Act establishes minimum standards for wages and working conditions that apply to this type of worker.



Photo Credit: US DOL

Overview

The Department of Labor administers and enforces a number of Federal laws to protect workers. These mandates and their implementing regulations cover over 10 million employers and 130 million workers in various workplace activities. The Fair Labor Standards Act (FLSA), which establishes minimum wage, overtime and youth employment protections, addresses many new and difficult challenges facing the American workforce in the competitive global economy. The Labor-Management Reporting and Disclosure Act (LMRDA) advances workplace protections through union democracy and financial integrity standards and required reporting by unions and others for public disclosure.

Serving The Public

In furthering the economic security and welfare of workers and families, the Department seeks compliance with worker protection laws through compliance assistance, education, partnerships and, where appropriate, through enforcement action. The Department involves all segments of business and industry—contractors, manufacturers, retailers, business associations, consumers, worker advocacy groups, financial and health care communities and unions—in advancing the economic well-being of the Nation's workers. The DOL organization dedicated to achieving this goal is the Employment Standards Administration (ESA). This agency has developed programs that assist businesses and other organizations subject to ESA's regulations to comply with their provisions through public education, outreach, and partnerships as opposed to limiting their efforts to traditional enforcement techniques that detect violations after workers have suffered harm.

ESA's Wage and Hour Division (WHD) and Office of Labor Management Standards (OLMS) devote significant resources to increasing public access to vital information that enables individuals and practitioners to better understand and monitor their rights and responsibilities under the law.

Each year, ESA distributes thousands of publications and pamphlets that provide basic information about voluntary compliance, and staff conduct dozens of educational meetings, conferences, and seminars as part of the WHD outreach effort. Because many young workers are employed in low-wage occupations and industries, ESA's expanding Youth Rules! Website provides a gateway to information on youth employment issues for young workers, their parents, educators and employers.

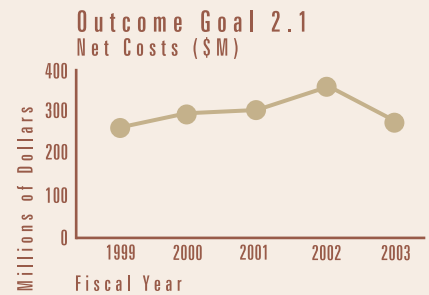
In support of the enforcement of laws designed to guarantee an honest day's pay for an honest day's work, ESA engages in strategic partnerships with employer associations, multi-establishment employers, commercial consumers, the States, and intermediaries – non-governmental agencies and organizations such as faith-based groups, unions, and other social service organizations with direct contact with workers, especially low-wage workers and those facing language barriers.

ESA conducts compliance assistance seminars and maintains liaison with union officials to promote education and voluntary compliance with the LMRDA. Publications informing union officers and members about rights and responsibilities under the law are widely available through ESA headquarters, at field offices located throughout the nation and

through the ESA-OLMS Internet site. ESA strives to make effective use of the Internet in serving the American workforce. Since FY 2002, ESA has maintained an Internet-based public disclosure service that provides ready access to a searchable database of information reported under the LMRDA.

Program Costs

FY 2003 program costs of \$273 million supported ESA's Wage and Hour Division (WHD) and Office of Labor-Management Standards (OLMS) programs. This is an increase of \$5 million over FY 2002. The WHD budget increased slightly to cover operating expenses for the year. Approximately 75 percent of WHD's time is devoted to complaint investigations and resolution. The success of this effort is reflected in the FY 2003 performance results that show ESA decreased the average number of days to conclude a complaint from 129 days to 108 days.



The additional costs for ESA also reflect, in part, an OLMS program enhancement to increase the number of compliance audits conducted through two investigative audit programs: the Compliance Audit Program and the International Union Compliance Audit Program. Over time, the resources dedicated to the compliance audit programs are expected to yield an increase in the number of criminal investigations conducted. Increased audits and compliance assistance significantly enhance the impact of the Department in its mission to protect union financial integrity and enforce the LMRDA reporting provisions.

The decline in the graph is accounted for by approximately \$95 million associated with the Employee Benefits Security Administration's performance goal that was part of this outcome goal in FY 2002 but was included in Outcome Goal 2.2 in FY 2003.

DOL Challenges for the Future

The primary challenge for ESA's worker protection agencies in building a competitive workforce for a global economy is to ensure that the protections are appropriate for and keep pace with the changes occurring in the American workforce. Virtual workplaces, aging workers, increased numbers of women and minorities in the workforce, immigration, organized labor, the growth of small businesses, and the ongoing shift from a manufacturing to a service economy will all be important factors as U.S. businesses seek to comply with worker protection laws in the future.

ESA is working to improve the effectiveness of its compliance assistance program and enforcement interventions to ensure that employers subject to investigation understand and comply in the future. Increasing reliance on immigrant and minority workforces, intense external competitive pressures and high turnover rates remain prevalent today, and the current compliance levels reflect the impact of these external factors.

Recidivism data will assist in the development of more effective compliance assistance programs and materials, and will provide the opportunity for targeted enforcement interventions against serious and repeat violators.

Protect Workers' Wages

Performance Goal 2.1A (Employment Standards Administration) – FY 2003

Covered American Workplaces Legally, Fairly, and Safely Employ and Compensate their Workers

Indicators

Improving customer service by decreasing the average number of days to conclude a complaint.

Reducing employer recidivism.

Increasing compliance in industries with chronic violations, i.e. garment manufacturing, long term health care and agriculture.

Results

The goal was substantially achieved. The three performance indicators contain a total of 13 targets, 12 of which were reached.

Program Description

ESA's Wage and Hour Division (WHD) administers and enforces a number of federal statutes that establish minimum standards for wages and working conditions, including the Fair Labor Standards Act (FLSA), the Migrant and Seasonal Agricultural Worker Protection Act (MSPA), the Family and Medical Leave Act (FMLA), certain provisions under the Immigration and Nationality Act, and various government contract laws.

Indicator results, strategies, and future plans follow.

1. Improve customer service by decreasing the average number of days to conclude a complaint. In FY 2003, decrease by 2 percent over the FY 2002 baseline.

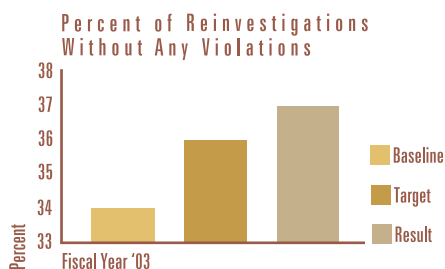
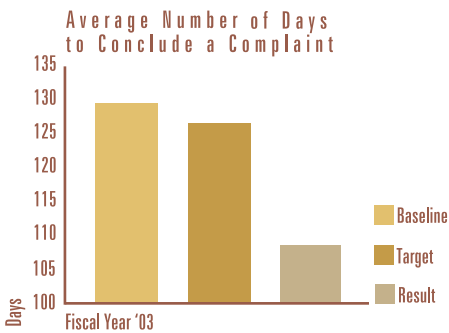
Results

The target was reached. In FY 2003, ESA decreased the average number of days to conclude a complaint from 129 days to 108 days.

Strategies

Established complaint intake procedures are used to ensure proper screening of complaints and to review complaint inventories. ESA is streamlining procedures to ensure early contact with complainants, development of case facts, identification of the appropriate investigative tool, and identification of potential litigation cases.

2. Reduce employer recidivism. In FY 2003, increase the percent of reinvestigations without any violations by 2 percentage points; and decrease the percent of reinvestigations with identical violations by 2 percentage points.



Results

Both targets were reached. In FY 2003, ESA increased the percent of reinvestigations without any violations from 34 percent to 37 percent. Also, ESA decreased reinvestigations with identical violations from 19 percent to 17 percent.

Strategies

ESA is focusing on employers with continuing identical violations and implementing a comprehensive education program, including technology-based compliance assistance. In addition, ESA is providing compliance assistance on all applicable statutes during an investigation; securing agreements for future compliance and obtaining commitments for corporate-wide compliance by multi-establishment employers through formal and informal agreements; assessing penalties; pursuing litigation and prosecution; and publicizing the consequences of non-compliant behavior as may be appropriate for willful and repeat violators.

Future Plans

ESA is modifying its indicator in FY 2004 to one statute – the law with the most general application:

- Increase percent of prior violators who achieve and maintain substantial Fair Labor Standards Act (FLSA) compliance following a full FLSA investigation.

3. Increase compliance in industries with chronic violations including garment manufacturing, the long-term health care industry, and agriculture commodities.

In FY 2003, ESA set a number of indicator targets on an industry-by-industry basis because they are directly related to overall industry compliance. Industry-specific analysis follows.

Garment Manufacturing

Targets for all five indicators were reached:

a.i. Establish a baseline of the percent of employees in southern California paid “on the payroll”.

Results

A baseline of 91% of employees in southern California paid “on the payroll” was established. The 2000 investigation-based compliance survey in southern California found that those shops paying employees “on the payroll” were more likely to be in compliance; none of the shops paying employees “off the payroll” were in compliance.

Strategies

DOL is meeting with organizations and businesses to discuss the impact on minimum wage and overtime compliance when workers are paid “off the payroll”. ESA is making visits to contractors to provide compliance assistance and is working with manufacturers who monitor their contractors.

a.ii. Increase by 2 percent the number of manufacturers that monitor their contractor shops for compliance in southern California (including conducting unannounced visits and payroll reviews).

Results

ESA increased by 2 percent, from 700 to 715, the number of manufacturers that monitor their contractor shops. In the FY 2000 survey in southern California, DOL found that the level of compliance for contractor shops was 44% compared to 11% for shops not monitored. Compliance increased with unannounced visits and payroll reviews.

Strategies

Monitoring contractor shops improves compliance with labor laws. ESA is visiting manufacturers to obtain an agreement to implement or improve an effective monitoring program. ESA is also conducting monitoring training sessions and offering to review the attendees' first monitoring report. DOL signed an agreement with the Korean American Manufacturers' Association (KAMA) for a program under which KAMA members will closely monitor the garment contractors who produce their goods to help ensure compliance.

- a.iii. Increase by 5 percent the number of new contractors in New York City participating in the “Compliance Assistance Program for New Contractors”.**
- a.iv. Increase by 2 percent the number of manufacturers in New York City that monitor their shops for compliance.**
- a.v. Establish a baseline of the percent of employees in New York City paid “on the payroll”.**

Results

ESA-WHD increased the number of New York City new contractors participating in the program from 69 to 73. Of the 73 contractors, 24 were randomly selected for investigation after the payroll review and 19 (79 percent) were found in compliance – an increase from last year when 43 percent were found in compliance.

ESA-WHD increased from 150 to 158 the number of manufacturers in New York City that monitor their shops for compliance. A baseline of 33 percent of employees in New York City paid “on the payroll” was established.

Strategies

DOL and New York State Department of Labor jointly identified all newly registered contractors, educated them about the FLSA requirements and invited them to submit a sample of their payroll records for review. A small number were randomly selected for investigation. Other strategies are similar to indicators above relating to southern California.

Future Plans

In FY 2004, DOL will be continuing its work on the following short-term objectives:

- Increase by 1 percent the percent of employees paid “on the payroll” in New York City and southern California.

- Increase by 2 percent the number of manufacturers that monitor their contractor shops in southern California (including conducting unannounced visits and payroll reviews).

Long-term health care

One of the two targets was reached.

- b.i. Increase by 2 percent the percent of employees in the residential living (group home) segment of health care industry paid in compliance with the overtime requirements of the Fair Labor Standards Act.**
- b.ii. Increase by 1 percent the percent of nursing home complaint cases concluded in 180 days.**

Results

DOL did not reach the first target. The percent of all residential living employees in overtime violation cases who were paid in compliance with the overtime provisions declined from the baseline of 83 percent to 77 percent. The differences in the percent of employees in compliance between fiscal year 2002 and 2003 may be in large part due to the differences in the average size of residential living facilities with overtime violations. In fiscal year 2002, the average size of residential living facilities with overtime violations on average had 77 employees as compared to 47 employees in 2003. In fiscal year 2003, the smaller establishments tended to have overtime violations. As a result, the percent of employees that were subject to an overtime violation in the smaller facilities tended to be higher. In fiscal year 2004, ESA will be conducting a statistically valid investigation-based survey of the health care industry that will provide a better measurement of the number of employees paid in compliance with the overtime provisions.

WHD did reach the second target by increasing the percent of nursing home complaint cases concluded within 180 days from 42 percent to 48 percent.

Strategies

DOL conducted compliance assistance in geographic areas where violations appear more common and worked with State licensing agencies to disseminate compliance materials to newly licensed residential care facilities. ESA developed and piloted a consultation program for small and new residential group homes and conducted reinvestigations of prior violators.

ESA conducted full investigations of overtime, minimum wage and child labor complaints in the nursing home industry with focus on obtaining long-term sustained compliance. ESA is coordinating nursing home complaint cases to look for multiple complaints against the same corporation. Those corporations will be approached to participate in a compliance agreement program.

Future Plans

In FY 2004, ESA will be conducting an investigation-based compliance survey in the long-term health care industry. The targets are:

- Increase by 5 percent the percent of nursing homes in compliance with the FLSA.

In September 2002, the Department filed seven lawsuits against the owners of 11 Chicago-area Chinese style buffet restaurants to recover back wages due under the Fair Labor Standards Act. The investigations which resulted in the court actions found that over 100 workers – mostly Asian and Hispanic – employed as busboys and kitchen help worked as many as 66 hours in a week and were not paid overtime compensation. In some instances, employees were paid less than the minimum wage of \$5.15 per hour. In February 2003, the Department settled the lawsuits resulting in the restoration of over \$665,000 to the workers. In addition to requiring the payment of back wages and future compliance, the judgments also included a provision prohibiting retaliation to help protect the workers from dismissal or coercion to return their wages to the employer.

- Increase by 2 percent the percent of nursing home employees employed or paid in compliance with the FLSA.

Agricultural commodities

All three targets were reached.

c.i. Increase compliance among agricultural employers subject to the Disclosure, Wages, Housing and Transportation (DWHaT) provisions of the Migrant and Seasonal Agricultural Workers Protection Act (MSPA) through targeted compliance assistance programs (to be measured in FY 2004).

c.ii. Increase by 2 percent the number of agricultural housing providers who corrected violations following an investigation.

c.iii. Increase by 1 percent the number of agricultural housing providers who corrected violations following a first investigation.

Results

Compliance increases stemming from targeted compliance assistance programs will be measured in 2004. WHD increased from 167 to 256 the number of agricultural housing providers who corrected violations following an investigation and increased from 97 to 133 the number of providers who corrected violations following a first investigation.

Strategies

DOL is providing compliance assistance to farm labor contractors, growers and associations through mailings, outreach events, the Internet and other means. DOL has entered into several compliance partnership agreements with major agricultural associations that provide outreach activities such as seminars and the dissemination of compliance assistance materials.

ESA is increasing the number of investigations of housing providers, obtaining agreements to remedy violations and verifying that corrective action was taken. Employers with serious housing violations are encouraged to enter compliance partnership agreements.

Future Plans

In FY 2004, ESA will continue to focus on targeted compliance assistance programs that improve compliance with the MSPA housing provisions. The targets are:

- Increase by two percent compliance among agricultural employers subject to the DWHaT provisions of MSPA through targeted compliance assistance programs.
- Increase by 1 percent the number of agricultural housing providers who corrected violations following an investigation.

Management Issues

Data: Data used for measurement of the goal is derived from the Wage and Hour Investigative Support and Reporting Database (WHISARD). An independent analysis conducted by the University of Tennessee evaluated the completeness and accuracy of the data in

WHISARD. This study of 109 randomly selected cases in WHISARD focused on 27 data elements that were considered because of their importance in the GPRA process and report preparation. Results indicated an extremely high level of data integrity.

Management Challenges: Several complex factors influence ESA's ability to meet goals and improve results, including external social and economic pressures beyond the program's control. Understanding these challenges is crucial to the program's ability to realistically establish performance objectives and implement effective strategies. Workforce demographics that show a high concentration of immigrant populations who are fearful of government intervention require alternative compliance assistance avenues to inform workers of their rights and the remedies available to them. Young workers, who are eager for work experience, often unknowingly contribute to violations. ESA must ensure that youth, their parents and educators are aware of youth employment laws.

Internally, recruitment of personnel, particularly in high-cost cities and those with non-English language skills has become more difficult. These factors, coupled with the high number of retirement eligible staff, affect the program's ability to effectively balance resources devoted to resolving complaints in low-wage industries.

Internal Program Evaluations and Audits: During FY 2003, ESA had a contract with Mathematica Policy Research, Inc. to design a statistically reliable model to determine and measure "seriousness" of non-compliant behavior within industries. The contractor developed three main criteria to help select performance measures—specifically, whether the measure 1) captures the incidence of violations, 2) characterizes the severity of violations, and 3) is able to measure regulatory efficacy. The contractor also developed seven potential "seriousness" performance measures, which should serve a valuable role in assessing future performance. In FY 2004, DOL will expand this contract work.

Goal Assessment and Future Plans

ESA's past emphasis on three nationally targeted low-wage industries with chronic violations has seen some success, and it is timely and essential to expand this emphasis.

Beginning in FY 2004, ESA will broaden current compliance goals to include a wide range of industries that employ low-wage workers and will also be:

- Establishing a baseline of the percent of low-wage workers across various identified low-wage industries paid in violation of the FLSA.

Union Transparency

Performance Goal 2.1B (Employment Standards Administration) – FY 2003

Advance safeguards for union financial integrity and democracy and the transparency of union operations.

Indicators

Improving timely filing of union annual financial reports that contain information sufficient for public disclosure. In FY 2003:

- The timely filing of union annual financial reports by unions with annual receipts over \$200,000 will increase to 85 percent.
- A baseline for the percentage of filed reports determined to be sufficient for public disclosure will be established in FY 2003.

Extending Labor-Management Reporting and Disclosure Act (LMRDA) protections for union financial integrity to a greater number of labor organizations through more effective use of investigative resources. In FY 2003 the percentage of investigative resources applied to criminal investigations that result in convictions is increased to 53 percent.

Results

The goal was not achieved. The Department met two of the three performance targets for this goal. Sixty four percent of unions with receipts greater than \$200,000 filed the annual financial report on time (vs. target of 85 percent). ESA succeeded in establishing a baseline for the percentage of union reports meeting standards for public disclosure availability: 73 percent. ESA reached the target to make more effective use of resources applied to criminal investigations, as 63 percent of investigative resources applied to criminal cases were expended on cases that resulted in convictions.

Program Description

ESA's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the LMRDA. The Act requires reporting by unions and others for the purpose of public disclosure; establishes standards for union officer elections; and provides union financial integrity protections, including criminal sanctions for union funds embezzlement. In carrying out its responsibilities under the LMRDA, OLMS performs four types of activities: compliance assistance; civil and criminal investigations and enforcement actions; union compliance audits; and reports/public disclosure administration.

Analysis of Results

Timely and accurate reporting by unions is critical to LMRDA's objectives for union transparency, financial integrity, and democracy. While the timely filing rate of 64 percent falls significantly short of the 85 percent target, FY 2003 was the first year in which ESA used more stringent guidelines for determining timeliness. In FY 2002, the 85 percent mark was achieved. However, in FY 2003, ESA established more stringent guidelines, allowing no more than three days beyond the statutory due date as a benchmark for timely filing. In FY 2002 a 14-day grace period had been allowed. ESA imposed the stricter standard for timeliness to achieve better results and will continue to focus efforts to achieve that end.

The sufficiency as well as the timeliness of union reports filed for public disclosure is important to support a competitive American workforce. Therefore, ESA has established a performance goal to improve the sufficiency of the reports. Performance targets for FY 2004 and beyond will be established to build on the baseline sufficiency level of 73 percent.

Union financial integrity is also essential to a competitive workforce. To ensure effective use of resources applied to criminal investigations, ESA established the goal to increase the percentage of resources applied to criminal investigations that result in convictions. As that percentage increases, greater direct benefit is provided to the American workforce through enforcement of union financial integrity protections, as demonstrated by FY 2003 results.

Strategies

ESA employs a variety of partnership, compliance assistance, and enforcement strategies to achieve timely and accurate reporting by unions. These strategies include reminding unions delinquent in the prior year to file their reports on time, conducting compliance assistance, and establishing liaison with international unions to promote timely report filing by their affiliates. ESA emphasizes expanded use of electronic reporting formats to ensure reporting completeness and accuracy.

Compliance assistance and liaison with union officials, union audits, criminal investigations, and enforcement comprise a balanced strategy to advance union financial integrity protections. The Department will continue to seek greater efficiency in extending financial integrity protections to more labor organizations.

Management Issues

Data: Performance information for this goal is derived from two established agency data systems. The labor organization report system (e.LORS) database includes information about the timeliness and sufficiency of union reports filed under the LMRDA. The Case Data System includes comprehensive information about resources expended on investigations, audits, and other program activities, as well as enforcement actions resulting from those activities.

Management Challenges: Union transparency through LMRDA reporting is critical to ensuring union democracy and financial integrity. Securing timely filed reports for public disclosure is a continuing challenge in spite of ESA's efforts through comprehensive compliance assistance, liaison, and its systematic delinquency contact program. The Department's position is that an amendment to the LMRDA to include authority to assess civil monetary penalties for late filing of LMRDA reports would be an effective tool to address this problem.

Goal Assessment and Future Plans

Although timely LMRDA reporting will remain an important objective of the Department, a new performance goal will focus on the sufficiency of reports made available for public disclosure. Beginning in FY 2004, ESA will measure the effectiveness of the LMRDA union financial integrity program. Greater emphasis on union compliance audits is planned to assist in supporting that goal.

Outcome Goal 2.2

Protect Worker Benefits

Overview

DOL improves the economic security of America's working families through the administration of benefit programs dealing with unemployment insurance, expansion of private pension coverage, protection of Federal and certain other workers from the effects of work-related injuries and illness, and timely and uninterrupted payment of pension benefits. DOL's longstanding role in protecting worker benefits arose in response to specific concerns about the well-being of American workers and their families. The Department's Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), Employment Standards Administration (ESA), and Pension Benefit Guaranty Corporation (PBGC) administer DOL programs that safeguard the economic security of the Nation's workers and retirees.

Serving The Public

The ETA-administered Unemployment Insurance (UI) program is a critical component of the Department's contribution to worker security. DOL provides administrative support to State-operated programs and maintains the Unemployment Trust Fund that serves as a buffer to volatile cycles in tax revenues and benefit claims. In FY 2003, system efficiency improved even as workloads increased, thanks in part to technical assistance provided by DOL.

The Employee Benefits Security Administration (EBSA) is responsible for the administration and enforcement of Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), in both civil and criminal areas. EBSA currently oversees approximately 730,000 private pension plans and millions of private health and welfare plans that are subject to ERISA. The pension plans under our jurisdiction hold over \$4 trillion in assets and cover approximately 150 million Americans. To achieve the Secretary's strategic goal of retirement security for the nation's workers and retirees, EBSA employs a comprehensive, integrated strategy encompassing programs for enforcement, participant assistance, compliance assistance, interpretive guidance, legislation and research. In FY 2003, the Department obtained monetary results of over \$1 billion as a result of its investigative and participant assistance activities – a record year.

ESA's Office of Workers' Compensation Programs (OWCP) administers four disability compensation programs that minimize the human, social, and financial burden on certain workers – or their dependents or survivors – resulting from work-related injury, disease, or death. OWCP accomplishes this through the provision of wage replacement and cash benefits, medical treatment, vocational rehabilitation, and other benefits. In FY 2003, case management and vocational rehabilitation services provided by the Federal Employees' Compensation program assisted more workers in returning to employment and shortened the average duration of paid disability for new cases. Administration of the Energy Employees Occupational Illness Compensation program continues to improve the timeliness of completing initial claims processing and issuing final decisions.

PBGC restores pension benefits to participants in defined benefit plans that have been terminated, usually due to the sponsoring employer's bankruptcy. Estimated benefits are paid to eligible retired participants while awaiting issuance of a final benefit determination. In the last five years, PBGC has cut in half the time it takes to complete benefit determina-

tions. Over 83,000 participants received final determinations of their benefits in FY 2003, while another (record) 206,000 participants had their plans trusteeed by PBGC.

Program Costs

FY 2003 program costs of \$57.7 billion supported ETA's unemployment insurance and foreign labor certification programs, EBSA efforts to ensure that individuals receive promised benefits, and ESA programs to reduce the consequences of work-related injuries.

Unemployment Insurance program costs, which rose by \$2.5 billion over FY 2002, accounted for 98 percent of FY 2003 expenditures. 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 trend line in the chart shows the effect of changes in AWIU from FY 1999 to 2003 on program costs for Outcome Goal 2.2. The AWIU figure increased from 2.258 million in FY 1999 to an estimated 3.560 million in FY 2003. UI benefits paid increased from \$20.9 billion in FY 1999 to an estimated \$53.4 billion in FY 2003.

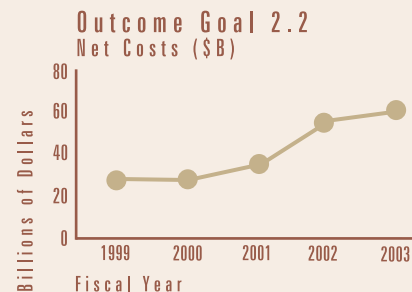
Other costs declined or rose minimally. For example, ESA's cost of providing assistance to Federal employees injured on the job fell from \$1.35 billion to \$1.06 billion. EBSA's costs of protecting health and retirement benefits went up, but only slightly; while the agency's share of total outcome goal costs rose from \$42 million in FY 2002 to \$146 million in FY 2003, almost all of the increase is due to transfer of its largest programs from Outcome Goal 2.1. PBGC is not included in the DOL Consolidated Statement of Net Costs, hence the costs of its programs are not reflected here.

DOL Challenges for the Future

Emerging workforce trends present a variety of challenges to the Department's goal of creating economic security for workers and their families. Protecting vulnerable populations and protecting and expanding pension and health care coverage will continue to be key issues on the planning horizon. These structural changes are not expected to remove or lessen workers' risk of experiencing unemployment in our dynamic market economy. The unemployment insurance system must therefore continue to adapt to the changing character of the workforce, the job market, and the nature of unemployment itself.

Our Nation is expected to have an older and more highly educated workforce, increasing our need for reliance on foreign workers to fill employment needs in lower-skilled, low-wage occupations. These populations of workers are more vulnerable to exploitation, and protecting these workers will continue to be a key focus of our efforts. As longevity increases, needs for health care will rise, as well. Employment benefit packages have evolved toward increasing employees' responsibility for their own retirement savings and planning. In the future, pension and health care benefits will need to be flexible and portable.

To help American workers remain secure as they adapt to these changes, the Department will increase its use of compliance assistance and refine its use of technology and targeting of enforcement efforts.



Vanessa, of Alpharetta, GA files her Unemployment Insurance claim at the North Metro Atlanta Career Center's intranet workstation. Since 2001, the Georgia Department of Labor's 53 Career Centers have offered UI claimants the option of filing for benefits on the Department's intranet. The service allows claimants to complete their application for benefits quickly and frees staff to assist those who need personal assistance.



Photo Credit: Ed Hall;
Georgia Department of Labor

Pay Unemployment Insurance Claims Accurately and Promptly

Performance Goal 2.2A (Employment and Training Administration) – FY 2003

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

Indicators

Payment Timeliness: 91 percent of all intrastate first payments will be made within 14/21 days.

Payment Accuracy: Establish for recovery at least 59 percent of all estimated detectable overpayments.

Facilitate Reemployment: A data source will be selected and baseline for the entered employment rate of UI claimants will be established during early FY 2004.

Establish Tax Accounts Promptly: 80 percent of new employer status determinations will be made within 90 days of the end of the quarter in which liability occurred.

Results

The goal was substantially achieved; two targets were reached and two were substantially reached.

- **Payment Timeliness:** This target was substantially reached. For the year ending June 30, 2003, 89 percent of first payments were made within three weeks, versus a target of 91 percent. Performance was up from FY 2002's 88.7 percent.
- **Payment Accuracy:** This target was substantially reached. For the year ending June 30, 2003, States established for recovery 56.1 percent of the estimated amount of overpayments they could detect and recover, versus a target of 59 percent.
- **Facilitate Reemployment:** This target was reached. During the year, DOL developed a measure and a method to obtain re-employment information on UI claimants. Six States are pilot-testing the method, and their results will be used to establish a baseline in early FY 2004.
- **Establish Tax Accounts Promptly:** This target was reached. For the year ending June 30, 2003, 83.7 percent of determinations that established employers as newly liable for filing UI reports and paying UI taxes were made within 90 days of the end of the quarter they first became liable, exceeding the target of 80 percent.

Program Description

By temporarily replacing part of lost wage income, the Federal-State UI system—one of the nation's most successful and enduring Federal-State partnerships—ameliorates personal financial hardship due to unemployment and 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; timely establishment of new employers' tax accounts to ensure the reporting of workers' wages and payment of taxes to fund benefits; and the promotion and facilitation of workers' return to suitable work. Targets were selected by first assessing prior experience, and then projecting reasonable performance under anticipated labor market conditions.

Analysis of Results

The UI system performed extremely well, considering that claims workloads were much higher than forecasted. The number of beneficiaries, at 10.3 million, was only slightly lower than the previous year's 10.5 million. Benefit payments totaled \$53.4 billion, an increase of \$2.5 billion from FY 2002. Despite this, States not only maintained first payment timeliness at a high level, but also improved it to 89 percent from 88.7 percent. The timeliness of new employer status determinations continued to improve; 83.7 percent were made within 90 days. The sluggish economy, which depresses creation of new businesses, may have contributed to the improved new status timeliness. The decline in detection and establishment of recoverable overpayments may be due to the rise in payment volume and workload. Six States are pilot-testing the method for measuring entered employment, and those results will permit establishment of a baseline in early FY 2004.

Strategies

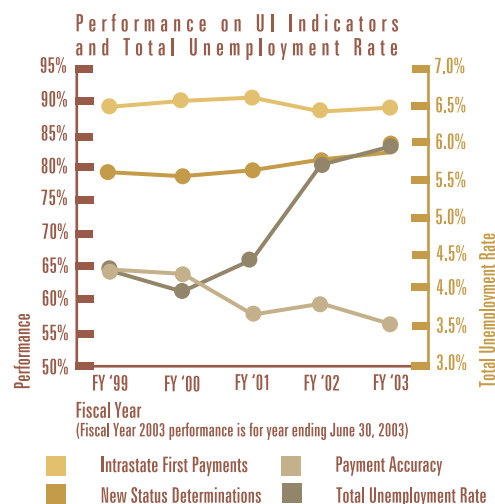
Timely Payments: The Department will work intensively with States to improve payment timeliness. Fourteen States will prepare Corrective Action Plans (CAPs) for FY 2004 for failing to meet the Secretary's Standard criterion of 87 percent.

Detection of Overpayments: The Department has instituted several payment integrity initiatives as part of its integrity work plan; taken as a whole, they establish a structure that will improve payment integrity over time. The most important of these initiatives is promoting and funding States' use of their own State Directories of New Hires databases to detect claimants who continued to claim benefits, despite having returned to work. This enables States to detect these violations in time to reduce the number of weeks erroneously claimed and to enhance establishment and recovery of overpayments. The Department has also funded State data exchanges with the Social Security Administration and other State agencies to help prevent overpayments.

Establish Tax Accounts Promptly: In late FY 2003, DOL provided grants to six States for Internet employer registration systems that speed the process of establishing tax accounts. State administrators are cooperating with the Department on raising timeliness standards.

Management Issues

In its recent PART review of the UI program, the Administration concluded that the UI program has "relatively few areas of vulnerability"...indicating that the UI program overall continues to be managed effectively. They noted that DOL's Office of Inspector General (OIG) and the General Accounting Office (GAO) encouraged DOL to make a "more concerted effort" to reduce the overpayment rate, and that the Department has increased efforts in this area. They agreed with DOL that the UI program was making progress toward its long-term and annual performance goals, acknowledging the effect of heavy workload increases on attaining the goals.



The OIG again included concerns about UI integrity and solvency in its 2003 report of Top Management Challenges to the Department. It recommended training State staff in fraud detection and investigative techniques, and sharing information on multi-claimant fraud schemes and best practices. One of the vehicles used for this purpose was the national UI integrity conference conducted in April 2003. This conference also addressed topics directly related to the payment accuracy indicator, such as use of New Hires data mentioned above.

Two additional OIG reports address the issues of Internal Revenue Service (IRS) administrative charges to the Unemployment Trust Fund (UTF) (see study 3 in Appendix 3) and detection of UI claimant overpayments (see study 8 in Appendix 3). In response to OIG recommendations regarding the UTF, ETA is working with the IRS on its new financial accounting system and methodology that will allocate costs among the trust funds. A Memorandum of Agreement between ETA and IRS is being pursued in FY 2004. Regarding OIG recommendations on overpayments, ETA has made overpayments a top priority by establishing overpayment detection as a performance measure for which states will be held accountable, and by exploring use of New Hires data in reducing overpayments.

During FY 2003, States engaged in an intensive effort to implement the UI Data Validation system, which will help ensure the accuracy of most key performance data by validating over half of all reported data. All but eight States were able to begin implementation by the end of FY 2003.

The Department is also conducting a pilot project to test the impact of resource increases on performance. Information obtained will inform a strategy for building performance improvement incentives into the UI resource management system. At least five States will participate; results are expected by June 2004.

Goal Assessment and Future Plans

Based on its experience of the past two years, DOL proposes for FY 2004 the following adjustments to its performance targets. It proposes *lowering* the target for intrastate first payments made within three weeks from 91.3 percent to 89.2 percent. This target is higher than FY 2003 performance and reflects workload estimates based on the administration's economic assumptions. A general improvement in performance can be expected with improvements in the economy. Also consistent with those economic assumptions and based on recent experience, the Department proposes *raising* from 80 percent to 82.2 percent the target for determinations about new employers' liability for UI taxes within 90 days of the quarter when they first become liable. Although this is below FY 2003 performance, it reflects the counter-cyclical nature of this indicator. The Department proposes lowering the FY 2004 target for establishing overpayments from 59 percent of estimated detectable recoverable overpayments to 57 percent, based on the Administration's economic assumptions. Although cyclical factors will eventually help raise this performance, in FY 2003 those factors lowered performance to 56.1 percent by raising benefit payments and estimated overpayments faster than States could increase overpayment detection efforts.

Provide for Secure Pension and Health Plans

Performance Goal 2.2B (Employee Benefits Security Administration) – FY 2003

Enhance pension and health benefits security

Indicators

Achieve greater than a 50 percent ratio of closed civil cases with corrected violations to civil closed cases.

Achieve greater than a 25 percent ratio of criminal cases referred for prosecution to total criminal cases.

Achieve a Customer Satisfaction Index of 59 (on a scale of 0 to 100), or comparable measurement, for participants and beneficiaries who have contacted EBSA for assistance.

Results

The goal was achieved. The Department achieved a civil ratio of 69 percent and a criminal ratio of 40 percent while receiving a customer satisfaction score of 59 percent.

Program Description

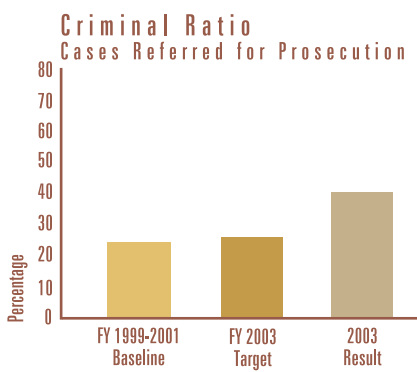
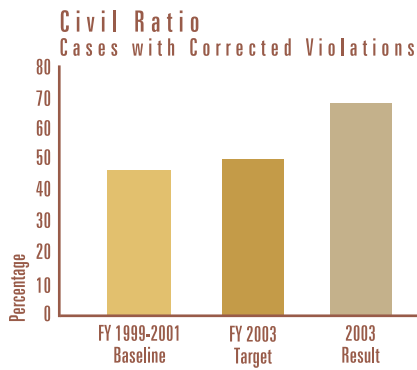
Integrity in the management and administration of pension and health funds is fundamental to the success of our voluntary employment-based benefits system. Participants in our voluntary benefits system trust that employers and plan officials will meet their responsibilities in the management of pension and health plans and expect the Government to enforce the law and take appropriate action against wrongdoers if they do not. The Employee Benefits Security Administration (EBSA) is responsible for enforcing the Employee Retirement Income Security Act (ERISA). Revelations of corporate and union malfeasance, combined with a quickly changing economy, have heightened American workers' and their families' concerns about health benefits and the security of their pensions. Our challenge is to maintain the trust and confidence in the employee benefits system by developing and implementing public programs that enhance the security of pension and health benefits. Achieving the targeted civil and criminal ratios is but one overarching performance measure that instills confidence that the Department is successfully targeting wrongdoers.

In addition to a proactive enforcement program, DOL 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, our education and customer assistance programs help to create knowledgeable consumers who can assist in monitoring their own benefit rights. DOL received over 170,000 written or telephone inquiries for assistance in FY 2003. Protecting workers' benefits requires a rapid and accurate response to customer inquiries, and the public's feedback and perception of our abilities, as described by The Gallup Organization's customer satisfaction survey, is therefore a meaningful measure of the Department's performance.

Protecting workers' retirement benefits: Secretary Elaine L. Chao announces the filing of a suit to recover losses that Enron employees suffered due to the mismanagement of two of Enron's main pension plans.



Photo Credit: US DOL



Analysis of Results

The Department measures the quality of its investigations by gauging the ratio of successful investigations to total investigations. A successful civil closed investigation is one in which rightful assets are protected or returned to plans and participants. A successful criminal investigation is one that is referred for prosecution. In FY 2003, the Department obtained monetary results of over \$1 billion as a result of its investigative and participant assistance activities, a record year. Included in the above results is a single investigation that accounted for approximately \$455 million in plan assets protected. Also included are enforcement referrals by the Benefits Advisors. Referrals led to 1,359 investigations being closed, resulting in \$197 million in monetary results. Finally, Benefit Advisors recovered approximately \$83 million on behalf of participants through informal resolution of benefit complaints – the highest amount ever recovered in a single year. Monetary results may fluctuate significantly and past performance cannot predict future performance in any given year, but monetary results have followed an upward trend over the past several years. During FY 2003, the Department investigated a number of high profile, resource intensive cases with far-reaching effects on the participant benefits community.

Benefit Advisors responded to 99.78 percent of all written inquiries within 30 days of receipt and responded to 99.95 percent of telephone inquiries by the close of the next business day. Our target to achieve a customer satisfaction score of 59% – the total percentage of the respondents who rated our overall services at least a 4 or 5 on a scale of 1 to 5 – was achieved. However, Gallup has advised EBSA that its long-term target to achieve a customer satisfaction goal of 75% by FY 2008 is unattainable based on their vast experience and other industry standards. Gallup has recommended that EBSA revise its long-term goal to a more realistic level. As Gallup continues to develop additional baseline data for government agencies, they will assist us in refining our future targets.

Strategies

During FY 2003, the Department continued to employ more effective targeting techniques to increase the number of cases converted from limited reviews to investigations in which possible fiduciary or criminal violations have been identified. These techniques aid in the Department’s efforts to identify those cases which merit investigation. Examples of successful targeting techniques the Department uses include computer-aided analysis of data from reports that employee benefit plans and service providers are required to file with the Department, and working directly with financial institutions to assist them in identifying plans which may have a delinquent contribution problem or which responsible plan officials may have abandoned. In addition, the Department uses other strategies to improve its enforcement program, including sharing best practices and success stories from field investigations, and identifying quality cases and their sources through the Case Opening and Results Analysis.

The Department will continue the popular Retirement Savings Education Campaign and the Health Benefits Education Campaign; the Dislocated Worker Program; and participant assistance services that aid plan participants in understanding the employee benefits laws and procedures as well as help participants to obtain benefits that have been incorrectly withheld.

Management Issues

EBSA's Enforcement Management System (EMS) provides the data used to measure the enforcement ratios, and the Department has confidence in the accuracy and reliability of the data. EBSA's internal quality assurance processes require that individuals not directly involved with the investigation at hand or inputting data for the investigation approve all case openings. Cases with monetary results ultimately receive scrutiny throughout the management hierarchy up to and including national office oversight and review. In the participant assistance area, The Gallup Organization, an internationally renowned survey research firm, performed the customer satisfaction evaluation and provided the customer satisfaction score. EBSA has high confidence in the validity, reliability, and timeliness of the Gallup data.

External Evaluations and Audits: EBSA has implemented several ambitious initiatives that directly respond to recommendations from the the Administration's PART review. First, EBSA is making steady progress in its efforts, beginning in February 2003, to follow up on the FY 1995 study with respect to the quality of ERISA audits performed on pension plans to determine the level of compliance of the audits to professional accounting standards. Second, in FY 2004, EBSA will be conducting a baseline compliance study with respect to certain aspects of employee contribution plans. Third, EBSA will be receiving reports from The Gallup Organization and Mathematica Policy Research during the first quarter of FY 2004 for evaluation activities conducted during FY 2003 in its participant assistance and enforcement programs. EBSA has also been selected to receive funding during FY 2004 to conduct additional evaluation activities in its participant assistance program. Finally, EBSA is establishing a regulatory review program that will: (a) set forth a process for identifying initiatives for review, (b) provide for the evaluation of cost and benefits of identified regulations and exemptions; and (c) to the extent legally permissible, modify or eliminate those rules for which the costs and administrative burdens outweigh the benefits.

Goal Assessment and Future Plans

Developing a quantifiable, pure outcome goal to measure EBSA's success is extremely challenging. 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. In addition, EBSA oversees benefit security for approximately 6 million plans, 150 million participants and beneficiaries, and approximately \$4.8 trillion in assets. EBSA strives to ensure that stakeholders (professional planners and participants) are empowered with knowledge to comply with the law and to make informed personal choices.

In the absence of having a pure outcome measure, describing success in enhancing the security of retirement benefits in this complex environment involves selecting key measures that provide an indication of or reasonable connection to our success. It is within this context that the Department will continue to utilize the performance indices we developed and implemented for the first time in FY 2003. With respect to the customer satisfaction target, EBSA will work with Gallup to refine its long-term target consistent with other industry standards and experience.

In developing these measures, EBSA intends to: (1) maintain maximum flexibility for the Secretary to make policy judgments regarding enforcement, compliance assistance, outreach and education; (2) demonstrate effectiveness in achieving these policy choices; (3) avoid creating unintended incentives (i.e. selecting monetary measures that might lead the Department to select investigations based on potential recovery alone and thus ignore small plans or health plan violations); and (4) measure a multitude of diverse activities (e.g. education/outreach, technical assistance, enforcement). By measuring these indices, coupled with additional statistical and internal management information, the effectiveness of our program can be determined and more importantly, we can develop strategies to more effectively enhance benefit and retirement security.

Reduce the Consequences of Work-Related Injuries

Performance Goal 2.2 C (Employment Standards Administration) – FY 2003

Minimize the human, social, and financial impact of work-related injuries for workers and their families.

Results

This goal was substantially achieved. Targets were reached for eight of 10 indicators.

Program Description

Employment Standards Administration’s (ESA) Office of Workers’ Compensation Programs (OWCP) administers four disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease:

- The Federal Employees' Compensation Act (FECA) program affords income and medical cost protection to civilian Federal Government employees and certain other groups.
- The Longshore and Harbor Workers' Compensation Act program provides similar protection to private-sector workers engaged in certain maritime and related employment.
- The Black Lung Benefits program provides protection to the nation's coal miners suffering from totally disabling pneumoconiosis.
- The Energy Employees Occupational Illness Compensation Program Act of 2000 provides compensation and medical benefits to employees or survivors of employees of the Department of Energy (DOE) and of private companies under contract with DOE who suffer from a radiation-related cancer, beryllium-related disease, or chronic silicosis due to their work producing or testing nuclear weapons. DOL coordinates this program with DOE, the Department of Health and Human Services (HHS), and the Department of Justice.

Results, Strategies and Future Plans for each indicator are presented separately.

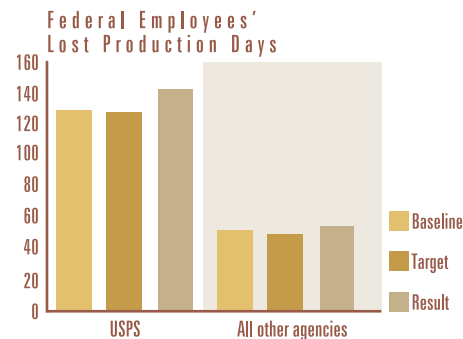
1. For FECA cases of the United States Postal Service, reduce the lost production days rate (LPD per 100 employees) by one percent from the FY 2002 baseline.

Results

The target of 129.7 days was not reached. LPD rose by nine percent to 143.3 days in FY 2003. Roughly half of the annual total of over two million LPD days for Federal employees is attributable to US Postal Service cases. The number of USPS wage-loss claims continues to increase. Employment reductions have resulted in losses in light-duty and other reemployment opportunities for injured Postal workers.

Strategies

To return more employees to work, ESA is improving Vocational Rehabilitation strategies, including increasing the number of placements with new employers and particularly focusing on Postal Service cases.



2. For FECA cases of All Other Government Agencies, reduce the lost production days rate (LPD per 100 employees) by three percent from the FY 2001 baseline.

Results

The target for this indicator was not reached. In FY 2003, LPD for All Other Government Agencies rose by 2.6 percent to 55.2 days. The increase in LPD reflects an increase in non-Postal Federal employment, particularly in the security field, exposing additional workers to potential injuries; an increase in new FECA injury claims of 6 percent over FY 2002; continuing increases in the number of wage-loss (severe) claims (up 30 percent since FY 2000); and, significantly, an increase of 22 percent in total disability days during the continuation-of-pay period (immediately following injury and before OWCP takes jurisdiction over the case).

Despite these negative external factors, the total increase in LPD was kept modest by efforts to manage FECA wage-loss claims. Through FECA's Quality Case Management (QCM) program, average time loss in those cases was reduced to 162 days per case, a reduction of an average of 27 wage-loss days since 1997, saving \$26 million in annual compensation costs for affected cases.

Strategies

Under the QCM strategy, ESA assigns nurses to new injury cases to facilitate communications between the physician, the injured employee and the employer. Nurses screen cases for appropriateness of medical and pharmacological treatment, and encourage injured workers to recover and return to work.

Future Plans

DOL's OSHA and ESA are reinvigorating their joint program to improve Federal workplace safety, facilitate recovery, and promote speedy returns to work. This effort will better publicize and focus Federal employers on workplace injuries, set government-wide performance goals, and track and report results. DOL is also exploring ways to provide more timely data and assist Federal employers in interpreting injury and time loss results.

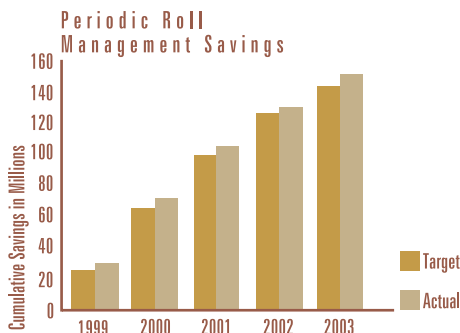
3. Increase FECA Vocational Rehabilitation placements with new employers for injured USPS employees by five percent over FY 2002.

Results

The target was reached. This was a new indicator for FY 2003. Performance exceeded expectations with an increase of 14 percent (to 56 placements) despite a slow start-up and lengthy required lead times.

Strategies

DOL seeks increases in new employer placements, since light duty and other reemployment opportunities have decreased within the Postal Service. DOL will expand outreach to employers to target occupational or skills types and teaming employers to identify cross-agency opportunities.



Future Plans

The FY 2004 target is to increase new employer placements of USPS employees by 15 percent over baseline.

4. Through use of Periodic Roll Management, produce \$20 million in first-year savings in the FECA program.

Results

The target was reached. Disability status reviews improved services to disabled beneficiaries, resulting in first-year savings of \$24.6 million.

Strategies

Future PRM reviews will focus on newer disability cases and continue addressing those cases with significant potential for vocational rehabilitation services.

Future Plans

The FY 2004 goal is to produce \$18 million in first-year savings.

5. The trend in the indexed cost per case of FECA cases receiving medical treatment will remain below the comparable measure for nationwide health care costs.

Results

The target was reached. In the last 12 months, FECA average medical treatment case costs remained stable, while the Milliman Health Cost Index (MHCI) rose by 10 percent. This indicator assesses whether FECA program costs are comparable to nationwide health care cost trends as measured by MHCI. Since FY 2000, nationwide costs have risen 36 percent on average, while FECA average costs have only risen 19 percent, due to several successful cost containment strategies.

Strategies

Because early FY 2001, implementation of various cost containment strategies has significantly moved FECA's cost curve well below the average Milliman Index.

Future Plans

Since average medical costs continue to rise, DOL will continue implementing new cost containment strategies.

6. Establish or complete baselines in Key customer service areas.

Results

The target was reached. ESA established baselines for five communications performance indicators measuring availability, access, responsiveness, effectiveness, and quality:

- Increase use of FECA program electronic services
- Reduce average caller wait times
- Reduce average time to return calls

On April 23, 2003, Deputy Secretary of Labor D. Cameron Findlay (pictured below) and Deputy Secretary of Energy Kyle McSlarrow presented one of the first checks for a dose reconstructed claim in the amount of \$150,000 to Thomas, who worked at Hanford as a chemical operator from 1947-1982. The radiation dose estimate produced by the dose reconstruction process validated the probability that the exposure to radiation experienced on the job caused Thomas' cancer. "Today's event is a symbol of our commitment to people like Thomas who worked for years on behalf of our country," said Deputy Secretary of Labor Findlay.



Photo Credit: US DOL

- Increase calls resolved on the first try
- Increase calls handled according to program quality standards

Strategies

ESA seeks to increase FECA program customer satisfaction by producing better results in communications services. ESA will develop and train FECA phone bank personnel in professional techniques, standardize call-handling procedures, add desk-top tools for call handlers, and monitor call quality.

Future Plans

ESA plans incremental improvements in each of the five communication indicators to achieve optimally effective levels by FY 2008.

7. Reduce by two percent over the FY 2002 baseline the average time required to resolve disputed issues in Longshore and Harbor Workers' Compensation Program contested cases.

Results

The target was reached. For FY 2003, the average number of days to resolve disputed issues was 266 days, 13 days below the target of 279 days. This indicator assesses the speedy resolution of disputed issues, enabling earlier benefit delivery and reducing litigation costs. ESA revised last year's baseline and reset the FY 2003 target.

Strategies

The Longshore program has instituted reforms focusing on timeliness objectives, improving amicability in contested case proceedings, ensuring proper data collection and reporting, and improving communications and outreach to injured workers, employers and insurers.

Future Plans

Although results well exceeded target in FY 2003, we continue to project average resolution time reductions from the baseline of two percent annually. Because this is a relatively new performance indicator, we will continue to carefully monitor the performance trend and adjust out-year targets as appropriate.

8. Increase by four percent over the FY 2001 established baseline the percentage of Black Lung benefit claims filed under the revised regulations for which, following an eligibility decision by the district director, there are no requests for further action from any party pending one year after receipt of the claim.

Results

This target was reached. 86.6 percent of claims subject to the new regulations had no pending requests for further action one year after receipt of claim. Target performance was 70.5 percent. Revised regulations, effective in 2001, were implemented and the program increased the number of stakeholders who decided not to pursue the claim further after accepting the district director's eligibility decision.

Strategies

Strategies include outreach and technical assistance with stakeholder communities, work with Black Lung's authorized diagnostic provider community to emphasize the need for complete and accurate medical reports, improving data access, providing new controls that ensure correct payments, evaluating service delivery to maintain timeliness and quality standards, and training staff. ESA will revisit its performance targets for FY 2004 and subsequent years to ensure that they remain challenging.

Future Plans

These extraordinary results were due largely to factors that will diminish greatly in FY 2004. Cohorts of re-filed and marginal cases subsequently withdrawn during the initial processing period under the revised regulations should decrease or disappear during FY 2004 and beyond. The reduction or elimination of these cohorts will bring performance in line with projected targets.

9. 75 percent of Initial Claims for benefits in the Energy Program are processed within standard timeframes.

Results

This target was reached. Seventy nine percent of initial Claims for benefits in the Energy Program were processed within standard timeframes. Program evaluations and workload adjustments implemented in response to performance lessons learned in FY 2002 contributed to achievement of this goal in FY 2003.

Strategies

The Division of Energy Employees Occupational Illness Compensation (DEEOIC) will transition to the OWCP Medical Bill Processing System, conduct extensive outreach to reach additional potential claimants, and establish improved methodologies for distributing workloads created by dose reconstructions returned from the National Institute of Occupational Safety and Health (NIOSH). DOL will also offer claimants the option to transmit forms electronically.

Future Plans

Although ESA exceeded its FY 2003 target, ESA will retain the target to improve claims processing time by two percent annually. In FY 2004 ESA anticipates an increased workload based on a large volume of dose reconstruction cases and new claims resulting from increased outreach activities to potential claimants.

10. 75 percent of Final Decisions in the Energy Program are processed within standard timeframes.

Results

This target was reached, with an overall performance result of 76 percent. Performance against this indicator reflects prompt handling of uncontested cases (including payment of approved cases), and timely provisions of appeal decisions. The program anticipates a much larger volume of appeals in future years.

Strategies

ESA continually monitors and assesses its processes for issuing final decisions, including reviews of the written record and formal hearings, and will continue to prioritize case handling and enhance the process of issuing formal denials of specific medical bills.

Future Plans

DEEOIC's FY 2004 goal is to increase performance to 77 percent. More appellate process resources will be devoted to address NIOSH's increasing volumes of dose reconstruction cases. ESA will continue developing automated tools to enhance decision quality and timeliness, benefit delivery and case management, and provide information to the public.

Management Issues

Data: ESA performance data are extracted from the automated case management or benefit payment systems of the four individual disability programs. Production quality information is derived from internal managerial accountability audits or other performance reviews. Injury time-loss data is also obtained from Federal employers and national medical cost data, from Milliman, USA, an independent consultant and actuarial firm. Federal employing agencies derive their data from multiple data systems, and although the Department specifies the type of data required, DOL has no oversight over these data systems.

Performance data are compiled in separate operations within OWCP and distributed to field managers and national office reviewers. Senior managers review final performance reports for issuance in formal reporting. DOL maintains strict management oversight and control of the data entry process, including regular on-site review by district directors to ensure data accuracy, and periodic accountability and management reviews that sample and assess data quality and accuracy.

Management Challenges: In the FECA program, DOL must find ways to better enlist Federal employers to play a greater role in reducing injuries and lessening their severity, report new injuries more quickly, better assist claimants immediately following injury, and improve return-to-work opportunities.

Economic trends, workplace modernization, and restructuring are changing the types of new injuries incurred and are reducing the number of Federal jobs available to recovering injured workers. The modern workplace demands that workers retrain and upgrade skills, and the average age of Federal workers is rising, all factors making return-to-work and time loss reduction more challenging for the FECA program.

Customer demands continue to challenge FECA's processing capabilities. The program handles over 5.5 million pieces of mail and approximately three million telephone calls, faxes, and e-mails annually.

In both the Longshore and Black Lung programs, customer/stakeholder attitudes regarding fairness continue to be a challenge. These programs strive to provide clear and balanced recommendations and decisions in accordance with existing law. However, people who do not receive the desired outcome may feel that the resolution is not fair.

The relatively new Energy Program will continue to experience near-term and hard-to-predict workload fluctuations. The complexity of the authorizing statute and the DOE nuclear weapons industry, and the difficulty identifying potential claimants intensify these challenges. DOL coordinates basic claims activities with three other Cabinet-level departments, and works with these departments to alleviate potential workload imbalances and inefficiencies in claims processing.

External Program Evaluations and Audits: The FECA Program Assessment Rating Tool (PART) review finds that FECA has clear, ambitious, outcome-oriented goals, and low erroneous payments. The program was also recognized for its progress in containing medical costs. However, the PART also noted that FECA does not have cost-effectiveness measures or goals.

The Department has initiated several reforms:

- Re-proposing legislation to update the benefit structure, improve benefit equity, and adopt best practices of state workers' compensation systems;
- Undertaking an evaluation of FECA's disability management and wage-loss compensation payment strategies and reviewing State/industry best practices.
- Exploring the efficacy of cost-effectiveness performance goals, and developing a cost-accounting system.
- Developing a customer service performance goal focused on FECA communications.

Provide Accurate and Timely Benefit Payments

Performance Goal 2.2D (Pension Benefit Guaranty Corporation) – FY 2003

PBGC will provide accurate and timely payments to the beneficiaries and businesses it serves.

Indicators

Reducing to 3.0 years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC.

Minimizing the number of erroneous benefit payments.

Refunding pension insurance premium overpayments to businesses within 90 days of a request.

Results

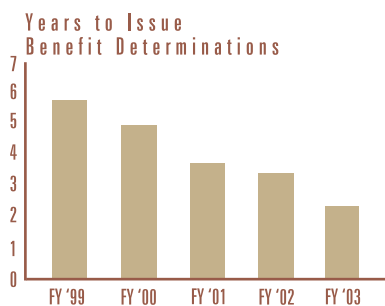
The goal was substantially achieved. PBGC reduced to 2.2 years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC. Based on a review of benefit payment determinations, PBGC was able to issue a Statement of Reasonable Assurance of Accuracy, which reports findings of the audit of benefit determinations conducted. PBGC improved on the FY 2002 rate of 41 percent of pension insurance premium overpayments to businesses within 90 days of a request by refunding 82 percent within 90 days in FY 2003. This fell short of PBGC’s target of 85 percent.

Program Description

The Secretary of Labor serves as Chairman of the Board of the Pension Benefit Guaranty Corporation, which provides timely and uninterrupted payment of pension benefits to participants whose defined benefit pension plans were terminated. Plan termination most frequently results from the sponsoring employer’s bankruptcy. Benefit determinations tell participants in plans for which PBGC has become the trustee what pension benefits they will receive. PBGC pays estimated benefits to all eligible participants retiring prior to the issuance of a benefit determination, thus ensuring that retirees receive their benefits when due and without interruption.

Analysis of Results

For indicator (1) of this goal, 2.2 years represents the average lapsed time to provide plan participants with final benefit determinations, surpassing the three-year target. This is the shortest benefit determination time period reported in PBGC history and is part of a continuing trend. As the chart indicates, over the last five years PBGC has cut in half the time it takes to complete benefit determinations. Over 83,000 participants were issued benefit determinations during 2003. The Corporation achieved this milestone while managing a record intake of 206,000 participants in newly trusted plans. For indicator (2), to monitor the accuracy of benefit determinations, PBGC has instituted a formal internal review program. This review supports the PBGC issuance of a Statement of Reasonable Assurance of Accuracy that benefit determinations issued during this period are accurate.



For indicator (3), PBGC refunded 82 percent of pension insurance premium overpayments to businesses within 90 days of a request, against a target of 85 percent, and as compared to the FY 2002 rate of 41 percent.

Strategies

To further accelerate the benefit determination process, PBGC is implementing a Knowledge Management Portfolio. This tool provides the ability to capture electronically best practice scenarios, information, and discussion for on-demand use by staff with benefit processing responsibility. This will result in short-term and long-term business process improvements, further reducing benefit determination processing time. Also, legislative changes under consideration will result in a more simplified benefit valuation process and further reduce benefit determination processing time.

PBGC has developed a system of tighter management controls and reports that will enable it to accelerate premium refund processing. PBGC will develop and test a redesigned Premium Accounting System to provide more accurate and timely financial information. This new system, to be implemented in FY 2005, will support more accurate processing of premium payments and premium refunds, and will complement on-line premium filing. As a result, the new system will further the President's Management Agenda goal to improve financial performance and shorten the year-end closing cycle.

Management Issues

For indicators (1) and (2), data are collected from the Participant Record Information System Management (PRISM). For indicator (3), data are collected from the Premium Accounting System (used to determine the refund) and the Performance Accounting System (used to issue the refund). All are internal systems, subject to rigorous internal controls and audit by PBGC's Inspector General.

As mentioned above, PBGC continues to face an unprecedented influx of terminated plans. Meanwhile, participants' and practitioners' expectations for speed and accuracy of services continue to rise, specifically in the demand for electronic transactions and information.

In FY 2003, PBGC conducted its own internal Program Assessment Rating Tool (PART) review, which addressed the effectiveness of strategies and reliability of performance data pertaining to the performance goal.

Goal Assessment and Future Plans

For FY 2004 and beyond, PBGC has revised its outcome goals to align with its two lines of business: pension insurance and plan termination. PBGC will improve its customer satisfaction, as measured by the American Customer Satisfaction Index (ACSI) for pension plan practitioners to 78 percent by FY 2008 (71 percent in FY 2004), and its ACSI for participants in trustee plans to 80 percent by FY 2008 (77 percent in FY 2004).

Outcome Goal 2.3

Increase Employment, Retention, and Earnings for Retrained Workers

In August 2003, Pan-American Life Insurance Company issued a Worker Adjustment and Retraining Notification (WARN) notice for layoffs which would affect 100 workers in the company's New Orleans, Louisiana office. Following a downturn in the economy after the September 11th terrorist attacks the company decided to close its pension operations department. The Louisiana Department of Labor's Rapid Response unit responded to the WARN notice by setting up an on-site Worker Transition Center (WTC). The WTC sessions spanned two days and included an orientation of the services, on-site completion of registration forms, a job search workshop and resume assistance. An impressive 73 of the 100 workers utilized the WTC's services and feedback from both the employer and applicants has been overwhelmingly positive. This is a prime example of how the workforce system is helping dislocated workers find new employment opportunities faster.



A representative from the Louisiana Department of Labor talks to job seekers about employment opportunities.
Photo Credit: David Ellis;
Louisiana Department of Labor

Overview

The Department recognizes that the country's ability to remain competitive in the global economy depends upon the competitiveness of the workforce. The 21st Century economy will be marked by a sharp increase in the demand for knowledge workers. By focusing on retraining dislocated workers in the skills demanded in high-growth industries, the Department can improve the employment outcomes of these workers, meet the needs of employers, and help maintain the competitiveness of our Nation's workforce.

Over the past year, as the U.S. economy recovered, job growth lagged and the national unemployment rate was 6.1 percent in August 2003. In many cases, dislocated workers found that their skills are no longer needed in the U.S. labor market. Through "rapid response" to major layoffs and One-Stop career centers, the Department serves as a resource to provide retraining and other employment assistance to these workers. The Department also helps dislocated workers identify and acquire skills that offer a greater likelihood of reemployment in today's economy.

Serving The Public

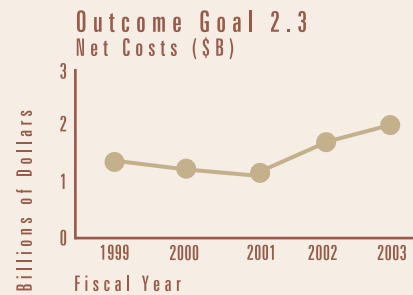
The Employment and Training Administration provides retraining to dislocated workers through two major programs – the Workforce Investment Act (WIA) Dislocated Worker program and the Trade Adjustment Assistance (TAA) program. Through these programs, the Department provides funds for occupational and on-the-job training, job search assistance, relocation assistance, and income support for eligible workers.

During Program Year (PY) 2002 (July 2002 to June 2003), the WIA Dislocated Worker and TAA programs provided training and other employment assistance to 450,000 individuals across the nation. While assisting thousands of dislocated workers in securing employment, retaining that employment, and replacing lost wages, the following outcomes indicate that the Department will need to improve its efforts to support these workers:

- For PY 2002, 87 percent of participants in the WIA Dislocated Worker program were placed in employment and 90 percent were still employed six months later. These outcomes exceed the targets established by the Department for the program and represent a small, but significant, increase from the program's outcomes in the previous year. The earnings replacement rate was 90 percent for the program year, below the goal established by the Department and a decrease from the previous year.
- The outcomes for the TAA program during PY 2002 were 63 percent for entered employment, 84 percent for retention in employment, and 75 percent for earnings replacement. These outcomes are below the targets established by the Department for the program and represent a decrease from the program's outcomes in the previous year.

Program Costs

FY 2003 program costs of \$2 billion support Employment and Training Administration programs for dislocated workers. Increased costs in this area reflect continued demand for services resulting from mass employee layoffs. Increases in funds disbursed from FY 2002 to FY 2003 occurred largely in two program areas – WIA Dislocated Worker program and Dislocated Worker National Emergency Grants. Spending rates of available WIA funds for the Dislocated Worker program continued to increase, enabling States to serve more participants in this program. Similarly, in the TAA program, increased spending from FY 2001 to FY 2003 led to more certifications of eligibility, and the estimated number of workers covered by these certifications increased by 25 percent.



DOL Challenges for the Future

As the 21st Century unfolds, the nation will increasingly feel the impact of globalization. Our country's future economic development and ability to be competitive in a global economy depend on the competitiveness of our workforce. Global competition will reinforce the economic premium on highly skilled workers. Through programs focused on dislocated workers, the Department has the opportunity to provide workers with skills valued in today's economy and have a positive impact on the competitiveness of the Nation's workforce.

Within this global economic environment, the Department will continue to deliver effective, results-oriented programs that are focused on meeting the needs of dislocated workers. The Department will strive to ensure that dislocated workers have timely access to quality services that will provide them with retraining and other employment assistance. Through initiatives intended to improve early intervention techniques and speed the delivery of readjustment services, dislocated workers will be able to more quickly access training and acquire the skills necessary to find reemployment. The Department will ensure that dislocated workers have access to a full array of employment assistance by more closely aligning services across programs at the local level. By strengthening relationships with businesses, the Department will be in a better position to identify high-growth industries and train workers in the skills demanded by these industries.

Increase Employment and Earnings for Retrained Workers

Performance Goal 2.3A (Employment and Training Administration) – PY 2002

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

Indicators

78 percent will be employed in the first quarter after program exit.

88 percent of those employed in the first quarter after program exit will be employed in the third quarter after program exit.

Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will have 98 percent of their pre-dislocation earnings.

Results

The goal was not achieved. The Workforce Investment Act (WIA) program for dislocated workers did, however, reach two of its three targets. The entered employment rate for PY 2002 was 82 percent and the retention rate was 90 percent, but earnings were only 90 percent of pre-dislocation averages.

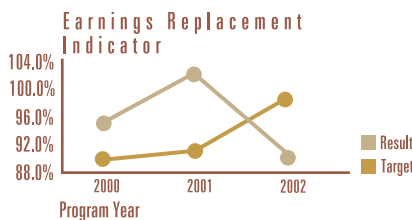
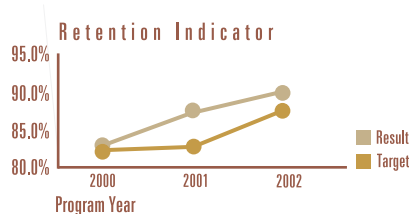
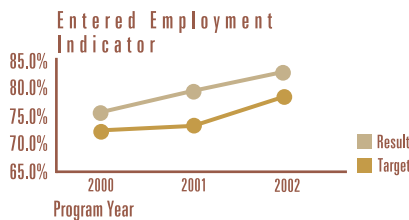
Program Description

The Dislocated Worker Program aims to quickly reemploy laid off workers. The WIA authorizes employment and training assistance to eligible dislocated workers. The Department allocates 80 percent of the funds by formula to the States. The Secretary may use the remaining 20 percent for discretionary activities specified in WIA, including assistance to localities that suffer plant closings, mass layoffs or job losses due to natural disasters. These funds support One-Stop Career Center Services (as described under Performance Goal 1.1.A) and “Rapid Response” assistance to plan service delivery for employers and workers who are expected to lose their jobs as a result of company closings and mass layoffs. States are responsible for program management and operations, including enrollment, service delivery, and certification of training providers.

Analysis of Results

The results reflect performance reported by 50 States, the District of Columbia and Puerto Rico through the fourth quarter of the Program Year ending June 30, 2003. Performance for two of the indicators, entered employment and retention, improved slightly from the previous year. Eighty two percent of those registered in the Dislocated Worker Program entered employment and, of those, 90 percent remained employed after 6 months. Post-dislocation earnings, however, replaced only 90 percent of participants’ pre-dislocation earnings. This was 11 percentage points below the previous year’s 101 percent.

The decreased post-dislocation earnings measure, even in the face of employment and retention success, may reflect the uncertainty of a weakened economy prompting eligible dislocated workers to more readily accept a lower-paying job and stay with it until signs of recovery



are more evident. The decrease may also be the result of increased productivity (growing at a 4.4 percent annual rate over the last 18 months) that is fueled by technological advances as opposed to additional hours or people. Employers have reduced by 1.1 percent the total number of hours worked since November 2001, and have not provided salary increases for many jobholders. Excess product, consumer-spending caution, and employer hesitance to hire may explain the simultaneous increase in retention and decrease in wage gains.

Another factor that likely dampened the wage replacement for dislocated workers was the large supply of unemployed workers during the recession of 2001 and 2002. That allowed employers to hire at lower wages. In the 10 months between September 2002 and June 2003 alone, the number of unemployed increased from 7.7 million to 9.3 million.

Strategies

The strategies and specific activities outlined in Performance Goal 1.1A are also applicable for the dislocated worker population. These include:

- Strengthening business relationships to assure demand-driven services and to better identify and fill jobs in growth occupations;
- Assuring universal access to the workforce investment system with emphasis on targeted outreach; and
- Leveraging Non-WIA resources to prepare the workforce.

The Department will also undertake a number of activities that seek to improve early intervention techniques, speed the delivery of readjustment services, and shorten the period of unemployment for dislocated workers. The Department is releasing a series of practitioner-designed best practice technical assistance products to increase the proficiency of State and local Rapid Response teams.

The Department will seek to more closely align the WIA State Formula Grant Program with the National Emergency Grant and Trade Adjustment Assistance (TAA) Program services and benefits, each of which mutually reinforces assistance to related target populations. Federal administration of the TAA program was streamlined to improve State and local service in FY 2002. The National Emergency Grant process will be similarly streamlined and improved in FY 2003.

Management Issues

One of the key findings in the recent Administration Program Assessment Rating Tool (PART) review of the WIA Dislocated Worker Program was its duplication of purpose, funding, services, administration, and target populations with those of the Workforce Investment Act program for Adults and the TAA program. The second finding was that the WIA Dislocated Worker Program statutory funding formula constrains the Secretary of Labor's and States' ability to quickly target services for those impacted by large layoffs in specific locations. WIA reauthorization legislation may address these design deficiencies by consolidating the WIA Adult and Dislocated Worker Programs, which will allow States greater flexibility in channeling resources as dictated by their specific economic situation. This includes a greater emphasis on Rapid Response, if needed.

Lois was laid off from her job as a Press Operator at Century Tool Manufacturing in November 2002. She then visited her local One Stop Center to inquire about training programs that were available to dislocated workers. She started by enrolling in and completing a computer class. After finishing that class, she learned about the new Integrated Systems Technology training program being offered at Rock Valley College in Rockford, Illinois. Being mechanically inclined, and interested in learning more about how systems work together, Lois saw the IST program as a perfect opportunity to improve her skills. After completing the IST program, with the help of the one stop center Lois soon found work at Rockford Toolcraft in Rockford, Illinois, starting September 2003. Lois feels that the IST training and the assistance she received from her local One Stop Center were instrumental in helping her get the job. "I would definitely recommend the IST training program to other dislocated workers. If you're mechanically inclined, have an interest in understanding complex integrated systems, and are willing to learn new concepts, this is a great opportunity."



Photo Credit: John Jamont;
Rock Valley College, Rockford Illinois

Renee is a true inspiration to all who know her. After she and her husband lost their jobs in the railroad and retail industries, respectively, Renee never lost her positive outlook on life. Instead she started anew: "... I did a little research and went to the CareerLink. I was so fortunate. From the time I went to the CareerLink, my life started to change. I met with a woman from Southwest Training Services, Inc. I told her that if I could only take a computer class I would be OK. That's how I ended up at Penn Commercial." Renee polished her skills in typing and then enrolled in the PC Power class. Upon completion of the program, she was offered a Professional Development teaching position at the same school where she received her training. Renee accepted, hit the ground running, and is now teaching other students how to be successful. To add to her success story, Renee was voted "Teacher of the Quarter" by her students. A school official said, "We have students fill out evaluations regarding the school at the end of each quarter. The last question on the evaluation is 'What do you like best about Penn Commercial?' I have to smile when I see how many times the answer is simply 'Renee.'" To cap off a remarkable new beginning, Renee's most recent achievement is being recognized as the Governor's Achievement Award recipient.



Photo Credit: Marianne Albert;
Penn Commercial Business and Technical School

A recent Office of Inspector General (OIG) report on program outcome reporting raised concerns regarding accuracy and reliability of WIA's third-party data. The Department shares this concern, and in response has developed data validation handbooks and software, and has issued guidance for data validation of Program Year 2002 data. States are required to validate data at both the report and data element levels by April 1, 2004. Please see Appendix 3 for additional information (Study 4).

Another recent OIG report, which examined services provided and outcomes obtained by participants in the WIA dislocated worker program during Program Year 2000, recommended that ETA provide additional guidance and clarification on various definitions used by this program (see study 6 in Appendix 3). Policy guidance to be issued following WIA reauthorization and implementation of the common measures in conjunction with a new reporting and information collection system will address several of the OIG recommendations.

Three reports from the General Accounting Office (GAO) relate to the dislocated worker program. The first report examined spending and financial reporting by States (see study 14 in Appendix 3); the second GAO report looked at transportation disadvantaged populations (see study 16 in Appendix 3); and the third report recommended development of a research agenda for integration of programs in One-Stop Career Centers (study 17 in Appendix 3). ETA is addressing these GAO findings and recommendations through issuance of clarifying guidance, contacts with the Coordinating Council for Access and Mobility, and development of a five-year research plan. Additionally the WIA reauthorization proposal will address several of the recommendations in the GAO reports.

ETA also contracted with an independent research team to conduct an interim evaluation of the Workforce Investment Act of 1998 (see study 23 in Appendix 3). By examining national goals and the roles of Federal, State, and local partners in implementing the law in eight states, the study provides information on the administration and delivery of publicly funded workforce development services.

Goal Assessment and Future Plans

The 21st century economy requires not only an agile workforce, but an agile workforce investment system to keep Americans employed and productive in a fast-changing, global marketplace. The suddenness of worker dislocation, as a result of economic shifts, international competition, industrial obsolescence, new technology and unforeseen emergencies, demands a response that provides States with the resources and flexibility needed to target specific populations on very short notice. A reauthorized Workforce Investment Act that empowers States to move quickly to address dislocations as their specific needs dictate, without having to ask for Federal permission to transfer funds from one program to another or to seek special waivers, can create such agility.

The Department anticipates that WIA reauthorization and the expanded use of technology to connect customers with real-time labor market information, current job opportunities and available services will increase service levels for dislocated workers. Greater use of technology will also increase staff capacity through distance learning and on-demand communications with grantees and customers.

Help Trade-Affected Workers Find New Jobs.

Performance Goal 2.3B (Employment and Training Administration) – FY 2003

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

Indicators

78 percent will be employed in the first quarter after program exit.

90 percent of those employed in the first quarter after program exit will be employed in the third quarter after program exit.

Those who are employed in the second and third quarter after program exit will earn, on average, 90 percent of their pre-separation earnings.

Results

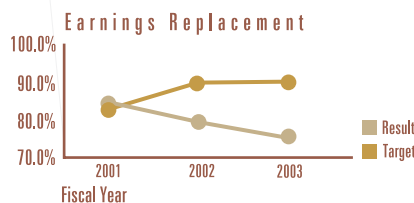
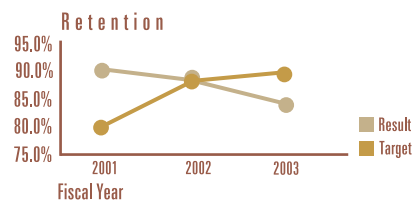
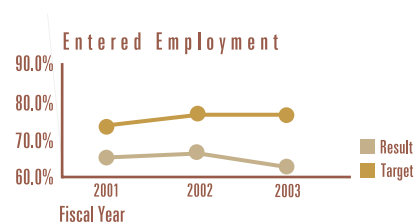
The goal was not achieved. Data for the first three quarters of FY 2003 (ending June 30, 2003) indicate that only 62 percent of participants were employed in the first quarter after program exit, compared to the 78 percent target. Of those, 84 percent were still employed in the third quarter after program exit, compared to the 90 percent target. This population earned 75 percent of their pre-separation amounts.

Program Description

DOL's Trade Adjustment Assistance (TAA) program provides reemployment services to workers who lose their jobs due in large part to increased imports or to shifts of production to foreign countries. To counter the impact of the job loss, the TAA program seeks to return workers to suitable employment as quickly as possible. The readjustment services and benefits offered by the program include occupational, on-the-job and remedial training, job search and relocation assistance, and income support for eligible workers in training. TAA's success is measured by the extent to which the individuals it serves achieve economic self-sufficiency by quickly securing and maintaining employment with wages that are close to those earned prior to lay-off. In FY 2003, TAA certifications were made which covered 208,494 workers.

Analysis of Results

Results achieved in FY 2003 were slightly less than those achieved in FY 2002 and FY 2001, as demonstrated in the charts. Due to the inherent lag in using wage records to determine performance results, the information for FY 2003 is based on three quarters of employment outcome data for participants who exited the TAA program in the second half of FY 2001 (April 2001 – September 2001) and the first quarter of FY 2002 (October 2001 – December 2001). Participants exiting the TAA program at the beginning of FY 2002 faced an especially difficult job market. Although deteriorating economic conditions do not fully account for the performance decreases, DOL anticipates that program performance reported in FY 2004 will increase, reflecting improving economic conditions. New strategies have been developed to address matters of program performance that are unrelated to economic conditions.



Strategies

The trade petition certification process has been greatly enhanced during the past year, and the results of this reengineering effort will be fully implemented in FY 2004. The TAA will make faster decisions for trade-impacted workers, allowing them to begin the process of making informed decisions about their futures more rapidly than in the past. In the event that a training option is chosen, trade-affected workers will be able to begin retraining much more quickly, which will allow for a quicker return to the labor market as well.

In addition, the allocation process that funds States' payment of training has been revised. The new formula will more accurately reflect service demands and will have a positive effect on participants' employment, retention, and earnings.

In FY 2004, DOL will continue to integrate the TAA program with State workforce systems as envisioned under the Trade Adjustment Assistance Reform Act of 2002. DOL will focus on State-level Rapid Response, which provides early intervention for major lay-offs, including those that are trade related. The integration of Rapid Response and trade-affected workers with the Workforce Investment Act program will facilitate access to a comprehensive array of reemployment services.

Management Issues

The Trade Adjustment Assistance Reform Act of 2002 added to the program readjustment services a health coverage tax credit provision and an Alternative Trade Adjustment Assistance (ATAA) for Older Workers that provides an income supplement in lieu of training. Implementation of the Act has been a significant management challenge in FY 2003. DOL and the States have had to divert considerable staff resources to implement the new health coverage tax credit, the ATAA programs and other provisions of the Act.

The Department is striving to improve the accuracy, timeliness, and reliability of TAA data. While the Department still uses the data for management purposes, DOL continues to work to improve data quality by providing technical assistance to the States so that the data meet performance monitoring and reporting standards. ETA has developed data validation handbooks and software, and has issued guidance for data validation of Program Year 2002 data. States are required to validate data at both the report and data element levels by April 1, 2004. Progress has been made, but the results of on-site monitoring and the Data Validation initiative have yet to be fully realized. Please see Appendix 4 for additional information.

In response to recommendations from the Administration's Program Assessment Rating Tool (PART), the TAA program will include performance expectations in the Governor/Secretary agreements to foster better results. Additionally, TAA will adopt the common measures for federal employment and job training programs in FY 2004. ETA's use of common measures will completely align Trade Act Program measures with those for the WIA Dislocated Worker Program. Common measures will also help to promote the goals of co-enrollment and coordination between the two programs. The established performance levels will clearly indicate to the States that training funds are for the sole purpose of providing trade-affected workers with the skills needed to achieve the placement, job retention, and wage gain outcomes in a cost effective manner.

DOL is contracting for a comprehensive review of TAA program effectiveness. DOL will use recommendations of this five-year in-depth study to improve future performance and to assess success in implementing the provisions of the Trade Reform Act from the national, State and local perspectives. In addition to management information, it is expected that the results of this study will inform the TAA reauthorization process.

Goal Assessment and Future Plans

DOL is committed to getting TAA program results back on track and has initiated actions to achieve FY 2004 targets. The performance expectations for the Trade program should closely track those of the Workforce Investment Act program for dislocated workers. The Department will work closely with the States to see that trade-impacted workers receive quality services while facing life altering career decisions.

Strategic Goal 3:

Foster Quality Workplaces that are Safe, Healthy and Fair

All workers are entitled to safe, healthy, and fair workplace environments. DOL is committed to promoting work sites where safety and health hazards are minimized and where working people enjoy equal opportunities and fairness. The Department also promotes free trade and fair labor conditions abroad so that everyone benefits from competitive enterprise.

Significant progress has been made in protecting workers from occupational safety and health threats. In the past thirty years, workplace fatalities have fallen to half their former rate and occupational injury and illness rates have declined forty percent. However, the number of workers DOL is responsible for protecting has doubled during this period, and trends in workplace demographics and in the nature of work itself present new challenges. Dangerous work is increasingly performed by those who are inexperienced or otherwise high-risk: non-English speakers, young workers, the elderly, and temporaries. Automation continues to introduce equipment and processes that require special training to operate safely.

Equality and fair play are central values in our national life. While minorities and women have made great strides in achieving equality in the American workplace, there is room for improvement. DOL promotes these values through its administration of anti-discrimination and equal employment opportunity regulations for Federal contractors and subcontractors, who employ more than 20 percent of the labor force in America – approximately 26 million workers.

DOL contributes to America's leadership on trade issues with its efforts to secure the benefits of open markets for American workers, consumers, families and businesses. In addition, the Department provides policy guidance across the globe on labor-related issues and supports technical cooperation projects that reduce the exploitation of child labor, strengthen social safety nets, and improve adherence to core labor standards.

The Department fosters Quality Workplaces by way of the three outcome goals listed below. The first aims to protect workers' safety and health, for their sake and for their employers'. The second goal is to increase compliance of DOL grantees with laws such as the Civil Rights Act and the Americans with Disabilities Act, and by assuring that federal contractors afford minorities, women, individuals with disabilities, and veterans an equal opportunity to compete for employment and advancement. The third outcome goal extends the Department's reach beyond U.S. borders by promoting strong labor standards in foreign countries.

Outcome Goal 3.1

Reduce Workplace Injuries, Illnesses, and Fatalities

Outcome Goal 3.2

Foster Equal Opportunity Workplaces

Outcome Goal 3.3

Reduce Exploitation of Child Labor and Address Core International Labor Standards Issues

Agencies supporting this strategic goal are the Mine Safety and Health Administration (MSHA), the Occupational Safety and Health Administration (OSHA), the Employment Standards Administration (ESA), the Office of the Assistant Secretary for Administration and Management (OASAM), and the Bureau of International Labor Affairs (ILAB).

In FY 2003, DOL achieved seven of nine performance goals under Strategic Goal 3. All trends were in the right direction, thanks in part to continued efforts of the DOL agencies responsible for promoting safe, healthy and fair workplaces. Performance highlights by outcome goal are listed below.

Quality Workplaces

Outcome Goal 3.1 includes five performance goals, two for MSHA and three for OSHA. Three of these goals were achieved and two were not achieved.

- The mine industry fatal injury rate was reduced to .022 incidents per 200,000 hours worked and the all-injury incidence rate was reduced to 4.27 incidents per 200,000 hours worked.
- Respirable coal dust samples exceeding standards were reduced to 11.0 percent, silica dust samples in metal and nonmetal mines exceeding standards were reduced to 6.4 percent, and noise exposures above the citation level were reduced to 5.2 percent.
- Occupational fatalities per 100,000 workers fell to 1.61.
- Occupational injury and illnesses, as measured by lost workday rates per 100 full time workers, fell in all five designated high-hazard workplaces (shipyards, food processing, nursing homes, logging, and construction).
- Fatalities in the construction industry fell to 12.2 per 100,000 workers.

Both performance goals in Outcome Goal 3.2 (one for ESA and the other for OASAM) were achieved.

- The incidence of discrimination among evaluated contractors fell to just 1.2 percent; contractors' compliance with all other equal opportunity workplace standards increased to 72.4 percent.
- A disability checklist was developed for technical assistance reviews of the One-Stop Centers in New York, NY and Miami, FL. Alternative Dispute Resolution training was provided to all 112 New York State designated mediators to better equip them to mediate complaints of discrimination in the WIA One-Stop Career system.

ILAB met both of its performance goals under Outcome Goal 3.3.

- Almost 80,000 children were prevented or removed from labor, particularly its worst forms, through the provision of education or training opportunities.
- Ten percent of workplaces exposed to DOL project assistance (in Bangladesh, Central America, Ukraine) implemented new measures to prevent workplace accidents and illnesses.

For FY 2004 and beyond, DOL will employ the following strategies to make American workplaces even safer, healthier and fairer:

- Identify the most hazardous conditions and make the best use of inspection resources
- Expand outreach, education, and compliance assistance regarding prevention methods
- Encourage partnerships and voluntary programs that foster healthy and safe workplaces
- Assist federal contractors in recruiting qualified individuals with disabilities, eligible veterans, women, and minorities
- Develop and enhance partnerships with private and public entities to promote equal employment opportunity and anti-discrimination practices

All major DOL programs associated with this strategic goal, along with their purposes, results, costs, strategies, management issues and plans for FY 2004 are discussed in the following pages. Detailed historical information on each indicator is available in Appendix 4.

Outcome Goal 3.1

Reduce Workplace Injuries, Illnesses, and Fatalities

Working together with the mining industry and outside safety organizations is an important strategy for further reductions in mining deaths and injuries. In FY 2003, MSHA signed alliance agreements with the National Stone, Sand & Gravel Association, the Industrial Minerals Association of North America, and the American Society of Safety Engineers. The purpose of such agreements is to promote the sharing of expertise and best practices between MSHA, safety professionals, and mine operators and to foster a culture of accident prevention where safety is embraced as a value.

One of MSHA's most recent alliance agreements is with the National Safety Council (NSC). Founded in 1913 and chartered by the United States Congress in 1953, the NSC has historically been one of our Nation's leading advocates for safety and health. The Agreement between MSHA and the NSC will result in a more focused relationship, with the objective of developing safety and health programs for the mining industry. As noted by NSC President Alan McMillan: "The National Safety Council and the Mine Safety and Health Administration share a passion for doing everything we can to keep mine workers safe and prevent mining accidents. Mining can be a hazardous occupation and miners deserve to have the very best knowledge and training about safety and health issues."



MSHA Assistant Secretary Lauriski and National Safety Council President Alan C. McMillan signing the Alliance Agreement, September 9, 2003
Photo Credit: National Safety Council

Overview

The Department's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA) are committed to protecting the safety and health of America's workers and to working with employers to reduce lost productivity due to workplace injuries, illnesses, and fatalities. To accomplish this, OSHA and MSHA are taking similar approaches — combining enforcement with helping employers through increased outreach, education, compliance assistance, partnerships and voluntary programs. Because injuries and illnesses have economic costs as well as social costs, attainment of this outcome goal helps further the global competitiveness of the Nation's industries.

Serving The Public

The Department of Labor is responsible for protecting the safety and health of approximately 111 million workers at 7 million sites. Over the last 30 years significant reductions in fatalities, injuries, and illnesses have been achieved. For example, our country now has the lowest occupational injury and illness rate since OSHA was created — 5.7 cases per 100 workers — with rates having dropped for 9 years in a row. In the mining sector, fatalities are at their lowest level in history.

The Department believes that there is universal benefit in promoting the added value of safety and health; maintaining a strong and fair enforcement program; developing partnerships, alliances, and voluntary programs; and assisting workers and employers through training and outreach initiatives. These practices generate positive returns in every nation and in all kinds of companies — from small businesses to multi-national corporations.

Not only is building a safe and healthful workplace the right thing to do — it saves money and adds value to the organization. When workers stay healthy, businesses prosper. Businesses experience lower workers' compensation insurance costs, reduced medical expenditures, smaller expenditures for return-to-work programs, fewer faulty products, increased productivity, increased quality, higher morale, and reduced turnover.

A strong safety and health program also benefits businesses by enhancing their corporate reputations as caring employers. This is particularly important in an age of globalization where a company's reputation is not confined to one nation. Each company's actions are publicized and scrutinized worldwide by investors, by the press, by non-governmental organizations and others. The best companies in the United States and throughout the world build a brand reputation that is synonymous not only with an excellent product but with an outstanding management philosophy where safety and health is a core value. To help realize this value and improve our economy the Department wants to drive occupational injuries, illnesses, and deaths down.

Program Costs

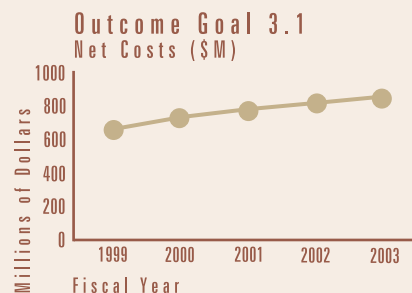
FY 2003 program costs of \$815 million supported OSHA and MSHA programs to reduce worker fatalities, injuries, and illnesses, including the Department's expanded and enhanced efforts in compliance assistance.

DOL Challenges for the Future

OSHA's recent success with its outreach, training, compliance assistance, partnerships and alliances demonstrate that they are an excellent way to boost safety and health. Over 1,000 sites participate in Voluntary Protection Programs (VPP) and they save millions each year because injury and illness rates at VPP sites are more than 55 percent below the averages for their industries. There are also nearly 700 small businesses participating in OSHA's Safety and Health Achievement Recognition Program (SHARP) — the DOL recognition program for those who have successfully established effective safety and health systems with the help of DOL's consultation program. The Assistant Secretary of Labor for OSHA has challenged the agency to substantially increase the number of businesses participating in these voluntary programs, partnerships and alliances.

Examples of how OSHA and MSHA have leveraged resources are their alliances with the National Safety Council. The OSHA alliance will work to provide employers and workers with information, guidance and access to training resources. It calls for cross-training of OSHA staff and industry safety and health professionals in best practices or effective approaches as jointly defined. The MSHA alliance will identify ways to collaborate on developing and conducting technical sessions at a variety of events and identify ways to enhance participation in the National Safety Council's Mining and Minerals Resources Section in safety and health outreach to the industry.

These efforts are making a real difference and the Department recognizes the importance of expanding its teaming initiatives. We are fortunate in the United States that the Congress and the President have given the Department a wide array of tools to help employers increase safety and health. The challenge for the Department is to use these tools effectively to make a continuing and significant positive impact on workplace conditions.



Reduce Mine Fatalities and Injuries

Performance Goal 3.1A (Mine Safety and Health Administration) – FY 2003

Reduce mine fatalities and injuries

Indicators

Reduce the mine industry fatal injury incidence rate by 15 percent annually.

Reduce the all-injury incidence rate 50 percent below the FY 2000 baseline by the end of FY 2005. This is a four-year goal; in FY 2003 the target is a 17 percent reduction.

Results

The goal was not achieved. The fatal injury incidence rate decreased by 9.6 percent and the all injury incidence rate declined by 7.8 percent (based on preliminary fourth quarter data).

Program Description

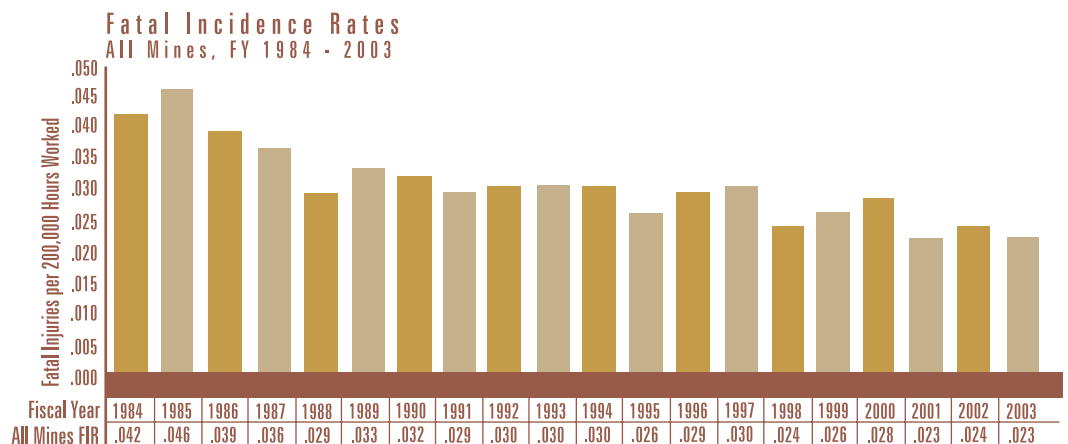
The mission of the Department’s Mine Safety and Health Administration (MSHA) is to protect the safety and health of our Nation’s miners. Through safety and health enforcement, compliance assistance, education, training, and technical assistance efforts and in partnership with the American mining community, MSHA works to reduce the frequency and severity of accidents in accordance with the Federal Mine Safety and Health Act of 1977.

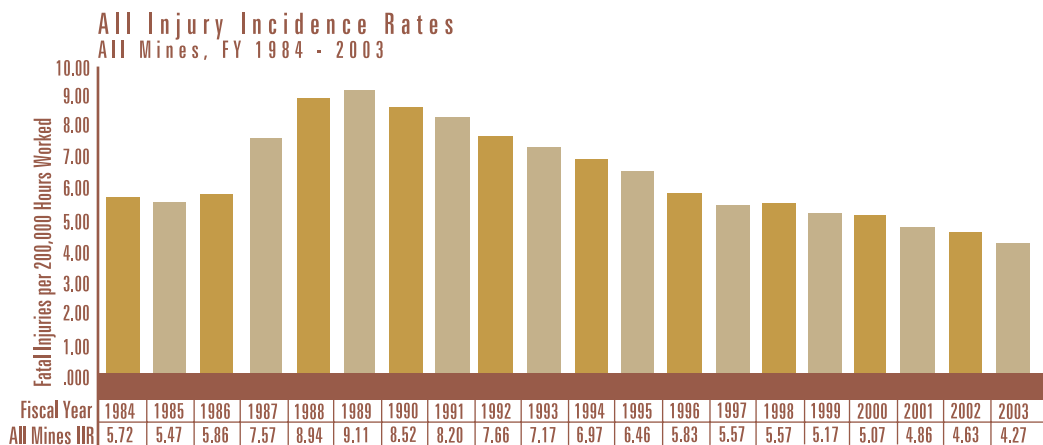
Incidence rates, which measure of the number of fatalities and injuries divided by miner work hours, are used by MSHA to report on performance because they reflect not only the number of fatalities and injuries which occur each year but also the amount of time miners are exposed to potential hazards.

Analysis of Results

Fatalities: During FY 2003, accidents in the Nation’s mines claimed the lives of 61 workers – 30 in metal and nonmetal mines and 31 in coal mines. Although the fatal incidence rate in coal mining increased by 11 percent from the prior year, the fatal incidence rate in metal and nonmetal mines decreased by 21 percent – the second lowest rate recorded in metal and nonmetal mining history.

Overall, while the 9.6 percent decrease in the fatal injury incidence rate in FY 2003 was not sufficient to meet MSHA’s ambitious 15 percent target, the fatal incidence rate in FY 2003 was the *lowest* recorded in MSHA’s history.





Injuries: Although the 7.8 percent decrease in the all-injury rate in FY 2003 was not sufficient to meet MSHA's aggressive 17 percent target, the all-injury rate of 4.27 was also the lowest recorded in MSHA's history.

Strategies

MSHA's performance should be viewed within the context of the record setting lows for mining deaths and injuries in FY 2003. Therefore, MSHA will continue what has been successful while taking advantage of new opportunities to build upon past success.

Key to further reductions in deaths and injuries will be working together with the mining industry and external safety organizations. In this regard, MSHA will continue to leverage and extend its strategic partnerships. For example, in FY 2003 MSHA signed alliance agreements with the National Stone, Sand & Gravel Association, the Industrial Minerals Association of North America, the American Society of Safety Engineers, and the National Safety Council. The purpose of such agreements is to promote the sharing of expertise and best practices between MSHA, safety professionals, and mine operators to foster a culture of accident prevention where safety is embraced as a value.

MSHA will also continue to work with state governments in partnerships such as the Tri-State Initiative, which focuses on Appalachian mining areas in West Virginia, Virginia, and Kentucky which are historically responsible for the bulk of coal mining fatalities (66 percent in FY 2002). The Tri-State Initiative is just one example of MSHA integrating its enforcement and compliance assistance activities. Nationwide, mine operators and miners are provided with compliance assistance, accident reduction, and hazard recognition training materials during the course of MSHA's regular inspections. In addition to onsite compliance assistance, web-based compliance assistance tools are continually being developed and enhanced. These include website links to accident prevention ideas from miners, industry, and MSHA officials, and web-based newsletter services for stakeholders which provide instant notification of mining fatalities, hazard alerts, and other safety and health related news.

The States are important partners in MSHA's work to protect the health and safety of our Nation's miners. The Tri-State Initiative brings together Federal and State resources in a cooperative effort with the mining industry to focus on safety and health issues in the Appalachian mining areas of West Virginia, Virginia and Kentucky. This relatively small area has been the location of more than one-half of the nation's coal mine fatalities over the past five years, and requires special educational and compliance assistance efforts.

For example, coal truck haulage accidents and fatalities are a major concern in the Tri-State Area; therefore, several compliance assistance training sessions have been conducted in Eastern Kentucky for trucking contractors, drivers, and mechanics. This training provided instruction in how to conduct pre-operational safety checks on haulage trucks. In addition, the Tri-State Group has developed an Accident Prevention CD and poster campaign that illustrates some of the deficiencies that are commonly found during truck inspections and that are common to many of the truck haulage accidents. These materials also illustrate how truck haulage accidents occur and provide suggestions and illustrations of how they can be prevented.



Truck Drivers and Mechanics Observing Demonstration
Photo Credit: MSHA

For the first time, MSHA requested and received funding to support permanent staff for its Small Mines Office. Historically, small mines experience fatalities at nearly twice the rate of larger mines and generally require more extensive compliance assistance and safety program support. Early results from the on-site compliance assistance efforts by the Small Mines Office are encouraging, with only one fatality occurring at a small mine in the last three quarters of FY 2003 compared to five during the same period in FY 2002. Small mine operators have expressed appreciation for MSHA's technical and compliance assistance efforts.

Management Issues

Data: Accident and injury data are accurate and reliable. MSHA receives employment, injury, and accident data from mine operators and has an audit program in place that verifies the reliability of the data annually.

Internal Program Evaluations and Audits: An independent evaluation of aspects of MSHA's safety inspection program and compliance assistance activities was conducted in FY 2003. The evaluation included recommendations that MSHA continue to institutionalize compliance assistance during inspection activities and to increase recognition of mines that have outstanding performance records.

Goal Assessment and Future Plans

MSHA has extended the period of performance for this goal through FY 2008. The goal will remain ambitious, targeting a 15 percent reduction in the fatal incidence rate by FY 2008 from the record FY 2003 baseline and a 50 percent reduction in the all-injury incidence rate from the FY 2000 baseline.

Reduce Miners' Exposure to Health Hazards

Performance Goal 3.1B (Mine Safety and Health Administration) – FY 2003

Reduce miners' exposure to health hazards

Indicators

Reduce the percentage of respirable coal dust samples exceeding the applicable standards by 5 percent for designated occupations in coal mines.

Reduce the percentage of silica dust samples in metal and nonmetal mines exceeding the applicable standards by 5 percent for designated high-risk occupations.

Reduce the percentage of noise exposures above the citation level in all mines by 5 percent.

Results

The goal was achieved. Compliance with coal dust, silica dust, and noise standards has improved by 27, 29, and 44 percent respectively from established baseline levels.

Program Description

The Department's Mine Safety and Health Administration (MSHA), through safety and health enforcement and compliance assistance, and in partnership with the American mining community, works to minimize health and safety hazards in accordance with the Federal Mine Safety and Health Act of 1977.

Major health hazards to miners include black lung disease and silicosis. These are disabling respiratory diseases caused by exposure to excessive amounts of respirable coal and silica dust. In addition, noise exposure above regulatory standards can cause permanent hearing loss to miners. Measuring the exposures that lead to these conditions allows the Department and the mining community to help today's mine workers look forward to better health in the future than their predecessors.

Analysis of Results

Coal Mine Dust: The 5 percent reduction was achieved (actual: 27 percent), as the FY 2002 baseline of 15 percent of samples exceeding the regulatory standard was reduced to 11 percent in FY 2003.

Silica Dust (metal and nonmetal mines): The 5 percent reduction was achieved (actual: 29 percent), as the FY 2002 baseline of nine percent of samples exceeding the regulatory standard was reduced to 6.4 percent. As with coal dust and noise samples, miners wear the sampling equipment used to measure exposure levels. However for silica dust, samples are taken only from miners designated by MSHA as working in the highest-risk occupations.

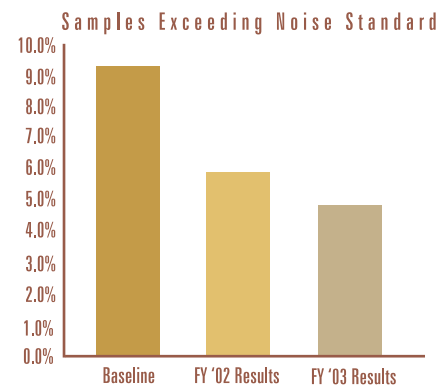
Noise: The 5 percent reduction was achieved. 5.2 percent of samples exceeded the regulatory standard, a 44 percent reduction from the FY 2000-2001 baseline. This reduction includes the 10 percent improvement from FY 2002.

During mine rescue or recovery operations, rescue teams are presented with environmental conditions that impact their ability to respond effectively without jeopardizing their own safety and health. Explosions, fires, flooding, and accumulations of methane and toxic gas present significant risks to mine rescue teams.

To safely provide mine rescue teams with more accurate and reliable environmental data, MSHA acquired a prototype Wolverine robot in 2001. Using navigation and surveillance cameras and a manipulator arm to move and carry objects, the Wolverine is capable of operating in an underground mine for up to eight hours, and can supply data and video for 1 1/2 miles between the vehicle and an above-ground control station. It was deployed in a recovery mission in a gold mine in FY 2003. After testing and modification, the Wolverine was approved for use in potentially explosive environments such as underground coal mines.



Photo Credit: DOL/MSHA



Historically, the fatal incident rate at small mining operations has been more than double the rate of larger mines. Typically, these mines are family-owned, have five or fewer employees, and usually do not have engineering, safety or health resources. To help better protect the miners working at small mines, MSHA established the new Office of Small Mines in FY 2003. The Office of Small Mines provides compliance, safety and health assistance to the more than 6,500 small mines throughout the country.

Ultimately, the mission of the Small Mines Office is to work with small operators and help them to reduce injuries and illnesses and embrace safety and health as a value. To accomplish this, Small Mine Compliance Assistance Specialists work with mine owners and their miners to help identify potential hazards, to develop and actively maintain safety and health programs tailored to their mines, and to comply with MSHA regulations. Feedback from small mine operators has been very positive. "This is awesome. I wish I had it a long time ago," says Sally, safety director for IA Construction Corporation. "Our guys were asking all kinds of questions and (MSHA representatives) were answering them one right after another. It was great."

Over time MSHA expects to see reductions in injuries and illnesses at small mines. Early results of the Small Mines Office's work with small mine operators are encouraging, with significant reductions in fatalities at small mines in 2003.



IA Construction's safety director, Sally
Photo Credit: MSHA

Strategies

MSHA is positively impacting the health of the Nation's miners by targeting compliance assistance efforts at mines with recurring dust and noise exposures in excess of the standard. These efforts include onsite monitoring, raising awareness of the hazards associated with exposure to excessive levels of respirable coal dust, silica dust and noise, and assisting operators to improve their dust and noise control practices. In addition, web-based interactive training programs on health related issues have been developed, and website health related topics have been expanded.

Management Issues

Data: MSHA safety and health compliance specialists conduct dust and noise sampling following well-established procedures. A quality control process and edit checks assure the accuracy and reliability of the performance data.

Internal Program Evaluations and Audits: An independent evaluation of aspects of MSHA's safety inspection program and compliance assistance activities was conducted in FY 2003. The evaluation included recommendations that MSHA continue to institutionalize compliance assistance during inspection activities, and to increase recognition of mines that have outstanding performance records.

Goal Assessment and Future Plans

Revision of this goal will be considered to take into account prior performance, which has greatly exceeded performance targets. In addition, potential technological breakthroughs, such as personal dust monitors for use with continuous mining equipment, may influence MSHA's future health-related performance goals.

Reduce Workplace Fatalities

Performance Goal 3.1C (Occupational Safety and Health Administration) – FY 2003

Reduce the rate of workplace fatalities by two percent from baseline.

Results

The goal was not achieved. The average fatality rate for FY 2001-2003 was 1.61 deaths per hundred thousand workers, a 0.6 percent decline from the FY 2000-2002 baseline rate of 1.62 deaths per hundred thousand workers.

Program Description

The Department's occupational safety and health programs are designed to reduce fatalities, injuries, and illnesses in the workplace. OSHA uses direct interventions, such as inspections and on-site consultations to help employers and workers to reduce fatalities, injuries and illnesses in the workplace. Direct interventions work because they establish relationships with employers and employees and can prompt both parties to make workplace safety and health a priority.

Partnerships developed in cooperation with employers and employees are critical to the Department's approach to improving workplace safety and health. For example, sports stadiums present the kinds of hazards that have made construction traditionally one of the more dangerous industries. In order to reduce these hazards, DOL has partnered with major football stadium projects. These partnerships included the construction of the Chicago Bears' new Soldier Field, the renovation of the Green Bay Packers' Lambeau Field, and the construction of the New England Patriots' Gillette Stadium.

The partners involved in these stadium projects made three key commitments. First, each partner agreed to 100 percent use of fall protection above six feet. Second, each partner required all contractors to have formal safety and health programs in place. Third, each partner required all contractors to have at least one employee with 30 hours of OSHA safety training. As an example of the magnitude of these construction projects, at the height of the Lambeau Field renovation more than 1,000 construction workers worked at the site. Despite the substantial size of these projects and the danger inherent to construction work, no fatalities occurred at any of the sites, and each partner has saved a substantial amount on workers' compensation costs. At the Lambeau Field project alone, the savings on workers' compensation costs were estimated at about one half million dollars.

Analysis of Results

Although the FY 2001-2003 fatality rate used to measure this goal was 1.61, the FY 2003 fatality rate was 1.54, the lowest in ten years and six percent lower than the FY 2002 rate. The number of fatalities was seven percent lower than in FY 2002. About 40 percent were in the private construction industry. Construction's fatality rate declined 11 percent from FY 2002 to FY 2003 and the number of fatalities declined by almost 11 percent as well. The data demonstrate that not only did the risk of dying on the job for a worker under OSHA jurisdiction decline, but also the absolute number of fatally-injured workers under OSHA jurisdiction declined.

More than two years after Ford-Visteon, the United Auto Workers, and OSHA entered into a national partnership focused on workplace safety and health, UAW Local 249's health and safety representative says the partners have developed some of the best safety programs in the industry. The partnership covers 30 plants in OSHA's New York, Philadelphia, Atlanta, Dallas, and Kansas City regions and 25 plants in Michigan. Signed in November 2000, it builds on existing safety and health programs developed by Ford/UAW and their National Joint Council for Health and Safety. These programs established a strict international audit system, based on 11 safety and health components, that place a high priority on management commitment to safety. The cooperative, non-adversarial relationship established through the partnership optimizes safety and health resources among all participants and reduces injuries and illness on the job.



Article in Job Safety and Health Quarterly: OSHA's Wichita Area Office joined Ford-Visteon and the United Auto Workers to Celebrate a Successful Partnership that Keeps Looking to the Future. Kristina Lenocho, author. Photo credit: Ford Motor Company

OSHA developed this e-Tool, which is an interactive, Web-based training tool for teens working in restaurants and for their employers. The e-Tool is illustrated and uses graphical menus as well as expert system modules. These modules enable the user to answer questions and receive reliable advice on how OSHA regulations apply to their situation.



www.osha.gov/SLTC/youth/restaurant/index.html
Photo Credit: DOL/OSHA

Strategies

The following strategies guide DOL's efforts to reduce workplace fatalities.

1. Reduce occupational hazards through direct intervention. The Department completed about 37,500 inspections in FY 2003. Inspections, significant cases, and total violations cited increased from FY 2002. DOL focuses over half of all inspections on the construction industry because this sector suffers the most fatalities of any sector covered by OSHA. Construction site inspections conducted by DOL inspectors increased from 21,344 in FY 2002 to 22,667 in FY 2003, which represents a six percent increase.

2. Promote a culture of safety and health through compliance assistance, cooperative programs, and strong leadership. Compliance assistance specialists in each OSHA area office help businesses with safety and health questions. OSHA responds to about 1,900 telephone calls for technical assistance and 1,000 e-mail questions each month. OSHA's website also is a primary source of workplace safety information, with about 44 million visits in FY 2003.

In FY 2003, more than 12,000 people received instruction through special grants in how to train workers and employers to recognize, avoid, and prevent safety and health hazards in their workplaces. Additionally, in FY 2003, OSHA expanded the number of its Education Centers from 12 to 20. To expand its outreach to Hispanic workers, OSHA plans to host a Hispanic and Immigrant Worker Summit in 2004 jointly with the National Advisory Committee on Occupational Safety and Health (NACOSH). The forum will showcase success stories, gather information and recommendations for future activities, and create new networks among participants.

OSHA's Voluntary Protection Program now has 1,024 participating sites, and 699 small businesses participate in the Safety and Health Achievement Recognition Program (SHARP) — the DOL recognition program for employers who establish effective safety and health systems with the help of OSHA's on-site consultation program. More than 200 Strategic Partnerships with at least 4,500 employers and 200,000 employees are currently in effect. In addition, OSHA has alliances with 100 organizations. Alliances enable organizations committed to workplace safety and health to collaborate with OSHA to prevent injuries and illnesses in the workplace.

3. Maximize OSHA effectiveness and efficiency by strengthening its capabilities and infrastructure. OSHA is strengthening its occupational safety and health infrastructure and capabilities. For example, the agency is implementing a diversity initiative, seeking to hire people with the language skills and technical experience required to address today's workplace safety needs. Also, OSHA is emphasizing professional development and certification, targeting a 10 percent annual increase in OSHA personnel receiving certification training.

Management Issues

Management Challenges: Fatality data reveal occupational safety and health issues that OSHA needs to address, including new problems in construction safety and risks to immigrant workers, as well as continuing problems in transportation safety, and workplace violence. OSHA continually adjusts its inspector training program as well as its methods for intervention as new threats to safety and health arise.

Internal Program Evaluations and Audits. In FY 2003, DOL evaluated the usefulness of OSHA's website and found the website was sometimes difficult to navigate. The evaluation made several recommendations to facilitate public use of the website and OSHA is implementing these recommendations. For more information, see Study 25 in Appendix 3.

As part of OSHA's regulatory "lookback" review process, a *Review of OSHA's Grain Handling Facilities Standard* found that since the standard was promulgated, there have been significant reductions in fatalities, injuries, suffocations at grain handling facilities. The review also found that implementation of the standard has not had a negative effect on the industry. For more information, see Study 20 in Appendix 3.

An Analysis of Fatal Events in Construction Industry in 2001, conducted by: The Construction Industry Research and Policy Center, University of Tennessee, Knoxville, found that falls from heights resulted in the largest number of construction site fatalities, followed by falls from or through roofs or structures, crushed or run over by operating construction equipment, electric shock, and being struck by falling objects. For more information, see Study 24 in Appendix 3.

External Program Evaluations and Audits. In the report *Workplace Safety and Health: OSHA Can Strengthen Enforcement through Improved Program Management* (Study 18 in Appendix 3), GAO recommends that OSHA increase the efficiency of targeting efforts, improve the precision of its measurements, provide more effective training, and strengthen the professionalism of its inspectors. In response, OSHA developed a functional training model for inspectors to help identify training gaps. This will result in a more systematic approach to updating inspectors' required training.

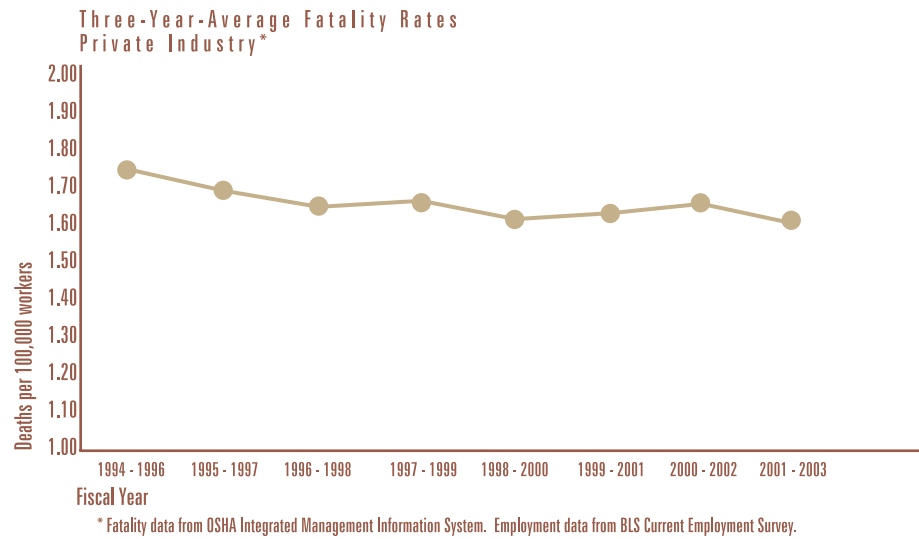
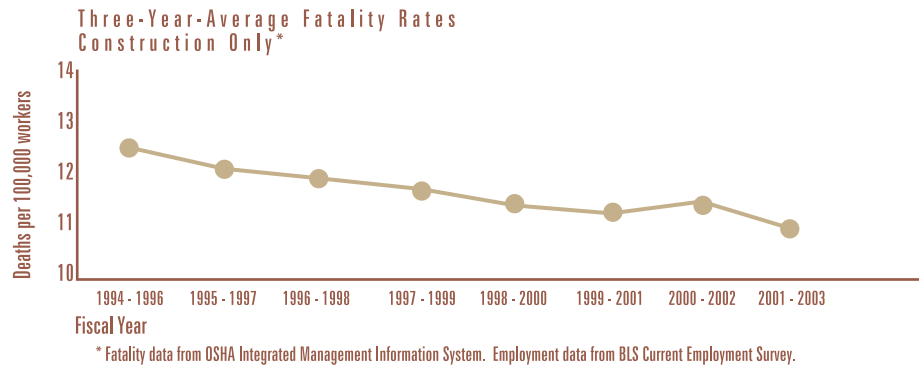
The Administration reviewed OSHA under its Program Assessment Rating Tool (PART). The Administration noted that the agency's goals were generally meaningful and measurable. However, the Administration did comment that the lack of timely data hinders timely performance assessments and that OSHA should improve its regulatory development process. OSHA is continuing to explore improved measures and data and will implement rigorous cost-benefit analysis and develop a plan to evaluate the results and cost-effectiveness of its regulatory and non-regulatory programs.

The OIG provided recommendations regarding OSHA's need to continue and expand its compliance assistance training and outreach regarding Hispanic and other non-English speakers and require employers to provide training in languages that employees understand in its report. For more information, see Study 11 in Appendix 3, *Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace*.

As a result of anthrax detection at a U.S. Post Office, the GAO report, *U.S. Postal Service: Better Guidance Is Needed to Improve Communication Should Anthrax Contamination Occur in the Future*, recommended that the Postal Service, OSHA, GSA, and the National Response Team work together to revise guidelines or regulations to require prompt communication of available test results to workers. See Study 19 in Appendix 3 for additional information.

Goal Assessment and Future Plans

In FY 2004, the target for this indicator will be a three percent reduction from the baseline.



Reduce Workplace Injuries And Illnesses

Performance Goal 3.1D (Occupational Safety and Health Administration) – FY 2001

Reduce injuries and illnesses by 11 percent from baseline in five industries characterized by high-hazard workplaces.

Results

The goal was achieved. The lost workday injury and illness rate per 100 full time workers dropped between 16 percent and 51 percent in the four non-construction targeted industries and lost workday injuries dropped 25 percent in construction compared to the baseline, a three-year average from calendar years 1993-1995.

Industry	CY 1993 - 1995 Baseline	2001	CY 2001 Change from Baseline
Shipyards	13.4	7.5	-44%
Food Processing	8.9	6.3	-29%
Nursing Homes	8.7	7.3	-16%
Logging	7.2	3.5	-51%
Construction *	5.2	3.9	-25%

* Construction industry data include injuries only.

Program Description

The Department works with employers and workers to reduce workplace injuries and illnesses in selected industries with historically high rates of lost workdays: the shipyard, food processing, nursing homes, logging, and construction sectors. One of the Department's most important roles in making the workplace safer is helping employers know the right precautions to take. Therefore, the Department provides outreach, training, and education directed to employers and workers in these industries.

Typical of the Department's outreach efforts are those in the National and Local Emphasis Programs, which focus both outreach and inspections on the targeted industries. The National Emphasis Program (NEP) for nursing homes, for example, focused outreach efforts and inspections primarily on the specific hazards most prevalent in nursing home and personal care facilities. These hazards include resident handling (ergonomic hazards), exposure to blood and other potentially infectious materials, exposure to tuberculosis, and slips, trips, and falls. Nearly 200 Department of Labor staff and nursing home industry partners received intensive training in these hazards as part of the nursing home industry NEP.

The Department is also involved in partnerships and alliances with employers and workers in these industries. Through these partnerships and alliances, the Department provides guidance and information on how to reduce injuries and illnesses. OSHA also provides outreach and education through its website, where much safety and health information, such as bulletins, interactive and industry-specific training software packages (*eTools*), and industry-specific safety and health topics pages can be found. One innovative way the Department keeps these and other industries current on OSHA policies and safety progress is an e-mail brief named *QuickTakes* that is issued every two weeks.

A construction company implemented OSHA's Voluntary Protection Program (VPP) on a reconstruction and expansion project in western New York. More than three years into the project, the construction company had not had a single accident that resulted in a lost workday. Company representatives said joining VPP provided more benefits than they expected. Protected workers are a real plus for the company, as their added workdays translate directly to profits.



Photo Credit: Norm Stahlman, Rifenburg Construction, Inc.

Analysis of Results

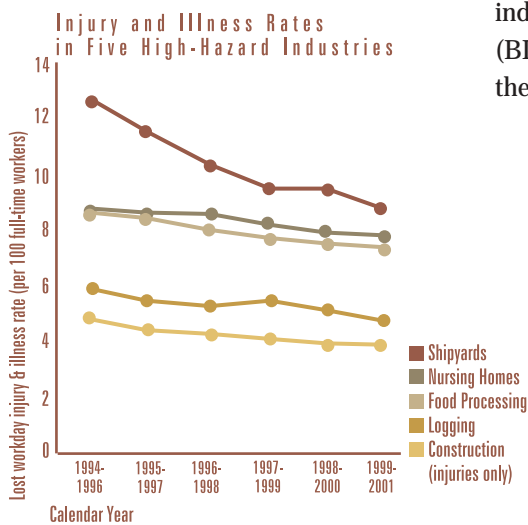
As the table and chart indicate, each of the five targeted industries has shown reductions in its lost workday rates. The chart below is based on a 3-year moving average, which helps to show these reductions by smoothing year-to-year fluctuations.

Strategies

In FY 2001, new partnerships, local emphasis programs, and outreach were directed to the industries identified above, especially nursing homes.

For FY 2003, OSHA started implementing a new Strategic Management Plan that selects industries for particular focus based on CY 2000 data from the Bureau of Labor Statistics (BLS) Survey of Injuries and Illnesses. The following seven criteria were used to identify the industries of emphasis for FY 2003:

1. At least 5,000 total injury and illness cases;
2. A lost workday injury/illness rate (LWDII) of 3.5 or greater;
3. Not in the construction sector;
4. No more than 30 percent of injuries and illnesses involving days away from work caused by ergonomic events;
5. At least 50 percent of injuries and illnesses involving days away from work so severe as to result in at least six days away from work;
6. No more than 10 percent of the injuries involving transportation incidents (including incidents involving motorized industrial vehicles, such as forklifts and backhoes); and
7. No more than 10 percent of the injuries involving assaults and violent acts.



Based on these criteria, OSHA identified new industries to receive more assistance: landscaping and horticultural services, oil and gas field services, preserved fruits and vegetables, concrete products, blast furnace and basic steel products, ship and boat building, and public warehousing and storage. Note that shipyards will continue to be targeted in the new OSHA Strategic Management Plan, as will the part of the food processing industry involved in preserved fruits and vegetables.

Management Issues

Data: BLS provides the data required for performance reporting on this goal. There is a one-year time lag in the availability of BLS injury and illness data, resulting in a two-year time lag in reporting for this performance report. For instance, the FY 2002 injury and illness reduction goal is based on CY 2002 data provided by BLS. These data will not be available until December 2003, and therefore CY 2002 performance will not be reported on until the FY 2004 report. Despite the delay in performance reporting, OSHA has decided to use these data as they give the most comprehensive information on national levels of illnesses and injuries by industrial classification.

Management Challenges: DOL has set a goal to reduce injury and illness rates in overall private industry by 20 percent by FY 2008. The lag in data availability will make it challenging to track progress and to make mid-course adjustments.

External Program Evaluations and Audits: The Administration reviewed OSHA under its Program Assessment Rating Tool (PART). The Administration noted that the agency's goals were generally meaningful and measurable. However, the Administration did comment that the lack of timely data hinders timely performance assessments and that OSHA should improve its regulatory development process. OSHA is continuing to explore improved measures and data and will implement rigorous cost-benefit analysis and develop a plan to evaluate the results and cost-effectiveness of its regulatory and non-regulatory programs.

Goal Assessment and Future Plans

The focus on high-hazard industries and the monitoring of safety and health indicators in these industries will eventually be part of the Department's Performance Goal 3.1D – reducing work-related injuries and illnesses. However, due to lags in the availability of high-quality injury and illness data, the FY 2004 report will still track the Department's performance in reducing workplace injuries and illnesses in these industries. As noted above, performance on this goal will be based on CY 2002 data.

Decrease Fatalities In The Construction Industry

Performance Goal 3.1F (Occupational Safety and Health Administration) – FY 2002

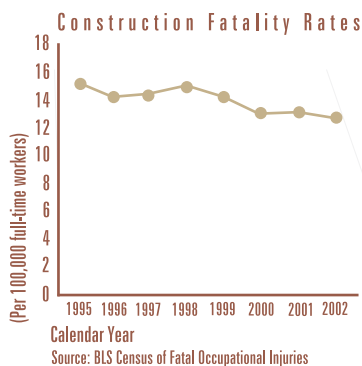
Decrease fatalities in the construction industry by 15 percent by focusing on four leading causes of fatalities (falls, struck-by, crushed-by, and electrocutions and electrical injuries).

Results

The goal was achieved. The fatality rate fell by 17 percent, from 14.7 deaths per 100,000 workers in the baseline year (CY 1995) to 12.2 in CY 2002.

Program Description

The Department's program to reduce fatalities in construction is based on inspections and compliance assistance (including partnerships). This program focuses on the leading causes of construction fatalities and efforts to reduce or eliminate these causes.



Analysis of Results

In addition to exceeding its goal of a 15 percent reduction in construction fatalities from the 1995 baseline, DOL also achieved an annual reduction (CY 2001 to CY 2002) in deaths caused by each of the four causes of construction fatalities. The number of fatal falls in construction declined 12 percent, from 421 in CY 2001 to 370 in CY 2002. The number of fatal struck-by injuries declined 12 percent, from 113 to 99. The number of fatal crushed-by injuries (including crushed by equipment or objects and collapsing materials) declined four percent from 105 to 101, and the number of fatal electrocutions declined seven percent from 155 to 144.

Strategies: Each year, more construction workers die from workplace accidents than workers in any other industry. Because construction's employers and employees are often mobile and hard to reach, the industry presents unique challenges for OSHA outreach, training, and compliance assistance efforts. These challenges call for new strategies to reduce fatalities. An example of DOL's response to these challenges is new strategies to reduce fatalities among Hispanic workers. The number of fatal work injuries among Hispanic workers in construction rose every year between CY 1996 and CY 2001, possibly due to the growing number of Hispanics engaged in construction work. One of these new strategies is an alliance with the Hispanic Contractors of America, Inc. (HCA). HCA identifies bilingual workers to take the OSHA 30-hour train-the-trainer construction safety course in English. In turn, trained workers provide the construction safety training in Spanish to member employers and their workers. Additionally, OSHA and HCA participate in conferences to raise awareness of Hispanic fatalities in the construction industry and the alliance's role in trying to prevent them. Construction fatalities among Hispanics were down by 13 percent in CY 2002 compared to CY 2001. More work is needed, however. While Hispanics accounted for 19 percent of the construction labor force in CY 2002, they still suffered a disproportionate 22 percent of fatal work injuries in construction.

Another DOL strategy to reduce construction fatalities is a focus on fall hazards. Falls account for roughly one-third of all deaths in construction. Local Emphasis Programs (LEPs) are based on knowledge of local construction industry hazards or local industry

injury/illness experience. LEPs supplement the construction inspection targeting system and avoid a one-size-fits-all approach. Because many construction LEPs specifically address falls in construction, DOL has a good mechanism to identify worksites with fall hazards and can continue to provide strong enforcement of fall protection regulations. DOL continues to increase the number of partnerships. The Department's voluntary national construction safety partnerships with the Associated Builders and Contractors (ABC) and the Associated General Contractors (AGC), the two major construction employer organizations, provide a model for safety collaboration. During FY 2002 and FY 2003, many local partnerships, covering thousands of workers, began or continued under the national-level partnership agreements with the ABC and the AGC.

DOL also makes safety and health compliance assistance available to the construction industry. One method DOL uses to improve construction safety through this strategy is to continually upgrade and enhance its webpage dedicated to construction industry compliance assistance. This webpage provides direct links to OSHA's construction standards and agency policies, and to information that is crucial to construction safety, including compliance information, web-based construction safety training, safety publications, and safety articles. The webpage also contains a link to OSHA's Office of Training and Education homepage, where visitors can take construction safety training modules to assist trainers who conduct the OSHA 10-hour Construction Industry Outreach Training.

DOL continues to emphasize firm and fair enforcement through construction inspections. The number of construction inspections has increased each of the last three years, from 20,208 construction inspections OSHA conducted in FY 2001 and 21,344 in FY 2002 to 22,667 in FY 2003.

Management Issues

Internal Program Evaluations and Audits: Because of the high fatality rate in the construction industry, OSHA annually analyzes the major causes of fatal construction accidents to focus resources more effectively. The most recent study (*An Analysis of Fatal Events in the Construction Industry, 2001*), showed that construction fatalities in 2001 most frequently resulted from falls, including falls from or through roofs and falls from or with structures, from operating construction equipment, crushing, or running over people who were not operating the construction equipment, from electric shock from equipment installation or tool use, and from being struck by falling objects. As a result, OSHA will continue to devote extensive resources to the inspection of construction worksites, actively enforcing requirements relating to these hazards.

External Program Evaluations and Audits: The Administration reviewed OSHA under its Program Assessment Rating Tool (PART). The Administration noted that the agency's goals were generally meaningful and measurable. However, the Administration did comment that the lack of timely data hinders timely performance assessments and that OSHA should improve its regulatory development process. OSHA is continuing to explore improved measures and data and will implement rigorous cost-benefit analysis and develop a plan to evaluate the results and cost-effectiveness of its regulatory and non-regulatory programs.

Safety is an integral part of the workday for employees at Pittsburgh, Pennsylvania's NexTech. NexTech maintains a virtually spotless safety record while running a round-the-clock operation that involves heating razor-thin strips of steel to 1,400 degrees Fahrenheit, and running them through a molten zinc bath. Because NexTech integrates safety and health into their operations, the company's injury rates are well below national averages. Their safety record also gives sales staff a good selling point. NexTech's plant manager views safety as "a key element of our success."



Photo Credit: NexTech

Goal Assessment and Future Plans

DOL will enhance its efforts to reach out to the construction industry and encourage it to join with the Department to reduce construction fatalities. DOL has revised and consolidated four goals from prior years' plans into two new strategic plan goals: to reduce the rate of workplace fatalities by 15 percent from the baseline, and to reduce the rate of injuries and illnesses by 20 percent from the baseline over the life of the Department's strategic plan (covering FY 2003 – 2008). For FY 2003, what was the construction fatality goal will now be part of a new, broader fatality goal for all sectors covered by the Occupational Safety and Health Act. However, OSHA will continue to track construction fatalities as part of its overall strategy to reduce work-related fatalities.

Outcome Goal 3.2

Foster Equal Opportunity Workplaces

Overview

DOL is committed to fostering workplaces that guarantee equal opportunities and fairness to working Americans. President Bush has said, "I will constantly speak for the values that unite our country: personal responsibility, equal justice, equal opportunity for everybody. These are important common values." DOL pursues the President's commitment through its efforts to encourage recipients of DOL financial assistance and federal contract awards to comply with laws such as the Civil Rights Act and the Americans with Disabilities Act, and by assuring that Federal contractors afford minorities, women, individuals with disabilities, and veterans an equal opportunity to compete for employment and advancement.

The principle underlying the civil rights and equal employment opportunity provisions that the Department administers is that Federal tax dollars may not be used to perpetuate discrimination in the workplace or in the availability of program services. The requirement that Government contractors refrain from discriminating in employment has been an established part of Federal contracting policy since 1941, when President Roosevelt signed Executive Order 8802, and it continues today. The Employment Standards Administration (ESA) has the responsibility of assuring that employers doing business with the Federal Government comply with the equal employment opportunity and affirmative action provisions of their contracts. ESA enforces laws and regulations protecting employees and applicants from discrimination regardless of their gender, race, color, national origin, religion, disability, or veteran status.

Recipients of Federal financial assistance, such as job training and placement service providers under the Workforce Investment Act (WIA), also must refrain from discriminating when providing services or benefits. DOL's Office of the Assistant Secretary for Administration and Management (OASAM) assures compliance with the civil rights laws that apply to recipients of DOL financial assistance. Education and technical assistance to the States play key roles in promoting voluntary compliance with applicable non-discrimination laws.

Serving The Public

ESA's Office of Federal Contract Compliance Programs (OFCCP) administers and enforces two equal employment opportunity laws and an Executive Order that together prohibit Federal contractors from discriminating on the bases of race, color, religion, gender, national origin, disability, and protected veterans' status and require affirmative steps to ensure equal employment opportunity. These laws apply to nearly all Federal contracts, and are an integral part of the Federal procurement process. They are based on the underlying principle that employment opportunities generated by Federal dollars should be available to all Americans on an equitable and fair basis. OASAM's Civil Rights Center ensures that States establish policies, procedures, and systems to guide the practices of those involved in WIA-funded programs to ensure compliance with Federal equal opportunity and nondiscrimination laws and regulations.

Together, these equal opportunity programs serve much of the American workforce, as more than 25 percent of the labor force in America (26 million workers) work for Federal contractors or subcontractors. In addition, a majority of the American workforce qualifies for job training and/or placement services from programs receiving financial assis-

tance from DOL. Protection of civil rights and assurances of quality workplaces is not solely dependent on finding violations, however. Creating and effectively delivering high quality compliance assistance encourages contractors to comply voluntarily with ESA program requirements. ESA's compliance assistance efforts have led to compliance without the need for a compliance review for contractors who seek to comply in good faith. ESA has selected performance indicators that target its resources to the critical mission of the agency. The Civil Rights Center also employs a variety of techniques to achieve voluntary compliance, such as training and development of tools.

Program Costs

FY 2003 program costs of \$118 million supported programs to assure that Federal tax dollars are not used to discriminate in the workplace or in the availability of program services. This was a slight increase over FY 2002. As discussed in the performance goal narrative that follows, Federal contractor compliance increased substantially in FY 2003, indicating better use of resources by ESA's OFCCP (accountable for over 80 percent of net costs for this outcome goal). This progress can be attributed in part to two new methods of doing business:

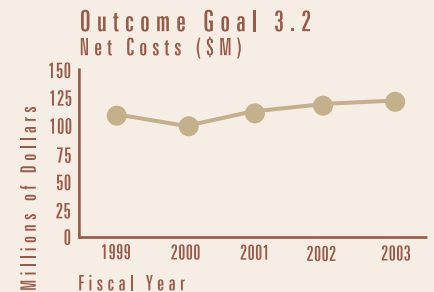
- *Active Case Management.* This model allows the program to review many more establishments than before, but does not require burdensome on-site evaluations. Rather, field managers pursue indicators of systematic personnel problems.
- *Functional Affirmative Action Program Agreements.* These agreements reduce contractors' compliance burden because evaluations are conducted in accordance with functional business practices and not "brick and mortar" establishments.

DOL Challenges for the Future

DOL's procedures and policies for assuring equal opportunity workplaces must be adaptable, so they can reflect and accommodate current and impending economic realities facing Federal contractor industries. The Department must continue to pursue avenues of cooperation, through partnerships with employers, associations, and other Federal agencies to expand equal opportunity for employees and job applicants in those companies that have a contractual relationship with the Federal government.

One way DOL addresses this challenge is through the Secretary of Labor's Opportunity Awards, the Exemplary Voluntary Efforts Awards, and the Exemplary Public Interest Contributions Awards Program, which provide a mechanism for DOL to partner with the private sector in identifying meritorious programs for achieving workplaces that afford equal opportunity. These meritorious programs are then showcased as models for other employers to follow.

DOL must also meet the challenge of continually reviewing program activities and processes for ways to use and manage technology to achieve greater efficiencies, improve service delivery, and lighten burden on constituents. For example, with the increase of new, advanced, and more affordable technology for assisting persons with disabilities, the Department faces an important challenge to ensure that Federal contractors—as well as those programs and agencies that prepare adults and youth for employment—provide the necessary accommodations to support persons with disabilities. As stated earlier, the Department is working steadily toward this goal with employers in several coordinated initiatives.



Foster Equal Opportunity Workplaces

Performance Goal 3.2A (Employment Standards Administration) – FY 2003

Federal contractors achieve equal opportunity workplaces.

Indicators

Reduce the incidence of discrimination among Federal contractors to nine percent.

Increase compliance among Federal contractors in all other respects of equal opportunity workplace standards to 59 percent.

Results:

The goal was achieved. The incidence of discrimination among evaluated contractors fell 7.8 percentage points below the FY 2003 target of nine percent. Evaluated contractors' compliance with all other equal opportunity workplace standards increased to 13.4 percentage points beyond the FY 2003 target to 72.4 percent.

Program Description

ESA's Office of Federal Contract Compliance Programs (OFCCP) administers and enforces three equal employment opportunity (EEO) laws: 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. These laws prohibit Federal contractors from discriminating on the bases of race, color, religion, gender, national origin, disability, and protected veterans' status. These laws also require affirmative steps to ensure equal employment opportunity (EEO). These requirements, which are a part of nearly all Federal contracts, are an integral part of the Federal procurement process. They are based on the underlying principle that employment opportunities generated by Federal dollars should be available on an equitable and fair basis for all Americans.

Analysis of Results

ESA has selected performance indicators that target its resources to the critical mission of the agency, because it typically evaluates only four to six percent of the Federal contractor universe each year. In FY 2003, over 6,033 compliance evaluations were completed. The agency reached its performance targets due to its emphasis on encouraging and educating contractors to closely examine their employment practices. In many instances, OFCCP reviews uncover violations that reflect a lack of knowledge on the part of contractors rather than intentional disregard of EEO laws.

Strategies

ESA is focusing its enforcement activities on finding and resolving systemic discrimination. The agency has adopted this strategy to: 1) prioritize enforcement resources by focusing on the worst offenders; 2) encourage employers to engage in self-audits of their employment practices; and 3) achieve maximum leverage of resources to protect the greatest number of workers from discrimination.

While the Department is responsible for enforcing nondiscrimination and equal opportunity requirements, protection of civil rights and assurances of quality workplaces is not solely dependent on finding violations. Creating and effectively delivering high quality compliance assistance encourages contractors to comply voluntarily with requirements. ESA's compliance assistance efforts allow contractors who seek to comply in good faith to become compliant without the need for a compliance review. In FY 2003, OFCCP improved its interactive web applications, increased the number of seminars and workshops delivered, and increased the number of other relevant outreach and public education efforts leading to the prevention of discrimination and helping contractors achieve equal opportunity workplaces.

Management Issues

Data: OFCCP generates summary performance data from an internal management information system (MIS). Input for the MIS data begins at the user level with information generated from two subsystems, the Case Management System and a Financial Agreement Information System. OFCCP is exploring ways to 1) improve the accuracy of data in both systems to report agency results and 2) redesign the entire management information system to improve its ability to establish contractor jurisdiction and to identify contractors that are not in compliance with Federal EEO law.

Management Challenges: The Department continually seeks ways to simplify regulations and reduce the burden on Federal contractors. ESA utilizes its regulatory agenda review to this end. The Department also commissioned the services of Abt Associates, Inc., a research firm, to conduct an empirical study to evaluate the effectiveness of the Equal Opportunity Survey as an instrument for identifying contractors engaged in systemic discrimination. Abt is studying whether ESA can use Equal Opportunity Survey data to target contractor establishments where the likelihood of systemic discrimination is the highest. Abt will use the results of the FY 2003 Equal Opportunity Survey data, including earlier Equal Opportunity Survey data and compliance evaluation data, to develop and validate a model to identify those workplaces in which systemic discrimination exists.

Statutory changes due to the December 2002 enactment of the Jobs for Veterans Act bill will affect OFCCP regulations in 41 CFR Part 60-250. The effect of this legislation will increase the veteran coverage threshold from \$25,000 to \$100,000, thereby reducing the Federal contractor universe for veteran coverage.

External Program Evaluations and Audits: The Program Assessment Rating Tool review of OFCCP indicated that the agency could not measure the impact of its civil rights enforcement on the reduction of employment discrimination. As a result, DOL commissioned the services of an external contractor, Westat, to conduct a comprehensive evaluation and measure the effectiveness of program activities under Executive Order 11246, as amended. Westat will use existing data sources to provide a historical assessment of the impact of OFCCP on the behavior of contractors compared to non-contractors and on contractors subjected to compliance reviews compared to its impact on non-reviewed contractors. A preliminary report will be presented in early FY 2004.

DOL has also secured an independent evaluation, beginning in FY 2004, of its impact on Federal construction contracts. Specifically, the study will evaluate the effectiveness of the construction-related EEO regulations, selection and scheduling procedures for the construction industry, and will examine the agency's compliance review procedures as applied to Federal construction contractors. The external study will also assist the agency in implementing recommendations from an Office of Inspector General report that the agency improve its selection process to: 1) clarify the sources from which construction contractors will be selected for compliance reviews; 2) establish and supply neutral selection criteria; and 3) document the rationale for selection decisions.

Goal Assessment and Future Plans:

OFCCP will examine the results of the program evaluations to improve its selection and investigation techniques to more efficiently identify non-compliant contractors. An improved process should have a significant impact on the outcome of compliance findings and may initially increase findings of discrimination. Performance data from the Westat study will help determine appropriate performance goals and indicators that may require changes to the DOL Strategic Plan.

Promote Equal Opportunity Under the Workforce Investment Act

Performance Goal 3.2B (Office of the Assistant Secretary for Administration and Management) – FY 2003

States that receive financial assistance under the Workforce Investment Act provide benefits and services in a non-discriminatory manner, as evidenced by:

- *Reduction in the number of allegations of disparate impact on the basis of disability; and*
- *Decrease in the number of disparate treatment claims filed on the basis of disability.*

Indicators

FY 2003 technical assistance reviews conducted of a representative sample of the One-Stop Centers in the One-Stop systems of New York City and Miami.

The nature and number of discrimination complaints filed nationwide under Title I of the Workforce Investment Act, Wagner-Peyser Act, Unemployment Insurance, and against DOL-operated Job Corps Centers based on a longitudinal study conducted in FY 2003. The longitudinal study will span FY 2002 through FY 2004.

Specialized Alternative Dispute Resolution (ADR) training for the State of New York's mediators and Equal Opportunity representatives conducted in FY 2003.

Results

The goal was achieved. Targets for all three indicators were reached:

1. Starting in FY 2002, the Civil Rights Center developed a Section 188 Disability Checklist that served as the review guide for One-Stop Center technical assistance reviews in New York and Miami conducted during FY 2003. In New York, all three (100 percent) One-Stop Career Centers were reviewed. In Miami, 13 of the 23 (57 percent) One-Stop Career Centers were reviewed. The reviews in both cities identified areas of non-compliance and the existence of barriers limiting service to persons with disabilities.
2. Discrimination complaint logs were submitted by all WIA, State Workforce Agencies, and Job Corps recipients, which enabled the Civil Rights Center to establish a baseline of complaints filed at State-levels and Job Corps Centers. A substantial number of States and Job Corps Centers were not compliant because they submitted complaint logs that under- or over-reported the number of complaints filed. Other States or Job Corps Centers were not compliant due to incomplete logs that did not include the bases/protected grounds.
3. The Civil Rights Center provided ADR training in three separate sessions (Albany, Buffalo, and New York City) to all 112 New York State designated mediators. The mediators' training familiarized them with the equal opportunity requirements under WIA to better equip them to carryout their responsibilities in mediating complaints of discrimination in the WIA One-Stop Career system. The ADR training was a compliance assistance effort designed specifically to benefit New York State.

Program Description

The equal opportunity and nondiscrimination provisions of the Workforce Investment Act (WIA) provide that no person be discriminated against on the grounds of race, age, sex,

disability, religion, national origin, color, political affiliation or belief and, for beneficiaries only, citizenship or participation in any WIA Title-I financially assisted program or activity. To enforce Federal laws and regulations, the Civil Rights Center focuses on ensuring that States which are recipients of Federal financial assistance under WIA, establish policies, procedures, and systems to guide the practices of those involved in the administration, management, and operation of the WIA.

Analysis of Results

The disability training and disability technical assistance reviews of the City of New York and Miami/Dade County have led to WIA delivery systems that are better prepared to serve persons with disabilities than they were before the reviews. The human factors involved in the delivery of WIA programs and services makes impracticable the goal of eliminating discrimination entirely. However, the Civil Rights Center's focus on the underlying foundation or structure of the delivery system provides the best promise that no person will be discriminated against solely because of his or her disability. In its current state, the data collected for measuring the Civil Rights Center's attainment of this goal cannot be extensively analyzed. In subsequent years, however, the discrimination complaint log evaluation will permit an impact analysis of the Center's activity and a judgment of the indicators.

The discrimination complaint log was initiated to determine the number and nature of discrimination complaints filed within the workforce system funded by the Department. This information will have multiple uses. Analysis of the nature of complaints filed will be useful to determine the protected grounds (e.g., age, race, sex, disability, etc.) upon which people believe the system is discriminating against them. The number of complaints, which are reported by financial assistance recipients, is valuable in identifying pockets of potential discrimination. In addition, the complaint log information is helpful in assisting the Civil Rights Center in determining the focus of its compliance assistance efforts. Lastly, the complaint log data will be useful in measuring the influence of the disability training and technical assistance reviews on reducing the number of disability discrimination complaints filed in the city and State targeted. Since the Section 188 Checklist has been distributed nationwide to all recipients, the complaint log data will be useful in measuring its impact in reducing the number of disability discrimination complaints filed nationally.

The ADR training provided to the State of New York's designated mediators for the workforce had a single purpose – to familiarize the mediators with the equal opportunity and nondiscrimination obligations of financial assistance recipients. The training was provided at the request of the New York State Department of Labor. The State mediators gave superb evaluations of the training provided and are effectively serving as mediators for the State of New York's workforce system.

Strategies

The Civil Rights Center prefers to use a variety of compliance assistance techniques to achieve compliance by recipients. Through the provision of training, development of tools, and issuance of guidance, financial assistance recipients are given support to achieve voluntary compliance.

The Civil Rights Center must allocate its resources in a manner that realizes maximum impact for each investment. To this end, the Civil Rights Center targets the four largest labor market areas – New York, Miami, Houston, and Los Angeles. Because most of America’s workers are located in urban areas, the logic of targeting the four largest labor markets is to get a representative picture of the degree of compliance with equal opportunity and nondiscrimination laws and regulations.

Technology will receive even greater emphasis in meeting the compliance assistance needs of the Department’s financial assistance recipients. The Civil Rights Center’s website will be the repository for “best practices,” self-study on-line courses for frontline workers, and guidance for workforce decision-makers.

Management Issues

Management Challenges: The reauthorization of WIA is pending, and its effect on civil rights impact is uncertain. It is anticipated that some change will be made to the nondiscrimination provisions of the law or in the regulations.

External Program Evaluations and Audits: Federal oversight agencies, such as the U.S. Department of Justice and U.S. Commission on Civil Rights are expected to continue their evaluation of Federal agencies in enforcing Federal civil rights laws and regulations.

Goal Assessment and Future Plans

Based on demonstrated positive results, the Civil Rights Center plans to continue its programs as they are presently constituted.

Outcome Goal 3.3

Reduce Exploitation of Child Labor and Address Core International Labor Standards

On May 7-8, 2003, Secretary of Labor Elaine L. Chao hosted representatives of the world community as they gathered to participate in a U.S. Department of Labor Conference to heighten the global response to the exploitation of child soldiers. At the conference, *Children in the Crossfire: Prevention and Rehabilitation of Child Soldiers*, Secretary Chao announced a \$13 million initiative to support programs that counter the problem and to help former child soldiers rebuild their lives. The panel discussions and case studies also resulted in sharing best practices and successful interventions among the world's leading child welfare practitioners, government officials, and former child soldiers themselves.



Photo Credit: DOL/ILAB

Overview

In today's environment of widespread market reforms and economic integration, efficient and fair labor markets have become a prerequisite of economic growth. Open trade creates job opportunities and broader business prosperity both domestically and abroad. The President's trade agenda has provided the Department's Bureau of International Labor Affairs (ILAB) with an important challenge to focus its efforts on supporting the goal of expanding free and fair trade. Passage of the Trade Act of 2002 has allowed the United States to restore its leadership on trade and press aggressively to secure the benefits of open markets for American workers, consumers, families and businesses. ILAB plays an important role in trade negotiations and initiatives that reflect the government's determination to see that trade agreements include a framework for promoting strong labor standards.

In addition, ILAB continues to provide policy guidance on other labor-related issues and support technical cooperation projects that reduce the exploitation of child labor, strengthen social safety nets, and improve adherence to core labor standards. The International Labor Organization (ILO) estimates some 211 million children between the ages of 5 and 14 were working around the world in 2000. Many of these children work under extremely hazardous and exploitative conditions. Millions of adult workers are also denied their basic labor rights. They are forced to work under modern forms of slavery such as bonded labor, denied their right to associate freely and bargain collectively, or are subject to discrimination. Many other workers live in countries that are unable to provide even the most basic social safety nets in times of crisis.

Serving The Public

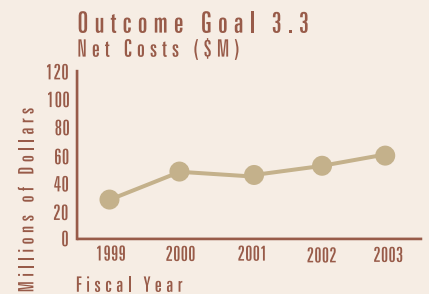
In FY 2003, DOL supported technical assistance programs through the International Labor Organization's International Program on the Elimination of Child Labor (IPEC). Grants were also awarded to other organizations through the competitive bid process. In 2003, 23 new international projects were funded to support the progressive elimination of child labor and increased access to basic education in areas with a high incidence of exploitative child labor. ILAB's funding for IPEC concentrated on larger integrated and highly focused programs that stress the importance of building innovative partnerships with governments and other institutions. Assistance to developing countries has led to a significant increase in the number of governments adopting recent initiatives designed to eradicate the worst forms of child labor within a specified period of time. The Department also hosted an international conference on the issue of child soldiers and funded a \$13 million initiative to help rehabilitate child soldiers in nine countries and prevent the recruitment of new ones.

DOL's technical cooperation program placed greater emphasis on supporting countries to improve their adherence to international labor standards. Concerted effort was made to include appropriate core labor standards in each bilateral and multilateral trade agreement negotiated by the government and to establish technical assistance programs to promote core labor standards in countries that benefit from U.S. trade preference programs. To carry out this initiative, DOL worked closely with the other main government agencies involved in international trade policy: the United States Trade Representative and Departments of State, Commerce and Treasury.

Technical assistance continues to be provided to strategically selected developing and transition countries to address a range of issues including: strengthening the administration of labor laws, improving the capacity to prevent and resolve disputes, strengthening social insurance systems, improving workplace safety and health, enhancing the capacity of job training and employment services, and providing greater employment opportunities for persons with disabilities and for women. In addition, in support of government-wide efforts to fight global AIDS, ILAB financed workplace-based AIDS education and prevention programs. In FY 2003 seven countries also committed to undertake improvements in assuring compliance and implementation of core labor standards. ILAB and U.S. embassies worked closely with partners to design projects that complement rather than duplicate existing efforts.

Program Costs

In FY 2003, the Department obligated \$45 million to the IPEC. In addition, \$37 million was obligated to help strengthen basic education services in countries with high incidences of child labor. The Department allocated \$19.8 million to efforts to promote core labor standards and the principles embedded in the Declaration on Fundamental Principles and Rights at Work and \$16.9 million to social safety net projects that provide workers with the tools and support to benefit from a more open and integrated world economy. The Department also allocated \$9.9 million to fund initiatives to reduce the spread of the HIV/AIDS pandemic through workplace-based projects. The total of these figures does not match the graph because outlays (spending) lag federal obligations.¹



¹ In FY 2002, auditors noted that ILAB grant costs were over-accrued by at least \$47 million. In FY 2003, management corrected the accrual process. However, the over-accrual results in an overstatement of ILAB costs in the FY 2002 consolidated financial statements and a corresponding understatement in the FY 2003 Consolidated Financial Statements. The amount was deemed immaterial to the consolidated statements and was not adjusted in either year. For the purposes of this analysis, the amount of the over-accrual is material, and the costs shown here have been corrected for its effect.

The use of domestic laborers is a widespread practice in Nepal where it is common for employers to hire children to live in their homes and perform household chores such as cooking, cleaning the house, and caring for their children. Many poor families have few choices but to allow their children to work. Once working, most child domestic workers do not have the opportunity to attend school. DOL-funded activities such as World Education's Brighter Futures Program are designed to reach out-of-school children and provide them with educational opportunities where before they had none.

When 11-year-old Lila's family could not afford to send her to school or provide food for the whole family, she became a domestic child worker to supplement her family's income. Lila learned from other child domestic workers in the neighborhood about the Brighter Futures Program where, for two hours a day, children learned to read, write and do math, and gained practical knowledge on health issues. With the support from a Brighter Futures Program scholarship, Lila attended the nine-month non-formal education program and was transitioned into a formal school.

Having overcome her initial shyness about being in school, Lila now has friends, laughs and talks with others, and asks questions if she does not understand something. Lila says she has benefited a lot from the non-formal education class. Her wish now is to become a nurse when she grows up.



Photo Credit: DOL/ILAB

Reduce Child Labor in Developing Countries

Performance Goal 3.3A (Bureau of International Labor Affairs) – FY 2003

Reduce exploitative child labor by promoting international efforts and targeting focused initiatives in selected countries.

Indicators

40,000 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.

60,000 children prevented or removed from child labor, particularly its worst forms, through the provision of education or training opportunities.

15 action plans, policies or programs established that combat child labor and/or promote access to education for child laborers or children at-risk.

Six Child Labor Education Initiative projects establish a baseline for education targets (enrollment and retention rates).

Child Labor Education Initiative projects begin in nine new countries.

Results

The goal was achieved. ILAB reached all five performance indicators. ILAB identified more than 83,500 children for prevention and withdrawal from exploitative work, exceeding its target of 40,000 children. In FY 2003, more than 79,500 children were removed or prevented from exploitative work through the provision of education or training opportunities, compared to the target of 60,000 children. ILAB established 19 action plans, policies or programs in a total of 14 countries in FY 2003, compared to its target of 15. ILAB collected baseline data and established enrollment and retention baselines in eight Child Labor Education Initiative projects compared to the target of six. ILAB funded education projects in 10 countries, compared to its target of nine, through ILAB's Child Labor Education Initiative.

Program Description

ILAB's activities include research and reporting on various aspects of international child labor, heightening public awareness and understanding of the issue, and supporting international projects that aim to eliminate exploitative and abusive child labor and to increase access to basic quality education.

ILAB's contributions support efforts to combat child labor in 61 developing countries around the globe. Many of ILAB's projects are implemented by the International Labor Organization's International Program on the Elimination of Child Labor (ILO/IPEC), a worldwide technical assistance program aimed at the progressive elimination of child labor. Key components of ILO/IPEC projects included building the capacity of government and local institutions to combat child labor, raising awareness of the hazards of exploitative work, developing workplace and community child labor monitoring systems, and providing direct services to families, such as education and training opportunities for children and income generating alternatives for parents. ILAB also provided funds through its Child Labor Education Initiative (EI) for international projects to increase the access and quality of basic education in areas with a high incidence of exploitative child labor. Through competitively awarded grants, ILAB has supported partnerships

with a variety of organizations, including international non-governmental organizations (NGOs) and faith-based groups that have creative and innovative approaches to supporting the education needs of child laborers.

In 2003, ILAB funded a total of 23 new international projects to combat child labor and increase access to basic education with a special focus on the worst forms of child labor, as identified in ILO Convention No.182. With ILAB assistance, the number of governments adopting time bound programs to eradicate the worst forms of child labor in their respective countries increased significantly. The Department also brought heightened attention to the situation of child soldiers, one of the worst forms of child labor. In May 2003, Secretary of Labor Elaine L. Chao hosted an international conference on child soldiers and announced the Department's support for a \$13 million global initiative aimed at rehabilitating and preventing child soldiers in nine countries.

Analysis of Results

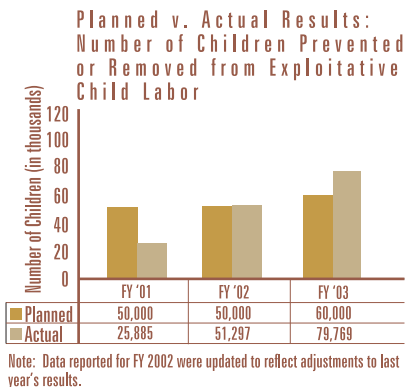
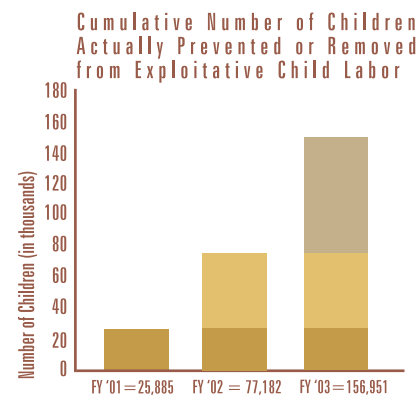
The Child Labor Education Initiative is a recent program, and therefore indicators focused on initial process measures rather than outcome measures, including the funding of new initiatives and the establishment of baselines for last year's projects. Targets for all ILAB indicators were set in consultation with grantees and took into consideration the experience and results achieved in previous years.

With the contribution of \$45 million for ILO/IPEC activities, and a focus on larger projects, in FY 2003, ILAB identified more than 83,500 children for prevention of and withdrawal from exploitative work. ILAB supported seven new time bound programs aimed at eliminating the worst forms of child labor, two regional projects and one global program. The projects focus on the identified worst forms of child labor including child soldiering, trafficking of children and commercial sexual exploitation.

During FY 2003, more than 79,500 children were removed or prevented from exploitative work through the provision of education or training opportunities in ongoing DOL-funded IPEC programs. Since ILAB began tracking this indicator in 2001, more than 150,000 children in total have been removed or prevented from exploitative work and given meaningful alternatives to child labor (See Figure 1). The children reported in FY 2003 worked in a variety of sectors and countries, including commercial agriculture in East Africa, bonded labor in Nepal, carpet production in Pakistan, beedi (cigarette) making in Bangladesh and the coffee industry in Honduras.

In FY 2003, 19 action plans, policies or programs were established in a total of 14 countries, demonstrating concrete commitments to eliminate child labor at the highest levels of local and national government. Some countries developed specific plans that targeted working children in an individual sector. For example, in February 2003 the Nepalese government endorsed a National Plan of Action against Trafficking of Children and Women for Sexual and Labour Exploitation. Others developed broad plans of action for children or education, which included a component to address child labor.

ILAB collected baseline enrollment and retention information on children to be provided basic education in eight Child Labor Education Initiative projects funded last year. The projects are being implemented in Bolivia, Nepal, Pakistan, Peru, Tanzania, Togo, Zambia



A Kids In Need (KIN) director expresses his enthusiasm for KIN: "Working with street children has enabled me to share their feelings about neglect, being exploited, being looked at as the worst group of society. That has helped me to see there is a lot of work to be done, but I also have seen that they are very beautiful and intelligent, therefore not to be left behind. They are people to be trusted." Street children come to the KIN Center where they receive shelter, counseling, occupational therapy, non-formal literacy education, meals, and health care.



Photo Credit: DOL/ILAB

and the Ivory Coast. This information will serve to set targets for project performance and provide a starting point from which to compare future outcomes.

Through ILAB's Child Labor Education Initiative, education projects were funded in 10 countries (Afghanistan, Benin, Brazil, Burkina Faso, Cambodia, the Dominican Republic, Mali, Morocco, the Philippines and Uganda). In addition, through a global program started in 2002, small projects were funded through community-based organizations in 14 countries. All Education Initiative projects aim to provide education to child laborers or children at risk of engaging in various types of work including domestic service, armed combat, agriculture, and other hazardous forms of child labor.

Strategies

DOL-funded ILO/IPEC projects provide direct assistance to children and families, in the form of education and training, to ensure that they are removed from work or prevented from engaging in exploitative labor in the first place. The projects also work at the policy and institutional level to strengthen the ability of governments and local partners to address child labor on their own over the long-term. Child Labor Education Initiative projects complement ILO/IPEC's approach by focusing on education. Providing access to quality basic education is considered one of the most effective strategies to combating child labor. Education Initiative Projects raise awareness about the need for education, improve the quality of education, strengthen child labor and education institutions and policies, and raise resources for education.

To sustain efforts, countries and local communities must offer meaningful alternatives to exploitative work for the children and their families, often entailing extensive preparatory work to mobilize partners and build the capacity of local organizations to provide quality educational and training opportunities. To ensure that its child labor and basic education projects are effective and complementary to existing initiatives, DOL consults closely with U.S. agencies, national governments and international and local organizations.

Management Issues

Management Challenges: ILAB's international projects are implemented in countries with diverse political, social and economic environments, where civil unrest, natural disasters, economic shocks and frequent changes in governments can impact the timely progress of initiatives. Delays in the appropriations process in past years have shortened the amount of time available for obligating funds, including conduct of initial needs assessments, government and interagency consultations, and grantee proposal review and approval.

Data: DOL receives primary data from its grantees, including ILO/IPEC and organizations implementing Child Labor Education Initiative projects. ILAB staff review and verify the accuracy of data once received. Data originates in country at the project level as part of the project monitoring system. Data are compiled at the project level and submitted to DOL through individual progress reports.

Goal Assessment and Future Plans

DOL will continue to work closely with ILO/IPEC and its Child Labor Education Initiative grantees to obtain detailed information relating to program performance, implementation plans, and anticipated results.

Improving Life for Workers Around the Globe

Performance Goal 3.3B (Bureau of International Labor Affairs) – FY 2003

Improve living standards and conditions of work for workers in developing and transition countries.

Indicators

Number and percent of relevant government officials and members and officials of workers' and employers' organizations who are influential in determining living standards and working conditions and participating in DOL project activities, who consider the project to have improved their conditions of work.

Number and percent of individuals whose economic situation has benefited from DOL project assistance (economic situation improved if individuals: received increase in wages, income or employment benefits or improved their potential for increases in wages, income and employment benefits).

Number and percent of workplaces that have received DOL project assistance (directly or indirectly) and that have implemented new measures to prevent workplace accidents and illnesses.

Number of workers participating in pension funds that are government regulated by project partner agencies.

Results

The goal was achieved. The Department established baselines for indicators in four areas that will help measure the impact of DOL-funded projects.

Program Description

A majority of projects funded through the Department's International Cooperation Program fall under three primary program initiatives:

Improving Economic Opportunity and Income Security for Workers (EOIS): The Department worked to strengthen developing countries' abilities to build and institutionalize social safety net policies and programs needed to improve working conditions and foster economic growth. Projects under this initiative aimed to increase employment among targeted groups, improve workplace safety and health, and expand access to social insurance.

Protecting the Basic Rights of Workers (PBRW): The Department works to implement the principles embedded in the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, specifically working towards strengthening the right to freedom of association and collective bargaining, eliminating forced or compulsory labor, and eliminating discrimination with respect to employment and occupation.

Improving the Workplace Environment through HIV/AIDS Prevention Education: The Department works to reduce the incidence of HIV/AIDS through workplace-based education.

Analysis of Results

Indicator 1: An FY 2002 baseline study for Indicator 1 surveyed seven projects. An

independent contractor chose three regional projects (Caribbean, Central America, and Eastern Africa) and four country level projects (East Timor, Indonesia, Nigeria, Ukraine) to survey a total of 14 countries. A total of 483 stakeholders participated in the survey. Sixty-three percent of those stakeholders, including government officials, officials of workers' and employers' organizations, and their members, credit the projects with enhanced capacity to improve work conditions.

Indicator 2: The FY 2002 baseline study for Indicator 2 surveyed nine projects in one region and six different countries (Bulgaria, Caribbean, El Salvador, Nigeria, Romania, Tanzania, Ukraine). According to the data, ILAB successfully assisted 39 percent of project participants in obtaining employment or retaining a threatened job.

Indicator 3: According to the FY 2002 baseline for Indicator 3, 10 percent of workplaces directly or indirectly assisted by DOL (based on a sample from Bangladesh, Central America, Ukraine) implemented new measures to prevent workplace accidents and illnesses. The data strongly varied from region to region surveyed.

Indicator 4: According to the FY 2002 baseline, ILAB assisted three governmental agencies in Hungary and Poland in providing 3,545,008 workers with private or voluntary pension funds.

Strategies

Global Strategies: As political developments, market reforms, and the transition to a global economy bring significant changes to national economies, individual labor market systems need to change accordingly to remain viable and to support their populations. Engaging in and increasing international trade enhances the global economy and helps foster economic growth, raise living standards, and promote employment in the U.S. The expansion of global trade and investment and the improvement of working conditions and protection of basic worker rights are best understood as mutually reinforcing objectives. In addition, relatively open market economies serve in the development of political democracy, social cohesion, and equity during periods of political and social transition.

The Department's International Cooperation Program ensures that the greatest number of workers benefit from a more open world economy. In FY 2003, DOL contributed \$19 million to projects that support the President's trade agenda by funding projects in Cambodia, Central America, Chile, Mexico, Morocco, Southern Africa, Vietnam, and with the Inter-American Conference of Labor Ministers aimed at improving conditions of work for workers in those countries. In addition, DOL supported efforts to alleviate poverty and other conditions leading to political and economic insecurity. In FY 2003, DOL contributed almost \$9 million to projects in countries affected by military conflict, with \$6 million going to the projects working directly with ex-combatants in Iraq, Nigeria, and South Africa.

Project Strategies: The Department funded a large number of international projects with widely varying goals and strategies, but in general, DOL is pursuing a uniform strategy of designing outcome-driven projects and implementing a performance-based monitoring system for all of its projects in order to ensure the efficient use of funds and the greatest impact.

Management Issues

Data: The Department does not place staff overseas to manage projects, so data are collected and reported by grantees and contractors. DOL used two primary sources to collect baseline information for these indicators: a global survey and projects' individual reports against their Performance Monitoring Plans (PMPs). An independent contractor conducted a worldwide survey of project stakeholders to gain baseline data for Indicator 1. For Indicators 2, 3, and 4, ILAB collected baseline data through project PMPs. ILAB worked with project implementers to develop PMPs in tandem with project designs in order to facilitate the data collection process, to ensure comparability of data, and to inform data analysis. Project Managers from DOL verify data via monitoring or evaluation missions.

Goal Assessment and Future Plans

At the end of FY 2003, DOL initiated a second global survey to assess progress made against Indicator 1 and received sufficient data from PMPs to assess progress against the other three indicators. Analysis of this data will enable the Department to set realistic but challenging annual goals and indicators to measure improvement over the baseline.

ILAB's budgetary levels for FY 2004-FY 2005 remain uncertain. Contingent upon the FY 2004 Appropriation, ILAB will reassess its goals and targets.

Departmental Ma

Maintaining a Departmental Strategic Management Focus

The Department's Management Review Board, chaired by Assistant Secretary for Administration and Management Patrick Pizzella, meets monthly to discuss key management issues and challenges and DOL's progress in meeting its goals.



Photo Credit: Shawn T. Moore

The President's Management Agenda (PMA), announced in 2001, consists of reforms aimed at achieving a Government that is citizen-centered, results-oriented, and market-based. The five government-wide initiatives included in the agenda are Strategic Management of Human Capital, Competitive Sourcing, Improved Financial Performance, Expanded Electronic Government, and Budget and Performance Integration. The Department is committed to fully implementing these initiatives with the goal of improving the effectiveness and efficiency of DOL's programs.

For FY 2003, DOL had four outcome goals and eight performance goals associated with the PMA. The agencies with the leadership responsibility for accomplishing these goals are the Office of the Chief Financial Officer and the Office of the Assistant Secretary for Administration and Management. However, all DOL agencies necessarily play contributing roles in their internal management practices.

The Department's progress toward meeting the President's Management Agenda, as measured by the Administration's PMA Scorecard dated September 30, 2003, reflects the quality of our commitment. The Department achieved status scores of Yellow for four of the five Government-wide initiatives, and progress scores of Green for the same four initiatives — placing DOL near the top of all Cabinet agencies.

The President's Management Agenda Scorecard for DOL, as of September 30, 2003:

	Current Status	Progress
Human Capital	Yellow	Green
Competitive Sourcing	Red	Yellow
Financial Performance	Yellow	Green
E-Government	Yellow	Green
Budget & Performance Integration	Yellow	Green

It is within the framework of the PMA that we have established internal management goals in program support areas of Human Resources, Procurement, Financial Management, and Information Technology.

Highlights of progress are discussed below by PMA initiative.

Strategic Management of Human Capital

The Department achieved all three of its Human Resource performance goals. In FY 2003, DOL:

- Developed competencies for the final nine mission-critical occupations and developed/selected tools for workforce skills assessment based upon competencies. The other 18 mission-critical occupation competencies were developed in FY 2002.
- Improved diversity indicators for 38 percent of the professional and mission-critical occupations exhibiting under-representation in FY 2002.
- Continued improvement in the extent to which diversity in the DOL workforce reflects the civilian labor force by increasing the percentages of the two main under-represented groups — Hispanics and Asian/Pacific Islanders.
- Reduced the rate of lost production days to 46.9 lost days per 100 employees.
- Reduced the overall occurrence of injuries and illnesses for DOL employees to 2.5 per 100 (projected)

Management Goals

- Achieved 83.6 percent on time filing of injury/illness claims with the Office of Workers' Compensation Programs.
- Initiated MBA and Management Development programs.

Competitive Sourcing

DOL achieved one of its Procurement performance goals and did not achieve the other. The Department directly converted to contract the commercial work performed by the equivalent of 168 full-time employees (FTE). This was short of the annual target, in part because the Administration eliminated the direct compensation process and replaced it with streamlined competitions. A goal to complete public-private competitions on a percentage of the positions listed on the Department's 2000 Federal Activities Inventory Reform (FAIR) Act inventory in FY 2004 has been established. After reaching the FY 2003 goal of awarding 30 percent of eligible service contracts over \$25,000 using Performance-Based Service Contracting (PBSC) techniques, DOL has raised the target for FY 2004 to 40 percent. The Department also established the Office of Competitive Sourcing in FY 2003.

Improved Financial Performance

In FY 2003, DOL achieved both of its Financial Management performance goals. The Department met accelerated timeframes for submission of quarterly and annual consolidated financial statements and launched an ambitious managerial cost accounting implementation project that included training over 130 DOL program and financial managers and creating cost models for almost half of all DOL agencies. In order to address a priority of the Administration, reduction of erroneous payments, the Department's largest benefit program, Unemployment Insurance (UI), targeted assistance to its State partners to improve payment accuracy. (In the UI program, States are responsible for issuing payments directly to eligible claimants.)

Expanding Electronic Government (E-government)

The Department did not achieve its Information Technology performance goal in FY 2003. However, DOL made substantial progress in enhancing security. Forty-four percent of DOL's IT systems have been certified and accredited, and successfully meet OMB IT security performance measures. An additional 40 percent of DOL's IT systems are operating under interim authority to operate and are on track for obtaining certification. The Department is ahead of schedule to obtain full operation authority for 90 percent of its IT systems by July 2004.

Budget and Performance Integration

DOL's commitment to performance-based management is evidenced by its quick acceptance of the challenge to prepare a budget request linking performance with resources, the goal of which is to better inform decision-makers about the public benefits to be achieved from the proposed levels of funding. During FY 2003, the Department piloted a new budget format for the FY 2004 Congressional Justification (final version of the President's Budget submitted in February 2003). For the FY 2005 budget, DOL agencies continued to refine the presentation of the relationship between resources and results and hone the precision of allocation of budget costs to performance goals.

In the pages that follow, results and strategies for Departmental Management Outcome Goals and Performance Goals are discussed in more detail.

Outcome Goal HR

Establish DOL as a Model Workplace

The Department is committed to recruiting, developing, and retaining a high-quality, diverse workforce that effectively meets changing mission requirements and program priorities. Through workforce analysis and planning, the Department identifies the human capital requirements to meet our organizational goals and needs, so that DOL will ensure that the right people are in the right positions at the right time.

Workforce planning is directed towards reducing the distance between the Department's decision-makers and our customers, enhancing front-line service delivery, addressing current and projected staff shortages, ensuring that employees have the skills critical to their current positions and are prepared to progress to higher levels of responsibility, and anticipating changes to staff and competency requirements. For example, employees in occupations that are no longer necessary as a result of technology or changing business practices are afforded the opportunity to be retrained, and the impact of an aging workforce is minimized via succession planning programs such as the Senior Executive Service Development Program, the Mid-Level Management Development Program, and the MBA Outreach Effort.

The Department also remains committed to ensuring safe and healthful workplaces for our employees, while reducing the human costs associated with workplace injuries and illnesses. The Department is expanding use of technology to provide and deliver web-based, interactive occupational safety and health training targeted to the hazards and conditions contributing to injuries and illnesses. Best practices at work sites with lower than average injury rates are being evaluated to determine whether these practices can be used effectively elsewhere.

The Department has three related Performance Goals, all of which were achieved in FY 2003. In addition, DOL earned a "green" progress score for Strategic Management of Human Capital in the latest President's Management Agenda Scorecard. A more detailed discussion of results and strategies follows.

Establish DOL as a Model Workplace

Performance Goal HR1 (Office of the Assistant Secretary for Administration and Management) - FY 2003
The right people are in the right place at the right time to carry out the mission of the Department.

Indicators¹

Develop competencies for nine more mission-critical occupations and develop/select tools for workforce skills assessment based upon competencies.

Improvement will be realized in 20 percent of diversity indicators for professional and mission-critical occupations exhibiting under-representation in FY 2002.

Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force.

Results

This goal was achieved. DOL performance met or exceeded targeted levels for all performance indicators.

Program Description

To accomplish its mission more effectively, DOL strives to attract highly competent and diverse job applicants. DOL has developed targeted recruitment efforts to increase the diversity of the Department's workforce and to address under-representation in professional and mission-critical occupations. The Department has continued to develop competency models for its mission-critical occupations. These competency models will allow us to assess the skills of our workforce, identify skill gaps, develop training programs to eliminate skill gaps, and focus recruitment efforts on attracting applicants with the right competencies.

Analysis of Results

Because the Department regularly exceeded its previous targets for managers' satisfaction with the quality of applicants referred for their vacancies, it no longer reports on that indicator. Additionally, the Department no longer reports on retention for targeted professional occupations, as recent data demonstrated a level of improvement that no longer warranted attention. To better define this goal, DOL has established two sub-goals. Each sub-goal is supported by one or more performance indicators. The FY 2003 results by sub-goal and indicator follow.

The DOL workforce is a prepared and competent workforce.

- Develop competencies for nine more mission-critical occupations and develop/select tools for workforce skills assessment based upon competencies.

This target was reached. The President's Management Agenda calls for the elimination of workforce skill gaps in mission-critical occupations — those major occupations essential to the accomplishment of the Department's mission.

¹ These are the indicators that the Department finalized for the Revised Final FY 2003 Performance Plan. Due to an error, they were not updated in the version of that document that was published on the DOL website.

Competencies measure the knowledge, skills, abilities, behaviors, and other characteristics needed to perform work roles or occupational functions successfully. Identifying these core competencies serves as the first step to assessing and eliminating skill gaps in the workforce. Of the 27 mission-critical occupations the Department identified as part of its overall workforce planning analysis, it developed competency models for 18 of these occupations by the end of FY 2002 and for the remaining nine occupations in FY 2003. To aid in performing competency assessments, DOL has purchased an online competency assessment tool. Once the competency models have been loaded into the tool, it will allow for self and supervisory assessment of skills, identify development needs, and link the development needs to relevant training programs. Competencies will provide the foundation for implementing an e-Recruit tool that will screen applicants based on identified competencies for the occupation.

The DOL workforce is a diverse workforce.

- Improvement will be realized in 20 percent of diversity indicators for professional and mission-critical occupations exhibiting under-representation in FY 2002. This target was reached. Under-representation of racial and ethnic groups and women exists in many of the Department’s professional and administrative occupations. At the end of FY 2002, DOL determined that pockets of under-representation still existed in 69 ethnic-occupational groupings (such as Hispanic engineers, or Asian/Pacific Islander attorneys). In the 69 professional or mission-critical administrative occupation-ethnic group categories, representation improved in 26, or 38 percent, exceeding the goal of 20 percent.
- Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force. This target was reached. The following chart provides diversity data on the Department of Labor for the last four years. There was continued improvement in the two main under-represented groups, Hispanics and Asian/Pacific Islanders. By the end of FY 2003, representation of Asian/Pacific Islanders had risen to 4.0 percent, exceeding the rate in the civilian labor force. Representation of people with disabilities also substantially improved, in part due to a self-certification survey of all employees conducted in FY 2002. This survey enabled us to update our database with more accurate information.

	TOTAL	Women	White	Black	Hispanic	Asian/P.I.	Native American/ Alaskan Native	Persons w/ Disabilities	Persons w/ Targeted Disabilities
CLF	100%	46.6%	72.4%	11.2%	11.8%	3.8%	0.9%	6.0%	1.1%
FY '00	16,053	7,971	10,367	3,887	1,102	532	115	1,019	190
	100%	49.7%	64.6%	24.2%	6.9%	3.3%	0.7%	6.4%	1.2%
FY '01	16,193	8,119	10,490	3,899	1,115	575	113	1,076	196
	100%	50.1%	64.8%	24.1%	6.9%	3.6%	0.7%	6.6%	1.2%
FY '02	16,135	8,135	10,448	3,849	1,113	616	109	1,072	189
	100%	50.4%	64.8%	23.9%	6.9%	3.8%	0.7%	6.6%	1.2%
FY '03	16,155	8,127	10,458	3,796	1,137	645	119	1,300	218
	100%	50.3%	64.7%	23.5%	7.0%	4.0%	0.7%	8.0%	1.3%

Goal Assessment and Future Plans

The performance indicator for measuring the quality of the workforce will be changed for FY 2004. With the completion of competency models for all mission-critical occupations, the focus of the competency initiative will shift toward assessing skill gaps in the workforce and developing strategies to close those gaps. DOL will assess skill gaps using the new online competency assessment tool. A new indicator on succession planning will be added to address management skill gaps. To reach the target for this indicator, DOL will have to graduate at least 75 percent of employees participating in DOL's SES Candidate Development and Mid-Level Management Development programs. The diversity indicator will also be modified slightly, shifting focus from ethnic and minority diversity in the overall DOL workforce to diversity in mission-critical occupations and leadership positions.

Reduce the Rate of Lost Production Days

Performance Goal HR2 (Office of the Assistant Secretary for Administration and Management) – FY 2003
Reduce the rate of lost production days by two percent (i.e., number of days employees spend away from work due to work related injuries and illnesses).

Results

The goal was achieved. For FY 2003 the Department achieved a rate of 46.9 lost days per 100 employees, against a target of 52.6 lost days per 100 employees.

Program Description

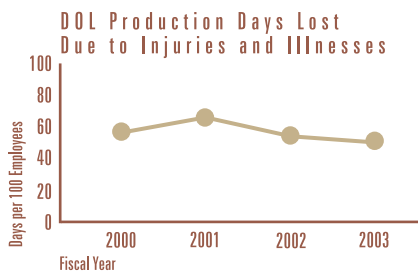
DOL's Office of the Assistant Secretary for Administration and Management (OASAM) strives to reduce work related injuries and illnesses by focusing on hazard recognition and control, emergency preparedness, electrical safety, ergonomics, and indoor air quality. DOL addresses workplace safety by equipping supervisors and employees with the knowledge they need to identify and eliminate unsafe work conditions and to actively promote effective safety management.

Analysis of Results

DOL's reduction in lost production days is attributable to implementing the strategies outlined below and to providing agencies with quarterly reports on their progress towards achieving this goal. With frequent data updates, agencies are able to target intervention efforts promptly and accurately.

Strategies

To reduce the number of lost production days, DOL organized an interagency workplace safety group. The interagency group developed and DOL implemented the following recommendations: to contract with a vendor to provide return-to-work assistance to the Agency workers' compensation coordinators; to increase the use of injured workers to fill limited or light duty vacant positions; and to provide training for agency workers' compensation coordinators on return-to-work strategies. The Department worked closely with the Office of Workers' Compensation Programs (OWCP) to identify injured employees who are the best candidates for return to productive employment. This effort, coupled with closer cooperation between the workers' compensation coordinators and front-line managers, permitted the Department to provide earlier accommodation to partially disabled workers. OASAM conducted a training conference for DOL's agency workers' compensation coordinators on how to effectively return employees to work. The Department also enhanced its existing guide on strategies to return injured employees to work to incorporate recommendations for working with a Department contractor who is an expert in return-to-work strategies. DOL has increased its staff resources dedicated to return-to-work efforts.



Management Issues

Management Challenges: DOL has limited resources to dedicate to hiring and training workers' compensation coordinators. DOL is actively encouraging agencies to use workplace accommodation flexibilities to return employees to work.

Internal Program Evaluations and Audits: DOL conducts annual safety and health work-site inspections, and annual safety and health reviews of Job Corps Centers. The key findings from these recent evaluations and audits are that the most frequent cause of injuries is "slips, trips, and falls," and that the second most frequent injury cause is repetitive motion. It should be noted that the majority of Job Corps student injuries occur during recreation.

Goal Assessment and Future Plans

The Department has met or exceeded its safety and health goals for the second straight year. This achievement is a direct result of the emphasis management has placed on improving employee safety and giving due attention to the workers' compensation processes. Future plans include:

- Enhancing the Safety and Health Information Management System to include expanded reporting. This will ensure managers and supervisors have the detailed information necessary to actively manage their safety program, by eliminating the causes of injuries and illnesses to DOL employees;
- Conducting Job Corps Center annual safety reviews by contract to ensure consistency and uniformity;
- Implementing agency safety and workers' compensation program reviews;
- Expanding the use of web-based or other electronic safety and health training to include supervisors, employee representatives, and persons who conduct safety self-inspections; and
- Increased involvement of Human Resources Specialists to identify employees on the "Primary Consideration List" that demonstrate return-to-work potential.

Reduce the Injury Rate and Improve The Timeliness of Filing Injury Claim Forms

Performance Goal HR3 (Office of the Assistant Secretary for Administration and Management) – FY 2003
Reduce the overall occurrence of injuries and illnesses for DOL employees by three percent, and improve the timeliness of filing injury/illness claims by five percent.

Indicators

Decrease the total case rate of illnesses, accidents, and injuries by three percent.

Increase in timeliness of reporting new injuries by five percent.

Results

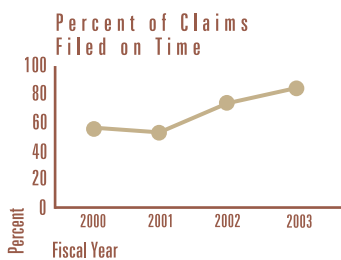
The goal was achieved. DOL achieved an injury/illness rate of 2.5 or a 26 percent reduction. DOL's performance for the timeliness of filing workers' compensation claims in FY 2003 was 83.6 percent on time. This exceeds DOL's timeliness goal of 78 percent for FY 2003, and represents a 6.43 percentage point improvement over FY 2002.

Program Description

This goal is one of two that DOL uses to measure its successful implementation of the Federal Employees Safety and Injury Prevention Initiative led by DOL's Office of Workers' Compensation Programs (OWCP) and Occupational Safety and Health Administration. Reduction in the rate of injuries and illness to DOL employees is critical, as it will lead to increased productivity and decreases in costly workers' compensation claims. To reduce DOL employees' injuries and illnesses, the Department's Office of the Assistant Secretary for Administration and Management (OASAM) monitors work-related injuries and illnesses, and initiates appropriate interventions and corrective action. These include creating, designing, equipping, and operating an ergonomic assessment room where employees are able to try various work station products designed to reduce the possibility of repetitive motion syndrome. Providing regional safety and health managers with an inspection protocol ensures consistent, standardized workplace inspections throughout the Department.

Analysis of Results

In FY 2003, DOL achieved both targets for this goal. DOL's improved performance represents significant improvement in providing a safer, more healthful work environment for employees and in securing medical and income replacement benefits in a timely manner. Because of the varied missions and occupational demands of the Department's work force, injury and illness rates differ between DOL agencies. OASAM continues to provide to DOL's agencies detailed and targeted analysis of their respective injury rates and types. In addition to providing agency-specific recommendations based on these analyses, the Department has selected repetitive stress injuries for special emphasis on a department-wide basis.



Strategies

In FY 2001, the Department deployed key reporting and information systems that provide faster claims filing and greater accessibility to injury data. For example, the Safety and Health Information Management System expansion provides the capability to file claims electronically with OWCP. This significantly improved the timeliness of filing claim forms. In addition, the expansion of this management information system provides a wealth of data that DOL agencies now use to promptly analyze the nature and causes of its employees' injuries and illnesses. OASAM trained DOL safety and health officers and workers' compensation coordinators to make effective use of these tools. In FY 2003, the Department continued its emphasis on timely case reporting and reduction of injury/illness rates. DOL expanded supervisory safety training to include a safety module in the Leadership Competencies course and placed a revised Supervisory Safety Self Study Guide on the Department's Intranet. The Department also placed information on the identification of common hazards and repetitive stress assessments on the DOL Internet.

Management Issues

Data: OWCP provides data for the timeliness of injury claims in its time-lag report for Federal agencies. This data is also tracked "real-time" by OASAM's Safety and Health Information Management System. OSHA provides final injury and illness rates to Federal agencies by combining OWCP workers' compensation claims data with employment data from the Office of Personnel Management.

Management Challenges: Factors influencing DOL's success in reducing the rate of injury and illness of its employees include maintaining a continued focus of DOL agency managers on actions to reduce injury/illness rates, and training managers, supervisors, and employees on how to identify, avoid, and correct/minimize hazards in the workplace. Factors influencing DOL's success in exceeding its timeliness goal include instituting electronic workers' compensation claims filing and maintaining the focus of DOL's managers and supervisors on prompt claims reporting.

Internal Program Evaluations and Audits: DOL conducts annual safety and health work-site inspections, and annual safety and health reviews of Job Corps Centers. Key findings from these recent evaluations and audits include: the most frequent cause of injuries is "slips, trips, and falls." The second most frequent injury cause is repetitive motion. These two causes relate to the majority of injuries being sprains/strains and repetitive motion trauma. The majority of Job Corps student injuries occur during recreation.

Goal Assessment and Future Plans

The goals for FY 2004 will be a three percent reduction in the injury/illness rate and achieving 85 percent timeliness in reporting workers' compensation cases to OWCP.

Outcome Goal PR

Improve Procurement Management

Accountability to American citizens begins with responsible stewardship of expenditures – and the Department is committed to cost-effective employment of its resources. One means of accomplishing this is to improve the overall efficiency of the delivery of services, and a major influence in this effort is the Competitive Sourcing Initiative of the President’s Management Agenda (PMA). The aim of this government wide PMA component is to improve management of procurement processes by opening to competition specified functions that can be performed commercially in order to determine if they can best be performed by the public or private sector. Regardless of the outcome of the competition, the ultimate winner is the public, which benefits from higher quality services at more reasonable costs.

The DOL goal is to compete between the public and private sector work involving up to 50 percent of the commercial positions on the Department’s FY 2000 Federal Activities Inventory Reform (FAIR) Act inventory. DOL’s initial efforts in FY 2002 succeeded in meeting our goal of directly contracting five percent of these eligible positions to the private sector. During FY 2003, the Department expanded the number and types of positions classified as commercial in nature and potentially subject to public-private competition. DOL will develop a plan for accomplishing its goals within the guidelines of revised OMB Circular A-76.

As mentioned in the Departmental Management Introduction, DOL’s performance in this area as indicated by the PMA Scorecard is lagging behind the other four government wide initiatives. Internal measures tell a similar story: DOL met one of its two procurement performance goals in FY 2003. A more detailed discussion of Performance Goals PR1 and PR2 follows.

Enhance the Efficiency of DOL's Services

Performance Goal PR1 (Office of the Assistant Secretary for Administration and Management) – FY 2003

Complete public-private or direct conversion competitions on not less than the 10 percent of the FTE listed on DOL's 2000 Federal Activities Inventory Reform (FAIR) Act Inventory.

Indicators

Percentage of commercial competitive or commercial exempt FTE on the Department's 2002 FAIR Act inventory included in completed competitions or direct conversions.

Percentage of Direct Conversions.

Percentage of Completed A-76 Competitions.

Results

The goal was not achieved. DOL's 2000 FAIR Act inventory identified 2,802 commercial FTE. The FY 2003 target was conversion or competition of 10 percent, or 280 of these FTE. DOL directly converted the equivalent of 168 full time employees (FTE), which included the 12 FTE carry-overs from FY 2002. The 168 FTE account for six percent of the FAIR Act inventory. DOL completed no A-76 competitions in FY 2003. (OMB Circular A-76 establishes Federal policy for performance of recurring activities.)

Program Description

Competitive sourcing is one of five key initiatives of the President's Management Agenda. Under competitive sourcing, executive agencies identify activities that are available in the commercial marketplace but currently are performed by Federal employees. Federal and commercial providers then compete to determine the most cost-efficient means of service delivery.

Analysis of Results

Although DOL did not achieve this goal, DOL has made progress in its competitive sourcing initiative. The mid-fiscal-year revision of Circular A-76, including the elimination of direct conversions and the establishment of new procedures for competition, was a factor in DOL's failure to meet its FY 2003 goal.

Strategies

DOL established a Competitive Sourcing Office effective October 1, 2003. Critical strategies to improve competitive sourcing performance include:

1. Continued leadership of the DOL-wide A-76/FAIR Act Work Group, which coordinates the achievement of DOL's competitive sourcing goals.
2. Identification of FTE for streamlined and standard competitions.
3. Ensuring that DOL employees receive appropriate training on Circular A-76 and the competition process.
4. Ensuring that competitions are conducted in accordance with labor management relations obligations and applicable personnel regulations.
5. Continuing to evaluate the methodology used in FAIR Act Inventory development, to ensure accurate classification of functions.
6. Participation in the Federal Acquisition Council A-76 Interagency Work Group.

7. Coordination with DOL's workforce planning and restructuring activities, to ensure consistency with competitive sourcing goals.
8. Implementation of formal competitive sourcing procedures and policies in a Program Management Guide.
9. Development of a computer system to track implementation of DOL's competitive sourcing plans and the costs/savings resulting from competitions.

Management Issues

Ensuring that competitions are conducted in accordance with applicable obligations between labor and management and existing personnel regulations could present a challenge. However, this challenge is controllable if statutory provisions are properly followed and DOL management utilizes effective practices, such as working closely with unions and human resources staff. DOL has assigned human resource specialists to assist competitive sourcing staff in this effort.

Goal Assessment and Future Plans

To improve program efficiency, DOL has committed to meeting or exceeding its FY 2004 competitive sourcing goal by completing streamlined competitions or standard competitions on not less than 15 percent of the commercial FTE listed on DOL's 2000 FAIR Act Inventory. DOL will also ensure that senior agency management is enlisted in promoting and supporting DOL's competitive sourcing initiative. DOL plans to achieve this goal by overseeing agencies' development of their competition plans, which identify commercial functions for competition; planning appropriate training for DOL staff; identifying and implementing best practices for both streamlined and standard competitions; and ensuring competitions are conducted in accordance with applicable personnel regulations and statutory provisions.

Future plans for achieving DOL's competitive sourcing goal, include:

Formal competitive sourcing procedures and policies. Currently in its final stages of development, DOL's Program Management Guide sets forth the competitive sourcing procedures and allocates roles and responsibilities. This guide also provides effective competitive sourcing communications strategies and identifies required training curricula for DOL employees involved in the competitive sourcing process.

A computer system to track DOL's implementation of its competitive sourcing plans and the costs and savings realized as a result of competitions. DOL has engaged consultants to provide support in a variety of areas related to competitive sourcing, including recommendations regarding development of an effective tracking database.

To ensure that competitions are completed within the given timeframes, DOL will:

- Establish specific, detailed competition schedules.
- Monitor competition progress to ensure timely completion.
- Ensure that DOL staff and managers are trained on the procedures of the newly revised OMB Circular A-76.
- Designate individuals within DOL agencies who are responsible for competition progress.
- Make technical assistance available to managers and teams involved in competitions and other competitive sourcing-related activities.

Ensure Performance Results Are Achieved Through Contracts

Performance Goal PR2 (Office of the Assistant Secretary for Administration and Management) – FY 2003
Award contracts over \$25,000 using Performance-Based Service Contracting (PBSC) techniques for not less than 30 percent of total eligible service contracting dollars.

Indicator

Dollar Value of Performance-Based Contracts awarded.

Results

The goal was achieved. At the end of the 3rd quarter of FY 2003, DOL had used performance-based service contracting techniques for 42 percent of total eligible service contracting dollars. Obligations of performance-based contracts totaled \$788 million.

Program Description

In March 2001, the Administration established the performance-based service-contracting goal for Federal agencies, which is based on the goals established under the Government-Wide Acquisition Performance Measurement Program, developed by the Procurement Executives Council. DOL's goal is derived from the Administration's goal. Performance-based contracting methods provide objective, measurable performance requirements and quality standards in every aspect of contracting - from bids to payment. The emphasis is to pay for the results of a contract rather than the effort put forth by the contractor.

Analysis of Results

Based on data through the end of the 3rd quarter of FY 2003, DOL awarded 42 percent of total eligible service contracting dollars for contracts over \$25,000 using performance-based service contracting (PBSC) techniques.

Strategies

DOL will continue to facilitate high-level support for the performance-based service contracting initiative, and will offer additional training sessions to contracting and program management personnel throughout the Department. DOL will continue to encourage and monitor the effectiveness of PBSC training provided to relevant staff from the various DOL agencies. The strategies used by DOL were successful in this area, as DOL exceeded the FY 2003 goal by 12 percent as of the third quarter.

Management Issues

The data source for this goal is the Federal Procurement Data System (FPDS). The performance data are reliable, as the information is collected manually from the contract specialist and/or the contracting officer at the time the procurement action is completed. A procurement analyst in the Department's procurement policy office validates the data before it is transmitted to the Federal Procurement Data Center.

The largest acquisition program at the Department of Labor is the Employment and Training Administration's Job Corps Program. Approximately 70 percent of the Department's acquisition dollars support Job Corps contracts. These acquisitions are for the operation and maintenance of more than 110 Job Corps Centers around the Country, and their related outreach and employment assistance services. Job Corps Center contracts were converted to PBSC by modifying the fee structure to incorporate incentives and penalties for the contractor based on achievement of measurable goals including, but not limited to, the number of students entering employment and student retention in the program. By the end of FY 2005, DOL anticipates converting a majority of the Job Corps contracts to PBSC as the existing contracts expire.

Goals Assessment and Future Plans

The Administration has not yet determined the FY 2004 PBSC goal. The Department is evaluating whether to amend the format of the Annual Acquisition Plan to capture additional data to more effectively identify and forecast prospective performance-based service contract awards. This could allow more effective monitoring of the program. Emphasis will continue to be placed on converting and awarding eligible service contracts over \$25,000 using PBSC techniques. The dollar value of PBSC contracts will continue to be monitored on a quarterly basis to ensure attainment of the PBSC goal.

Outcome Goal FM

Enhance Financial Performance through Improved Accountability

The DOL financial community, led by the Office of the Chief Financial Officer, is currently focused on two new areas of improvement in support of the Department's critical mission:

1. Ensure that the Department is accountable to the American people by providing accurate and timely financial information;
2. Conform to all Federal accounting standards, laws, and regulations.

Following are some of the highlights and key results in each of these strategic areas:

Provide Accurate, Timely and Useful Financial Information:

- Received an unqualified audit opinion on FY 2003 consolidated annual financial statements.
- Met and exceeded required timeframes for submission of quarterly and annual consolidated financial statements
- Through leadership of DOL's CFO Advisory Council and regular consultations with Executive Staff and Administrative Officers, provided a critical forum for the identification, discussion and resolution of financial issues and concerns.
- Proposed legislation to improve financial integrity of Unemployment Insurance system.
- Finalized performance measures, baseline, and goals through 2008.
- Reached agreement in principle with the Social Security Administration on state data exchanges.

Conform to all Federal accounting standards, laws, and regulations.

- Enhanced accountability of DOL financial executives through quarterly attestations concerning the effectiveness of internal financial management controls.
- Launched strategic initiatives to integrate financial performance data on day-to-day basis through enhanced managerial cost accounting.
- The Secretary determined that the Department maintained compliance with the Federal Managers' Financial Integrity Act (FMFIA) and substantial compliance with the Federal Financial Management Improvement Act (FFMIA).

New tools link financial and performance information on demand to assist Departmental managers in making day-to-day decisions and providing enhanced program services to the American people.



Photo Credit: DOL/OCFO

Maintain the Integrity and Stewardship of the Department's Financial Resources

Performance Goal FM1 (Office of the Chief Financial Officer) – FY 2003

Improve the accuracy and timeliness of financial information.

Indicators

Maintain an unqualified (clean) audit opinion with no material internal control weaknesses.

Meet new requirements and standards in accordance with the Federal Financial Management Improvement Act (FFMIA) and Federal Managers' Financial Integrity Act (FMFIA).

Issue FY 2002 consolidated financial statements one month earlier than the FY 2001 statements - February 1, 2003.

Increase financial statement reporting from semi-annually to quarterly, and deliver by 45 days after the close of the period instead of 60 days.

Determine the nature and extent of erroneous payments within DOL and set baselines and priorities for their reduction.

Results

The goal was achieved. The Department received an unqualified ("clean") audit opinion on its consolidated annual financial statements from the Department's Office of the Inspector General (OIG). This opinion attests that there are no material weaknesses or non-conformances in the Department's system of internal controls that would materially affect the Department's annual statements. In addition, the Department has determined that all 17 financial management systems substantially comply with the FFMIA standards. DOL issued its annual statements by the statutory deadline, and issued all quarterly statements within 45 days after the close of each quarter. DOL has focused on reducing erroneous payments through work with the Employment and Training Administration's Office of Workforce Security to develop a new payments accuracy performance measure in the Unemployment Insurance (UI) program and has reached agreement in principle with the Social Security Administration (SSA) on data exchange between SSA and State UI agencies. The Department also received the Certificate of Excellence in Accountability Reporting for the third consecutive year.

Program Description

The Office of the Chief Financial Officer (OCFO) provides comprehensive direction to all DOL agencies on financial management policies arising from legislative and regulatory mandates. FFMIA requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The Government Management Reform Act (GMRA) requires each agency to prepare and submit audited financial statements. The financial statements must comply with the Office of Management and

Budget's Bulletin No. 01-09, Form and Content of Agency Financial Statements (and amendments).

Analysis of Results

For the seventh consecutive year, DOL received an unqualified ("clean") audit opinion which states that DOL financial statements are presented fairly in all material respects and in accordance with accounting principles generally accepted in the U.S. Also, no material weaknesses were identified in the Report on Internal Controls.

The Secretary has certified that during FY 2003, all 17 eligible DOL systems substantially complied with the requirements of FFMIA for the third consecutive year.

Strategies

During FY 2004, DOL will accelerate its financial reporting capabilities and continue to meet all deadlines with respect to issuance of interim and annual financial statements. In addition, the Department will continue its efforts to acquire and implement a new core accounting system. Using innovative technology, this project will work toward the goal of streamlining business processes, providing real-time reporting on program performance, and creating an open, flexible financial management architecture that will allow for integration with other emerging financial and E-Government initiatives. This effort is currently in the acquisition and evaluation phase.

Management Issues

External Program Evaluations and Audits: The Office of Inspector General issued two reports in FY 2003 that identified areas for improvement of DOL financial management. The first, *Review of Common Problems and Best Practices in Federal Agencies' Travel Card Programs*, referred to a problem faced government wide. The OCFO has taken a number of steps to address audit issues cited in this report. For a summary, please refer to study 10 in Appendix 3. The second, *Evaluation of the Department of Labor's Purchase Card Program*, pertains to activities within the Office of the Assistant Secretary for Administration and Management (OASAM). A summary of this issue and OASAM's response is also included in Appendix 3 (study 9).

Goal Assessment and Future Plans

DOL has consolidated its two goals targeting compliance with financial laws and regulations, and added new performance indicators for FY 2004 to address the financial management challenges posed by the President's Management Agenda. These include better integrating financial and performance information and reducing erroneous payments.

Maintain the Integrity and Stewardship of the Department's Financial Resources

Performance Goal FM2 (Office of the Chief Financial Officer) – FY 2003

Integrate financial and performance information to support day-to-day operations across DOL.

Indicators

Assess program agencies to determine the level of integration of financial and performance information. Prioritize areas for improvement.

Complete documentation with and for agency managers in order for them to access and utilize cost accounting information.

Survey program managers for actual use of cost accounting information in program management decision-making processes.

Results

The goal was achieved. OCFO realized a year of significant results from its Cost Analysis Manager (CAM) initiative to broaden the use of managerial cost accounting in DOL. After providing managerial cost accounting training to over 130 DOL program and financial managers, the OCFO defined significant outputs of major programs for five of DOL's agencies. The ultimate goal is to make integrated financial and performance information available at all management and decision-maker levels in order to provide a better assessment of performance for a given level of resources. Throughout this implementation process, OCFO will continue to focus on developing tools that meet the needs of each individual agency in the Department, rather than taking a "one size fits all" approach.

Program Description

OCFO provides guidance, assistance, and oversight in implementing the new cost accounting initiative in each agency. OCFO specifically provides assistance to measure the costs associated with achieving DOL's strategic goals.

Analysis of Results

In their report on compliance with the FFMIA, the Office of Inspector General concluded that DOL substantially complied with the requirements of the Act except for compliance with the Managerial Cost Accounting Standard. However, the Secretary has certified that during FY 2003, all 17 eligible DOL systems complied with the requirements of FFMIA, including meeting all new accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). OCFO is on target with respect to the CAM project timeline and is working with agencies to define outputs and link these outputs to costs. With continued progress in this initiative, DOL will be on target to achieve a "green" status score in financial management under the President's Management Agenda scorecard by July of 2004.

Strategies

In FY 2004, the OCFO will continue to work with program agencies to develop and enhance cost accounting capability throughout the Department. The integration of cost and performance information will provide DOL's financial and program managers with financial information to enhance their day-to-day decision making efforts and to achieve DOL's strategic goals.

Goal Assessment and Future Plans

In FY 2004, OCFO will lead the effort to develop and enhance managerial cost accounting data models, improve automated reporting capabilities, further integrate activities with costs, and provide technical support for agency managers.

OCFO plans to complete initial DOL-wide implementation of the cost accounting system by the end of June 2004 to demonstrate integration of financial and performance information. At this point, CAM will also help support the Department's FY 2006 budget process by aligning significant outputs of major programs with the Department's strategic goals and outcomes.

Outcome Goal IT

Provide Better and More Secure Service to Citizens, Businesses, Government, and DOL Employees to Improve Mission Performance

As discussed in the President's Management Agenda, effective management of information technology is a critical success factor for nearly every facet of our operations. The Department uses information technology to improve program performance — with the aim of providing better service to citizens, businesses, other governments, and our federal partners and employees.

The Department is transforming the way we serve our customers, with the ultimate aim of becoming a "Digital Department." Our E-Government Strategic Plan, published in February 2003, presents the roadmap for this transformation — the Department's E-Government Framework. The Framework offers a comprehensive approach that articulates the partnership between the Department's mission specialists and information technologists to improve organizational performance and customer service delivery. Our E-Government Framework will ensure that E-Government at DOL is not a collection of independent projects, but an integrated approach to conducting business that serves the mission, goals, and objectives of the Department.

The key elements of DOL's E-Government Framework include:

- **Better Customer Relationships.** Developing capabilities that help the Department identify customers more precisely, and improve customer service.
- **Improved Organizational Capability.** Improved policies, planning, and management to better develop, implement, and sustain a high level of digital services in support of the Department's mission.
- **Better Enterprise Architecture.** The methodology used to ensure that information technologies are aligned with the mission, goals, and objectives of the Department and the broader Federal government.
- **Improved Security and Privacy.** An integrated planning approach to develop and implement policies and procedures that enhance security and privacy to ensure the integrity and confidentiality of data, and availability of services. The integrated approach also includes the analysis of threats and vulnerabilities integral to risk mitigation and management.
- **Reduced Burden.** An integrated planning, development and implementation approach to streamline, simplify, and reduce public burden by elimination of collection duplication through the use of information technology and reengineering of business processes.

The IT performance goal and measures are designed to support quality administrative and management services that further the mission of the Department. While the goal was not achieved, most targets were reached, and efforts earned a "green" progress rating in the most recent PMA Scorecard. More detailed discussion of Performance Goal IT results and strategies follow.

Effective Information Management

Performance Goal IT (Office of the Assistant Secretary for Administration and Management) – FY 2003

Improve organizational performance and communication through effective information management and deployment of IT resources.

Indicator

Improve customer access to DOL information and services by automating 90 percent of the manual processes designated under the Government Paperwork Elimination Act (GPEA) by September 30, 2003.

Streamline acquisition management and facilitate vendor and grantee access to DOL opportunities by completing 90 percent of the Department wide E-Procurement system.

Reduce severe unauthorized intrusions by 50 percent from the baseline.

95 percent of IT initiatives completed during FY 2003 deliver intended benefits.

80 percent of in-process IT initiatives operate within 10 percent cost, schedule, and technical performance parameters.

Results

The goal was not achieved. Targets for three of five indicators were reached, and a fourth was substantially reached. DOL reached its target to reduce severe unauthorized intrusions by 50 percent and it reached its improving customer access target by automating 90 percent of GPEA designated manual processes. DOL also reached its target for in-process IT initiative performance, as 84 percent of these initiatives operated within 10 percent of the selected performance parameters, compared to a target of 80 percent. Ninety-four percent of DOL IT initiatives completed during FY 2003 delivered their intended benefits, just short of its 95 percent target. The target to complete 90 percent of the E-Procurement system was not met, but DOL did successfully pilot the new system.

Program Description

The Department's Office of the Assistant Secretary for Administration and Management provides leadership, policy guidance, and assistance to DOL agencies to promote the efficient and effective use of information technology (IT). DOL strives to use the latest technologies to further its mission by improving customer access to automated solutions, strengthening IT investment planning, and protecting DOL information through enhanced computer security policies and practices.

Analysis of Results

DOL is successfully linking IT investments to Departmental missions, priorities, and strategies. Improved security measures have helped to facilitate a secure computing environment that provides confidentiality, integrity, and availability of DOL information and systems. Intrusion detection and tracking logs are built into our IT environment and workflow along with standard auditing capabilities. To further improve customer access to DOL information and services, 90 percent of the manual processes designated under the GPEA have been automated.

The original target to complete 90 percent of the Department wide E-Procurement system was established over two years ago. Because the vendor selection process took much longer than anticipated, the pilot and implementation schedule was delayed. The initial target was to identify and procure the solution in FY2001, conduct the pilot and start the rollout in FY 2002, and nearly complete the implementation in FY 2003. The timing for the release has not changed substantially. The majority of the system rollout is now scheduled for FY 2004, and completion is scheduled for early FY 2005.

Strategies

The Department continued to plan, acquire, and implement new information technology, business solutions, services and capabilities. DOL conducted post implementation reviews to ensure that IT investments achieve their intended results. The Department applied a "Defense in Depth" security strategy that leverages the capabilities of people, operations and security technologies to establish multiple layers of protection. The Department's layered security approach includes security technology, such as intrusion detection devices, firewalls, public key infrastructure (PKI) authentication mechanisms, and virus scanning. These security devices help protect the Department's networks and computer systems from malicious attacks, denials of service or unauthorized access from internal and external sources.

The Department identified a total of 254 transactions subject to GPEA. The Department is on course to automate 100 percent of these transactions by 2005. DOL has contracted with a commercial-off-the-shelf procurement software vendor. The pilot demonstrated that this web-based procurement solution allows users to initiate purchase requests, electronically route for approvals, and submit for final processing. This system will help streamline, standardize, and automate the Department's procurement process, and provide greater management tools and more accurate financial information.

Management Issues

DOL monitors its progress meeting IT goals through quarterly reviews, which assure that current IT initiatives operate within cost and deliver their intended benefits. The Office of the Chief Information Officer (OCIO) relies on the self-reporting of initiatives' cost, schedule, and performance by the various project teams. The Department intends to implement a new core accounting system by FY 2006, which will assist with capturing project cost-related information electronically.

Goal Assessment and Future Plans:

The Department will maintain our objective to improve organizational performance and communication through effective information management and deployment of IT resources. Implementation of our E-government Strategic Plan will support achievement of DOL's goals relating to Customer Relationship Management, Enterprise Architecture, Organizational Capability, Security and Privacy. We are currently developing indicators for this IT goal. These new indicators will be implemented in FY 2004 and directly relate to the Administration's E-government scorecard and DOL's E-government goals.

Financial Performance Report





Samuel T. Mok
Chief Financial Officer

Chief Financial Officer's Letter

In the past, Federal financial management has been much like the helpful bystander in the story of the lost hot air balloonist. Descending from a cloud bank, the balloonist sees a bystander on the ground and asks, “I am lost; can you tell me where I am?” The bystander replies, “You’re in a hot air balloon approximately 100 feet off the ground.” The balloonist shouts back, “You must be a government accountant.” The astonished bystander says, “Why yes, how did you know?” The balloonist replies, “Everything you told me is technically correct, but it’s of no use to me.” We can also say that the bystander is like the proverbial frog at the bottom of a well—capable of providing in-depth information, but of such narrow scope that it becomes irrelevant. Information must be useful as well as accurate and timely to make a difference. That is our goal at the Department of Labor (DOL).

The Chief Financial Officers Act of 1990 envisions a broad oversight role for financial management in government activities and programs. Despite these statutory provisions, the financial management community often finds itself like the unarmed “London bobby” whose most potent weapon is their presence and the respect they are given. But even unarmed, accountants and financial managers can and do make a difference. Remember, it was the accountants who put Al Capone in jail. Effective accounting does make a difference.

DOL has a firmly established reputation for the integrity and reliability of our financial information. The receipt of the Association of Government Accountant’s Certificate of Excellence in Accountability Reporting and a seventh consecutive unqualified opinion on our consolidated financial statements confirms these qualities. The Department maintained its “yellow” status score and “green” progress score in financial management. Before us lies the challenge to provide timely, accurate, and useful information to enable program managers and policy officials to better manage the resources entrusted to our stewardship. We must provide the American people with the best results we can achieve.

We, in the financial management community, must move beyond work processes rooted in 20th century practices which are heavily weighted toward transaction processing and provide limited decision support. We must learn to take advantage of advances such as single-point data entry and web-based technologies. These tools will allow us to re-deploy our limited resources to broader and deeper decision support activities. We must continue to expand and enhance our managerial cost accounting capabilities so that integrated financial and performance information becomes a routine tool for making critical day-to-day and long-term decisions. Such integration makes information useful. It will lead to more informed operational decisions and secure the best performance from the Department’s many important programs.

The President has placed a high priority on ensuring that Federal government resources are well managed and wisely used. In support of the President’s Management Agenda (PMA), in FY 2004 we will begin work to identify and reduce erroneous payments through an aggressive program that proactively improves internal controls and eliminates

any systemic causes of improper payments. Already, we have begun to develop methodologies to identify the occurrence and to correct the causes of erroneous payments in the Department's Unemployment Insurance Program.

Financial management systems are a critical component of any effort to reduce erroneous payments and improve fiscal responsibility in general. DOL's financial management systems comply with the Federal Financial Management Improvement Act (FFMIA), and for the third consecutive year the Secretary has reported that our systems of accounting and internal controls comply with the Federal Managers' Financial Integrity Act (FMFIA). We are moving beyond rote compliance with these statutes in efforts to demonstrate the Department's commitment to effective stewardship of public funds. In the spirit of the Sarbanes-Oxley Act of 2002, we put in place a quarterly process for agency heads as well as an expanded list of key financial and program managers to attest to the existence and effectiveness of internal controls throughout their organization. This monitoring provides us a critical tool to proactively identify and correct developing deficiencies before they pose a greater challenge.

Finally, this past year, DOL's Office of the Chief Financial Officer co-led the government-wide financial management line of business initiative which focuses on developing a government-wide core financial system architecture, including standard data structures and business processes. Internally, we will replace our own core accounting system to take advantage of state-of-the-art technology and best-practice business processes. This will lead the Department's financial management practices from transaction processing to value-added financial analysis and real-time decision support in the near future.

The changes we seek can be seen as two pyramids. The old pyramid has a thick foundation of resources dedicated to transaction processing, a slightly less thick, but still sizeable, layer of reporting activities, and a small capstone of decision-support. In the new pyramid, technology and smarter business practices greatly lessen the need to expend resources on transaction processing and reporting. These freed resources will move upward in the pyramid to form a large decision support layer capped by significant new decision rendering capabilities.

President Bush and Secretary Chao are Harvard MBAs with a deep appreciation for effective financial management and sound fiscal integrity. Under their leadership, we will continue to make DOL a 21st Century organization where timely, accurate, and useful financial and performance information improve decisions and deliver results. This is a legacy that will benefit the Department and American taxpayers for years to come.





Samuel T. Mok
Chief Financial Officer

Management of DOL's Financial Resources

This section of the report highlights DOL's key financial outcomes, and includes the required elements for Accountability Reporting. FY 2003 was a very successful year for the Department in terms of financial management. DOL successfully maintained its rating of yellow on the President's Management Agenda scorecard for financial management, and continues its green progress score (see box below). The audit on DOL's consolidated financial statements produced a seventh consecutive unqualified opinion. And the Department achieved each of its target financial management goals for the second consecutive year (see goals FM-1, FM-2).

Financial Management Scorecard (as of 9/30/03)

 Current Status	<ul style="list-style-type: none"> ■ Unqualified and timely audit opinion on annual financial statements; no material internal control weaknesses. ■ Need to integrate financial and performance management systems to support day-to-day operations. ■ FFMA and FASAB compliance
 Progress in Implementing the PMA	<p>To Implement a New Core Accounting System:</p> <ul style="list-style-type: none"> ■ Published a pre-solicitation package (request for information) and assessed system integrator responses. ■ Issued a competitive, performance-based request for proposals. <p>To Integrate Financial/Performance Management:</p> <ul style="list-style-type: none"> ■ Began to define significant outputs of major programs and link them to costs at the program level. <p>To Reduce UI Erroneous Payments:</p> <ul style="list-style-type: none"> ■ Soliciting comments from States on a common definition of UI overpayments; options for a new performance measure on UI payments accuracy. ■ Finalized new UI payments accuracy performance measure ■ Reached agreement with SSA on data exchange between SSA and State UI agencies.
Comment	<ul style="list-style-type: none"> ■ DOL made significant progress toward its Q4 FY 2003 goals, which were aggressive. ■ DOL remains on track to get to green by July 1, 2004, by demonstrating day-to-day use of integrated financial/performance information by managers.

Financial Statement Audit Findings Under the Chief Financial Officers Act (CFOA)

The following table provides a statistical summary of open audit findings as required under the Chief Financial Officers Act.

The Chief Financial Officers Act prescribed the compilation and audit of annual financial statements. In addition to expressing an opinion in the audit on the fair presentation of the principal financial statements, the Department's OIG has other reporting responsibilities under Standards issued by the American Institute of Certified Public Accountants and OMB Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, including the identification of:

Reportable Conditions: Significant deficiencies in the design or operation of internal controls that could adversely affect the Department's ability to record, process, summarize, and report financial data.

Material Weaknesses: Reportable conditions that could result in misstatements in amounts that would significantly affect the financial statements. The FY 2003 DOL audit revealed no material weaknesses.

Compliance Issues: Instances of noncompliance with laws and regulations.

Audit Area	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total Open
Crosscutting Issues						
Accounting for Grants	3	-	-	-	-	3
Property and Equipment	1	-	4	-	5	10
Managerial Cost Accounting	-	-	-	1	-	1
Program Specific Issues						
Unemployment Trust Fund	-	-	1	-	-	1
FECA Program	-	-	-	-	1	1
Total Open Recommendations	4	0	5	1	6	16

Management Reporting Under the Inspector General Act Amendments

The Inspector General Act Amendments of 1988 require explanations for all audit reports with recommendations open for more than one year. DOL management and audit communities agree that some of these audit resolutions will require several years to complete the corrective action. As of September 30, 2003, 66 audit reports have been open for over one year. The total value of open audits of \$81.1 million covers 360 separate recommendations.

The table below demonstrates that most of the reportable audits and recommendations that are over one year old are not under the direct control of and cannot be closed by the Department. Auditees have certain rights to appeal audit decisions made by the Office of the Inspector General (OIG), including appeals to an Administrative Law Judge or a Federal Circuit Court of Appeals. Audits are not considered closed simply because the claim is being appealed and sent forward for further action. DOL agencies and the OIG jointly manage and update an audit tracking system where the current status of each open audit is maintained. Final closure of the audit is determined only by final decisions of the reviewing officials. Many of these decisions take years before being rendered and the audit 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 Office of the Chief Financial Officer.

2002 Audit Summary as of 9/30/2003 (\$ in thousands)

Affected accounts in 66 audits with 360 recommendations over one year old	\$81,053
Less:	
Value of 26 open recommendations under administrative law or Federal Court Appeal	\$18,250
Funds put to better use	\$12,794
Amounts referred or in process of referral to the Department of Treasury	\$2,873
Balance of 66 open audits	\$47,136

DOL Financial Systems and Operations

Modernization of the Department's Core Accounting System

The Office of the Chief Financial Officer, in conjunction with Department of Labor agencies, is currently in the process of replacing the Department's core accounting system, DOLAR\$. While DOLAR\$ has enabled the Department of Labor to achieve unqualified audit opinions and provide accurate financial information over the past twelve years, recent advances in technology and E-Government initiatives have limited its effectiveness in achieving the President's Management Agenda. In support of the President's effort to improve Federal financial management, the Office of the Chief Financial Officer has begun a multi-year endeavor to acquire and implement a new core accounting system. Using innovative technology, this project will work toward the goal of achieving a 21st Century Workforce by seeking to streamline business processes, provide real-time reporting on program performance, and create an open, flexible financial management architecture that will allow for integration with other emerging financial and E-Government initiatives. This effort is currently in the acquisition and evaluation phase and awaits Congressional approval in the 2004 appropriations.

To gain assurance that financial data produced by EDP systems are reliable, the OIG reviewed DOL's core accounting (DOLAR\$) system, as well as a selection of DOL agency financial systems. The Office of the Chief Information Officer, the OCFO, and the major agencies are addressing each of these findings from this review in a department wide effort to update system security plans and close audit findings. For more information, see the Independent Auditors' Report.

Financial Management Line of Business Initiative (FMLOB)

This past April, the Administration established an E-Government Strategy to improve the way the Federal government makes and monitors investments in information technology. This effort centers on identifying, analyzing, and taking advantage of opportunities to integrate and consolidate activities along business lines that cross agency boundaries.

The FMLOB initiative is an interagency effort designed to standardize data structures and business practices for core accounting systems across nine partner agencies in the early stages of financial systems implementation. Core financial processes include cost management, financial reporting, general ledger management, payment management, and accounts receivable management. Assessment of business practice commonalities will expose opportunities to mitigate system redundancy, reduce acquisition costs, and promote seamless data exchange between Federal agencies. A common "to be" architecture is to be established by the end of FY 04, and implemented in FY 05.

E-payroll

This eGov initiative involves consolidation of Federal payroll operations to three providers. Cost savings will result from standardizing policies affecting the payroll process and the elimination of duplicative IT investments across the government. DOL will migrate to the National Finance Center (NFC) run by the Department of Agriculture. The Department is working with other Federal agency partners to develop a functional and technical requirements analysis for the migration.

Erroneous Payment Reduction

Erroneous payment reduction has become a major financial management issue for the Federal government in FY 2003. At Labor reduction of erroneous payments in the Unemployment Insurance (UI) program is a component of the DOL President's Management Agenda for financial management. The Department has initiated several projects and new processes to address the issue of reducing erroneous payments in UI and other programs. In FY 2003 the CFO was designated as the Erroneous Payment Reduction Coordinator for the Department, giving that office the authority and responsibility to coordinate the Department's efforts and reporting in this area of financial management.

FY 2003 efforts in the erroneous payments reduction area included a financial integrity conference held in April for the State UI administrators, meetings with the Social Security Administration regarding data sharing to combat fraud and identity theft, and increased emphasis on error detection and analysis. The Office of the Chief Financial Officer plans to perform an annual review of all Agency programs and activities susceptible to erroneous payments. Risk assessments, internal control reviews, and detailed data analysis techniques will assist in the detection of payment errors. The OCFO will work with Program Agencies to develop a plan of action to reduce improper payments, perform ongoing monitoring techniques and conduct recovery audit activities. A summary of the results of improper payment reduction efforts and levels is presented below.

Unemployment Insurance (UI)

The Employment and Training Administration (ETA) uses the Benefits Accuracy Measurement (BAM) program, a diagnostic tool designed to determine the accuracy of paid and denied claims, to estimate the amount of erroneous payments for three major Unemployment Insurance programs: State (UI), Unemployment Compensation for Federal Employee (UCFE), and Unemployment Compensation for Ex-service members (UCX). State Workforce Agency BAM offices select weekly random samples of UI payments and denied claims. BAM investigators audit these paid and denied claims to determine if the claimant was properly paid or denied eligibility. Each case is thoroughly reviewed for compliance with States' UI laws, regulations, policies, and operating procedures. ETA has been working with outside Agencies such as the Social Security Administration to identify data-sharing tools to help reduce payments to ineligible recipients.

Actual, Projected, and Targeted Improper Payments					
Item	FY 2002	FY 2003 Projected	FY 2004 Target	FY 2005 Target	FY 2006 Target
Number of Payments (in thousands) ¹	161,743	167,164	159,236	145,281	140,011
Overpaid: % in universe ²	15.40%	16.60%	15.80%	15.80%	15.80%
Overpaid: Number in universe ²	24,908	27,749	25,159	22,954	22,122
Overpaid: % established ³	0.78%	0.79%	1.00%	1.10%	1.20%
Overpaid: Number established ³	1,262	1,321	1,592	1,598	1,680
Underpaid: % in universe ⁴	6.40%	6.30%	6.60%	6.90%	7.20%
Underpaid: Number in universe ⁴	10,352	10,531	10,510	10,024	10,081
Monetary Denials: Number in Universe ⁵	153	1,142	NA	NA	NA
Monetary Denials: % in error ⁵	9.4%	12.0%	NA	NA	NA
Separation Denials: Number in Universe ⁵	130	2,059	NA	NA	NA
Separation Denials: % in error ⁵	5.7%	7.9%	NA	NA	NA
Continuing Eligibility Denials: Number in Universe ⁵	244	2,089	NA	NA	NA
Continuing Eligibility Denials: % in error ⁵	9.2%	11.5%	NA	NA	NA
Dollars Paid (in Millions, except percents) ¹	\$40,148	\$42,374	\$41,429	\$38,958	\$39,020
Overpaid: % in universe, Annual Report Rate ¹	8.53%	9.35%	8.80%	8.60%	8.40%
Overpaid: Dollars in universe ¹	\$3,424	\$3,962	\$3,646	\$3,350	\$3,278
Overpaid: % established ³	2.32%	2.66%	3.03%	3.11%	3.19%
Overpaid: Dollars established ³	\$930	\$1,129	\$1,257	\$1,212	\$1,244
Dollars established as % of Detectable, Recoverable Overpayments ⁶	59.0%	56.1%	59%	59.5%	60%
Underpaid: % in universe ⁴	0.66%	0.62%	0.66%	0.70%	0.75%
Underpaid: Dollars in universe ⁴	\$266	\$262.7	\$273	\$273	\$293

Estimated overpayment rate is preliminary, based on Benefit Accuracy Measurement (BAM) data.

¹ FY 2002, actual; FY 2004 – FY 2006, projections based on Administration Mid-Session economic assumptions.

² Source: Estimated from Benefit Accuracy Measurement (BAM) samples. Numbers and dollars calculated by applying BAM ratios to universe counts. FY 2002, actual; FY 2003 uses percentages from 10/1/2002-9/30/2003 applied to universes of weeks paid or dollars paid for UI, UCFE, UCX from ETA 5159 report data. FY 2004-2006: \$ overpayment rate assumed to return toward 8% of payments based on integrity efforts, % of cases to remain constant as proportion of partial errors rises. Dollars are in millions. BAM sample size for FY 2002 exceeded 23,700; figures for FY 2003 through 9/30/03 were based on sample of 24,490.

³ FY 2002 and FY 2003, actual; source: State Benefit Payment Control (BPC) activity reported on ETA 227 report. FY 2004-2006: forecast on the basis of Administration economic assumptions, using a regression model explaining \$ established as % of benefits paid.

⁴ Source: Estimated from Benefit Accuracy Measurement (BAM) samples. These represent estimates and the rates of incidence and numbers of payments that were smaller than state law and policy would indicate. Numbers and dollars calculated by applying BAM ratios to universe counts. FY 2002, actual; FY 2003 uses

percentages from 10/1/2002- 9/30/2003 applied to universes of weeks paid or dollars paid for UI, UCFE, UCX from ETA 5159 report data. FY 2004-2006: \$ underpayment rate assumed to begin returning to 1999-2000 rate of about 0.9% of weeks paid and 0.9% of dollars paid. Dollars are in millions. BAM sample size for FY 2002 exceeded 23,700; figures for FY 2003 through 9/30/03 were based on sample of 24,490.

⁵ Source: Denied Claim Accuracy Measurement (DCA) Program. For FY 2002, data on number of monetary denials are from ETA 218 report, and for separation and non-separation denials are from ETA 207 report. Sample sizes for the estimates ranged from 6,917 for monetary denials to 7,034 for separation denials. Error rates are adjusted to remove cases corrected by agency during DCA measurement process or corrected through redeterminations or appeals processes. For FY 2003, data are from BAM Denied Claims Accuracy (DCA), preliminary, pending completion of allocated FY 2003 samples. No targets or projections are made for FY 2004-2006 period because of limited experience with the denials program.

⁶ Starting with FY 2003, the Department has used this ratio as the indicator for the Detection of UI Overpayments goal in the GPRA Strategic and Annual Performance plans. The numerator is dollars established for recovery reported on the ETA 227 report (excluding penalty assessments.) The denominator is the dollars of recoverable overpayments (estimated from BAM) states are most likely to detect using current BPC procedures, called the Operational Overpayment amount. The denominator is measured for the year ending six months before the numerator. The lag allows for the normal time lapse between the time an overpayment occurs and when it is detected and established. The FY 2003 target for this indicator is 59%. FY 2003 amount is ratio for year ending 9/30/03. FY 2004-2006 targets are from the Strategic Plan, and are based on projections of the Operational Overpayment rate using a regression model incorporating Administration economic assumptions, projections of the BAM universe, and the projections of \$ established explained in footnote 3.

Status of Action Plans for Conducting Risk Assessments or Developing Estimate of Erroneous Payments

1. In August 2001, all states began the Denied Claims Accuracy (DCA) program. DCA uses the BAM methodology to assess the accuracy of decisions denying UI eligibility. Separate samples measure the accuracy of denials at the monetary, separation, and weekly eligibility determination levels, enabling the Department to judge the extent of underpayments by including those due to total denials (from DCA) to its estimate of payments that are smaller than proper (from BAM).

In FY 2002, after consultation with the UI system, the Department began using an operational overpayment definition to estimate the overpayments that states could potentially identify and establish for recovery through usual overpayment detection tools such as wage-benefit and new hires crossmatches. This definition excludes from the standard BAM overpayment definition all non-recoverable overpayments and also recoverable overpayments that state operations are unlikely to detect: those due to work search violations, monetary determination errors, failure to register with the Job Service, and certain miscellaneous errors.

2. **Baseline data.** The first denials data were published for CY 2002; operational overpayment rates are available for all BAM periods.

3. **Impediments.** The program is able to estimate the fraction of claims denied in error, but not the dollar amount of underpayments. Dollars underpaid cannot be estimated without making numerous assumptions about weekly benefit amounts and the number of weeks that would have been claimed and received by the claimants affected by different types of

erroneous denials. Until there is consensus about these assumptions, the Department will not project the dollar impact of erroneous denials. For FY 2003, operational overpayment amounts for five states have been less than the reported overpaid dollars established, indicating that BAM is underestimating overpayment amounts, generally those due to claimants who have excess earnings during the week sampled for BAM review, e.g., because they have continued to claim UI benefits despite having returned to work.

Status of Action Plans for Preventing/Reducing Erroneous Payments

1. **Status.** In response to the President's Management Agenda, the Department prepared an action plan to reduce UI overpayments. Pursuant to that work plan, during the last year the following activities were completed:

- *An operational definition of UI overpayments was developed and used as part of a new GPRA measure for Detection of Overpayments.*
- *Promote the use of the State Directories of New Hires and SSA data exchange.*
 - **Social Security database.** In June 2002, ETA announced an agreement with the Social Security Administration to give states real-time access to the Social Security database. 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. The Department is working with States on establishing electronic communications with SSA and on implementation plans. The Department's 2003 budget request included \$10 million to fund use of the SSA data exchange and implement greater use of new hires data; 34 states received funds to implement the SSA data exchange.
 - **Directory of New Hires.** In addition to encouraging states to use a portion of Reed Act distributions to enhance their overpayment detection systems using State New Hire Directories, 26 states received FY 2003 budget funds for New Hire implementation grants. The Department obtained language in the TANF reauthorization bill to give states access to the National Directory of New Hires, and is also seeking other legislative vehicles for obtaining such access for states.
 - **Studies and Analyses.** The Department conducted a series of internal benefit-cost studies in addition to others based on BAM data that showed the extent and causes of errors, and where these errors are concentrated by state. The studies were posted to the ETA/OWS Web site (see <http://ows.doleta.gov/unemploy/integrity.asp>) and also distributed to all states via Unemployment Insurance Program Letter 23-03 as guidance for reducing the incidence of overpayments or increasing detection and recovery. An additional study, of the type and amount of overpayments excluded from the Operational Overpayment definition, was completed during the summer at the request of the Department's Office of Inspector General.

- *Best Practices.*

- In April, the Department jointly hosted a national UI integrity conference with the National Association of State Workforce Agencies. The conference was a forum for disseminating successful practices for preventing, detecting and recovering UI overpayments.
- **Continuous Improvement Plans.** During the summer OWS regional staff were negotiating plans to improve state integrity through the annual State Quality Service Plan process.

2. **Results of Initiatives.** It is too early to measure effects of these initiatives, and many states were impeded from extensive integrity efforts because of the continuing recession and need to operate the Temporary Extended Unemployment Compensation program. However, it is expected that more extensive use of the New Hire crossmatch will both prevent overpayments (by detecting return-to-work violations sooner, and stopping many of them before the claimant exhausts benefits) and increase recoveries by quicker detection of smaller overpayment amounts.

3. **Impediments to Erroneous Payment Reduction.** The principal impediment to reducing erroneous payments is the cost of detecting eligibility issues. BAM has classified about three quarters of errors as undetectable through states' current payment administration processes. Analyses conducted to date suggest that the costs of detecting most eligibility issues through more intensive contact with claimants or employers outweigh the value of overpayments recovered.

4. **New Proposed Initiatives.** The Department's FY 2004 budget requests \$500,000 for a study to identify successful practices that are likely to prevent overpayments by cost-effectively detecting eligibility issues that now result in benefit overpayments.

Workforce Investment Act (WIA)

For the Workforce Investment Act program, ETA provides actual payments paid in error using audits conducted under the Single Audit Act and or initiated by the Office of Inspector General. Actual erroneous payments made under the ETA's national programs for FY2003 is summarized below:

Program	Amount	# of Cases
JTPA	\$2,332,119	11
WIA	\$23,360	1
Job Corps	\$698,752	3
Migrants and Seasonal Farmworkers	\$0	0
Native Americans	\$0	0
Older Americans	\$0	0
School-To-Work	\$11,844	1

Erroneous payment information represents the number and amount of debts ETA established during the fiscal year resulting from final determinations issued by the ETA for

audit and incident reports of questioned costs claimed under grants authorized under JTPA and as reported to the U.S. Department of Treasury on SF-220-9, Report on Receivables Due from the Public.

The ETA does not estimate erroneous payment information for its grant programs, and instead, defers to (1) audits issued under the Single Audit Act or conducted by the DOL, OIG and (2) incident and monitoring reports where ETA staff take action in response to issues that arise in a particular grant or contract during the course of a given fiscal year.

Status of Action Plans for Conducting Risk Assessments or Developing Estimate of Erroneous Payments

ETA relies primarily on external audits of its grant programs to identify erroneous payments, and believes it has an adequate system of internal control to prevent or detect many of the types of erroneous payments, including inadvertent errors, payments for services not rendered, and payments resulting from outright fraud.

The Secretary of DOL and ETA management need to evaluate whether its reliance on audits issued under the Single Audit Act or conducted by the DOL, OIG meets the intent of 29 USC 2935, Section 185, Reports; Recordkeeping; Investigations Of Use Of Funds, that requires the Secretary of DOL to evaluate compliance with the provisions of the WIA by conducting investigations, in several states and in each fiscal year, of the use of funds received by recipients under the WIA.

Status of Action Plans for Preventing/Reducing Erroneous Payments

As mentioned above, ETA is required to evaluate compliance with the provisions of the WIA by conducting investigations, in several states and in each fiscal year, of the use of funds received by recipients under the WIA. In doing so, ETA management will need to evaluate whether its reliance on external post-audit activities meets the intent of the requirement, and if not, develop a course of action to implement the requirement.

Federal Employees' Compensation Act (FECA)

The Employment Standards Administration (ESA) estimates erroneous payments in its FECA program for both Compensation Benefits and Medical benefits using routine annual and periodic case reviews. ESA continues to implement new initiatives, such as Quality Case Management and Corrective Coding of medical bills, to assist in identifying, preventing and collecting erroneous payments.

Program-wide Estimates							
Program: Compensation Benefit Payments (in \$000)							
	FY 2002		FY 2003		FY 2004	FY 2005	FY 2006
	Dollars	Rate	Dollars	Rate	Rate	Rate	Rate
Total Payments	1,640,145	100%	1,676,501	100%	100%	100%	100%
Underpayments	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Overpayments	9,289	0.57%	8,617	0.51%	0.57%	0.56%	0.55%
Total Erroneous Payments	9,289	0.57%	8,617	0.51%	0.57%	0.56%	0.55%

Notes:

1. All periods are Fiscal Year.
2. Confidence level is medium to high.
3. Estimates reflect 100% of overpayments recorded as accounts receivable in the FECA Debt Management System. Overpayments are identified through routine annual and Periodic Roll Management case review; voluntary notifications of entitlement-related changes from beneficiaries; and an audit of direct payments conducted by district office Fiscal Operations Specialists. Out-year estimates are based on actual trends and estimates of future gains from strengthened audits and accountability reviews, and ADP system improvements.

Program: Medical Benefit Payments (in \$000)

	FY 2002		FY 2003		FY 2004	FY 2005	FY 2006
	Dollars	Rate	Dollars	Rate	Rate	Rate	Rate
Total Payments	667,797	100%	661,485	100%	100%	100%	100%
Underpayments	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Overpayments	875 est.	N/A	438	0.07%	0.3%	0.30%	0.25%
Total Erroneous Payments	875 est.	N/A	438	0.07%	0.3%	0.30%	0.25%

Notes:

1. All periods are Fiscal Year
2. Confidence level is medium to high.
3. FY 2002 estimate is based upon a 3-quarter, 100% sample of potential duplicate medical payments of over \$249 value. Out-year estimates are based on this review, as well as an assumption that some additional erroneous payments exist that have yet to be fully measured by the FECA program. Improvement in the rate will result from more refined sampling and expanded reviews of potential medical payment errors.

Status of Action Plans for Risk Assessments or Develop Estimate of Erroneous Payments

1. **Activities completed to date.** In FY 1999, the percentage of medical payments found to be inappropriate by the OIG audit was less than 1/10th of one percent. The total amount of FECA benefits recorded in the FECA accounting system as overpayments, for fraudulent and non-fraudulent reasons, was less than 3/4 of one percent of total compensation payments made. Further, fewer than 100 individuals are annually prosecuted for FECA fraud, out of a universe of more than 250,000 claimants receiving benefits and hundreds of thousands of medical providers billing for services.

FECA district office Fiscal Operations Specialists began to conduct a quarterly 100% sample audit of potential duplicate medical payments (over \$500 in value). For FY 2003, the FOS review identified approximately 391 duplicate payments totaling \$438,000. This finding calculates to an error rate of 0.07% of the total dollars paid in the over-\$249 category.

Erroneous medical payments are also identified through a monthly audit by FECA Medical Coding Specialists. The objectives of this review are to identify data keying and other processing errors, as well as identifying incorrect payment amounts or payments for unwarranted services.

To supplement the FOS and Medical Coding Specialist audits, FECA is also evaluating other erroneous payment detection methods.

2. Milestone dates:

New system baseline for reducing erroneous payments.	FY 2004
Refined medical bill sampling methodologies	FY 2004
Modified accountability review procedures	FY 2004

3. Impediments: None

Status of Action Plan for Preventing/Reducing Erroneous Payments

1. **Status:** The FECA Program is continuing an already effective program to prevent, identify, and collect erroneous payments, including:

- Fiscal Operations Specialists in each of FECA's twelve district offices are identifying and auditing potential duplicate medical and direct compensation payments and guarding against any potential compensation or medical fraud, including internal fraud.
- Review of long-term disability cases for continuing entitlement to benefits under Periodic Roll Management (Note: OWCP devotes more than 120 FTE to this function each year, and tabulates individual case savings resulting from benefit adjustments or terminations. Since 1992, the savings have exceeded \$500 million;
- The Quality Case Management (QCM) initiative, which ensures that new disability cases are carefully reviewed, including by rehabilitation nurses, to ensure appropriate care, early return to work, and avoidance of inappropriate payments.
- The Corrective Coding Initiative automated review of medical bills (implemented in response to OIG findings);
- Medical Coding Specialist sampling of medical bills to identify data keying/initial processing errors.
- Automated system relational edits to bills, in addition to Correct Coding and fee schedule edits, to deny or suspend bills for services which are not related to the diagnosis accepted in the case;
- Continue limited utilization review of high-cost and high-incidence medical services to ensure that proper treatment regimens are followed for those medical services.
- FECA continues to receive notification of the death of FECA beneficiaries from the Social Security Administration so that compensation benefit payments can be stopped.

While some inappropriate payments do go undetected, we continue to refine existing controls wherever necessary and plan new systems designs so as to minimize vulnerability. For example, the recently initiated “OASIS” project, which entails electronic imaging and handling of FECA case files, greatly enhances program controls over incoming mail. Likewise, the FECA initiative to receive some new claims and medical bills electronically has been carefully designed to maintain and enhance existing controls.

2. Results : FECA district office Fiscal Operations Specialists conduct a quarterly 100% sample audit of potential duplicate medical payments over \$249 in value. For FY 2003, the FOS review identified approximately 391 duplicate payments totaling \$438,000, or 0.07% of total medical payments. Recovery actions were initiated by the FOS’s.

3. Initiatives yet to be fully implemented: Refine data gathering and reporting by Fiscal Operations Specialists

4. Impediments: None

5. New proposed initiatives: During FY 2004, FECA will develop a baseline error rate to compare with the rates identified by the more sophisticated bill editing capabilities of the new central bill processing system scheduled to begin operation in October 2003. FECA will also revise its internal review processes using more refined sampling methodologies and focused reporting. The reduction in erroneous payments from these actions will be a by-product of the new system and existing activities with no specific associated costs.

Central Bill Processing System:

FY 2003	Gather and analyze medical bill data
Aug. 2004	Establish FY 2003 baseline for existing data
Mar. 2004	Establish parameters for data collection from the central bill system
FY 2004	Collect and report data from new system against baseline.

District Office Changes:

FY 2003	Review by FOS’s of potential duplicate medical payments over \$249
FY 2004	Modification of procedures to better estimate erroneous payment rates for medical bills, better identify compensation benefit underpayments, and report compensation overpayments.

Debt Management

The Debt Collection Improvement Act of 1996 (DCIA) established the Department of the Treasury as the central agency for collection of Federal debts over 180 days delinquent, and DOL cross services all delinquent debts in accordance with this statute. Once these debts are referred, the Department of the Treasury has several collection tools at its disposal, including issuing demand letters, conducting telephone follow-up, referring debts for administrative offset, performing administrative wage garnishment, and referring debts to private collection agencies.

Since DOL does not operate loan or other commercial programs, debt management accounts for a relatively small part of our financial management activity. The majority of debts managed by DOL relate to the assessment of fines and penalties in our enforcement programs. During FY 2003, the Department referred 92 percent of all eligible delinquent debt to Treasury for collection.

Department Wide Delinquent Debt Data (in thousands)			
	FY 2001	FY 2002	FY 2003
Delinquent Debt (1-180 days)	\$21,261	\$19,898	\$20,361
Delinquent Debt (181+ days)	\$72,410	\$67,847	\$97,026
Total Collections	\$127,296	\$127,581	\$132,732
New Receivables	\$153,221	\$155,845	\$165,843
Eligible to be Referred	\$77,302	\$72,108	\$88,023
Debts Referred to Treasury During FY 2001	\$70,917	\$67,572	\$80,955

Electronic Fund Transfer (EFT)

DOL made over 65 percent of its salary, awards, travel and miscellaneous payments electronically in FY 2003. This represents a 26 percent increase over the FY 2002 total.

The Department continues to lag behind government averages due to the low EFT participation and the heavy volume in ESA's medical and benefits programs. These ESA programs account for over 71 percent of DOL's total payment volume.

DOL EFT Payments					
	FY99	FY00	FY01	FY02	FY03
Administrative Vendors	58%	64%	69%	74%	96%
Travel & Miscellaneous	98%	99%	99%	99%	99%
Salary & Awards	97%	97%	96%	98%	99%
ESA Programs	32%	27%	26%	28%	53%
Total	46%	41%	38%	39%	65%

Source: DOL DOLAR\$ and Payroll System EFT reports.

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 2003, of approximately \$1.2 billion in gross payments, \$521,879 (approximately .043 percent) was paid in interest fees and penalties.



Audit Report and Financial Statements



COMPETITIVE
WORKFORCE

GLOBAL ECONOMY



Independent Auditors' 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, obtain an understanding of the Department's internal control, and test compliance with laws and regulations that could have a direct and material effect on the 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 sheet of DOL as of September 30, 2003 and the related consolidated statements of net cost, changes in net position, financing, and custodial activity and the combined statement of budgetary resources for the year 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 audit. The financial statements of DOL as of September 30, 2002, were audited by the U.S. Department of Labor, Office of Inspector General, whose report dated January 6, 2003, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

Relationship to the Single Audit Act

The financial statements for the years ended September 30, 2003 include:

- costs for grants, subsidies, and contributions primarily with various state and local governments and nonprofit organizations in the amount of \$10.5 billion;
- costs for unemployment benefits incurred by state employment security agencies in the amount of \$53.4 billion;
- state employer tax revenue of \$24.8 billion;
- net receivables for state unemployment taxes, reimbursable employers, and benefit overpayments of \$.8 billion; and
- reimbursements from state, local, and nonprofit reimbursable employers for unemployment benefits paid on their behalf, in the amount of \$2.1 billion.

Our audit 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 provides direct grants, and each Federal agency is responsible for resolving findings for its awards.

Opinion on Financial Statements

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net position of the Department of Labor as of September 30, 2003; and the net cost, changes in net position, budgetary resources, reconciliation of net cost to budgetary resources, and custodial activity for the year then ended in conformity with accounting principles generally accepted in the United States of America:

Other Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements of DOL taken as a whole. The accompanying financial information discussed below is not a required part of the principal financial statements.

The supplementary information included in the Management 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 Bulletin No. 01-09. 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 Annual Performance Report, Financial Performance Report, Management and Performance Challenges 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 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 is 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 Report, 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

Current Year Reportable Conditions

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.

Our audit found that ETA did not sufficiently utilize the property subsidiary system, the Capitalized Assets Tracking and Reporting System (CATARS) as a complete property management system in accordance with the CATARS user guide, and did not establish sufficient controls to ensure that Job Corps capitalized real property was safeguarded and accurately reported in CATARS and the Department of Labor Accounting and Related Systems (DOLARS) general ledger. Specifically, we found the following:

- Annual physical inventories were not conducted each fiscal year in order to verify that the capitalized assets recorded in CATARS were actually on-site and in usable condition. As a result, Job Corps real property was not sufficiently safeguarded against waste, loss, unauthorized use, or misappropriation and was not accurately recorded in the Department's financial statements.
- Certain capitalized additions and dispositions were not recorded in CATARS or the general ledger (DOLARS), resulting in a \$24 million understatement of property.
- Asset descriptions included in CATARS were not sufficient to verify existence and condition of the corresponding asset. This situation increases the risk that Job Corps property may be subject to loss or misuse, and that property may be inappropriately valued or classified in the Department's general ledger and financial statements.
- Land reported in the general ledger did not agree with what was recorded in CATARS, and the two records were not reconciled. As a result, CATARS was understated by approximately \$70 million, and the financial statements were misstated by \$13 million.

We recommend the Chief Financial Officer and the Assistant Secretary for Employment and Training ensure that: an annual physical inventory of all Job Corps real property is performed and the results reconciled to CATARS and DOLARS; additions and dispositions are recorded timely in CATARS by developing and implementing appropriate quarterly procedures; sufficient descriptive details of all capitalized property items are

obtained and corrected in CATARS; total land costs are recorded in CATARS and allocated to the specific Job Corps center; and property recorded in CATARS is reconciled monthly to property recorded in DOLAR\$ and all necessary adjustments are recorded on a timely basis.

Management has stated that they agree with the need to improve controls over Job Corps real property and are implementing various corrective actions to ensure that both CATARS and DOLAR\$ reflect accurate and complete property balances, and that assets are sufficiently safeguarded.

Federal Employees' Compensation Act (FECA) Compensation Payments

In order to determine continuing eligibility for FECA compensation payments, ESA's Office of Workers' Compensation Programs (OWCP) Claims Examiners (CEs) are required to obtain and review medical evidence on a periodic basis, depending on the status of the claimant. Where injury-related disability has ceased, the CE is to notify the claimant of the proposed termination of benefits. OWCP has the burden of proof to justify the termination of benefits by positive and specific evidence that injury-related disability has ceased.

Our audit included tests of 146 FECA case files, at 5 of 12 District offices, where medical evidence was required to be obtained in the current year. Of these 146 cases, 27 cases (18 percent) did not have current medical evidence in the case file.

The lack of current medical evidence in the case files occurred because OWCP does not have effective controls to ensure CEs request and receive current medical evidence timely. Because OWCP did not follow its procedures, it could not take steps to suspend or terminate benefits if the medical evidence did not support continuing eligibility. Without adequate procedures for obtaining and reviewing current medical evidence, the risk of improper payments increases.

We recommend that the Chief Financial Officer ensure that the Assistant Secretary for the Employment Standards Administration develops and implements effective controls (e.g., automated procedures) that will ensure Claims Examiners obtain and review current medical evidence as required by FECA program policy. Management indicated a new automated tracking system will be implemented in January 2004, which, combined with additional training, will correct these deficiencies.

Prior Year Reportable Conditions

Information Technology (IT) Controls

While the Department has made progress in strengthening its IT environment in the last 5 years, there are certain areas where the Department can continue to make improvements:

The Department lacks strong logical security controls to secure the Department's data and information.

The Department still lacks strong logical security controls to secure the Department's data and information. Continuing weaknesses were identified with the Department's technical security standards and policies; logging, monitoring and response controls; system administration procedures; and the overall security framework.

Management concurs with the need to improve security controls and has outlined a plan for corrective action with targeted implementation dates by the end of FY 2004.

The Department has not developed and performed comprehensive tests of all continuity of operations/disaster recovery plans for critical systems and processes.

Prior to FY 2002, the Department had a reportable condition related to the need for greater disaster recovery/business continuity controls. In FY 2002, the reportable condition was removed based on increased Department efforts in this area. Testing conducted in the current year, however, showed that the Department's agencies are in varying stages of disaster recovery plan development and testing, and the Department has not coordinated disaster recovery efforts across all agencies or conducted a Department-wide test of disaster recovery plans. Given these conditions, there is a high likelihood that the Department could not recover its key operations in a timely manner in the event of a major disaster.

Management concurs that existing disaster recovery plans need to be improved, and stated that the Department will further coordinate agency efforts to update the current Continuity of Operations Plan to accurately reflect DOL-wide processing priorities and include disaster recovery test procedures, and to develop and implement a comprehensive test.

The Department has not corrected known vulnerabilities associated with its IT systems.

The FY 2003 audit included an analysis of the percentage of prior year findings and recommendations closed by the Department and each agency during FY 2003. While some agencies have been effective in correcting known vulnerabilities, overall the Department-wide closure rate of prior IT findings was approximately 47 percent. Additionally, almost 60 percent of the prior year findings and recommendations remaining at September 30, 2003, are over 2 years old, and some go back as far as 1997.

Management concurs that additional efforts are necessary to resolve known vulnerabilities. Management indicated that the Department will instruct agencies to apply a more rigorous verification and validation of agency Plans of Actions and Milestones to ensure that agencies have applied adequate funding and resources towards appropriate corrective actions and that appropriate mitigation activities are completed.

Accounting for Grants

The OIG previously reported the following deficiencies with regards to ETA's grant accounting:

- Various accounting errors were noted in amounts recorded for ETA's grants and contracts. In FY 2003, we continued to note errors at both the national and regional offices. For example, at the national level we identified that costs reported by grantees in the Electronic Information Management System (EIMS) grant cost module did not agree to corresponding amounts recorded in DOLARS, and that ETA was not reconciling the cost information. At the regional offices, we noted errors in various Job Corps contracts selected for testing.
- Transfers of WIA funds between programs are not accounted for in ETA's accounting records.
- ETA's grantees and contractors are often delinquent in submitting required cost reports. While efforts have been made to address this finding, our FY 2003 audit continued to note delinquent reporting.

ETA management has taken certain actions and is continuing to implement improvements to address these audit findings.

Accountable Property

The OIG previously reported that several agencies did not have adequate procedures and systems to track accountable property (general property, plant, and equipment that does not meet the Department's capitalization threshold). As of FY 2003, two agencies had not fully implemented accountable property inventory systems.

Management concurs with the need to improve controls over accountable property and is currently working to develop a Department-wide property system. A property management software package was purchased and is scheduled for implementation in FY 2004.

Capitalized Assets

The OIG previously reported that management's capitalized asset tracking and reporting procedures do not ensure that disposals of capitalized assets are identified and reported in a timely and accurate manner, and that assets are adequately safeguarded against loss or theft. To adequately safeguard assets, a physical inventory should be taken on an annual basis to determine that all of the items in CATARS exist and are in use. A reconciliation should be performed to identify differences between the physical inventory and CATARS and to determine the circumstances as to why property items were not located.

While physical inventories were conducted during the fiscal year, we continued to note that certain agencies within the Department were merely removing items from CATARS that could not be found, rather than researching to find out the actual disposition of the

missing assets. In addition, dispositions were not recorded timely but were recorded only after items were identified as missing in the physical inventory process.

Management concurs with the need to develop stronger controls over property dispositions and is working to correct these deficiencies.

Unemployment Insurance Benefit Overpayments

The OIG previously reported 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. We also found that there has been little change in the rate of overpayments (about 8.5 percent) since 1989.

Management contends that the actions outlined in its corrective action plan developed in response to this finding in prior years will eventually result in a significant reduction in the detectable, recoverable overpayment rate.

While we recognize that management has taken certain corrective actions, we noted that the actual UI benefit overpayment rate for 2002 did not reflect improvement. The UI benefit overpayment rates for 2002 and 2001 were 9.1 percent and 8.2 percent, respectively. We conclude that additional evaluation of UI overpayments is necessary.

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 these provisions and we did not test compliance with all laws and regulations applicable to the DOL.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 01-02.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Report on Compliance with FFMIA

We have examined DOL's compliance with the requirements of FFMIA as of September 30, 2003. 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 on DOL's compliance with specified requirements.

In our opinion, as of September 30, 2003, DOL substantially complied with the requirements of FFMIA, except for applicable Federal accounting standards as described below:

Prior Year Compliance Finding

Implementation of Managerial Cost Accounting (MCA)

The OIG previously reported that the Department of Labor was not in compliance with the requirements for managerial cost accounting contained in Statement of Federal Financial Accounting Standards Number 4 (SFFAS No. 4), *The Managerial Cost Accounting Concepts and Standards for the Federal Government*. 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 for use in managing program operations. Additionally, DOL did not use managerial cost information for purposes of performance measurement, planning, budgeting or forecasting. These findings led the OIG to conclude that DOL did not substantially comply with FFMIA requirements.

In FY 2003, management developed a comprehensive plan to implement managerial cost accounting within the Department, which provides an overall strategy for MCA implementation and high-level plans for individual agencies to initiate and execute. We concluded that this plan satisfactorily addressed the concerns raised in the original OIG finding.

However, the conclusion that the Department is not in compliance with SFFAS No. 4, and consequently not in substantial compliance with FFMIA, will remain until the managerial cost accounting systems are fully implemented.

In accordance with the provisions and requirements of the Act, the Secretary of Labor has determined that the Department of Labor's financial management systems are in substantial compliance with FFMIA. However, the auditors' maintain the position that since costs are not captured and reported at the level required and there is not in place an integrated system that can be used by managers to manage DOL programs on a day-to-day basis, the Department has not implemented managerial cost accounting as required by the standard. Therefore, the auditors' opinion is that the Department is not in substantial compliance in this regard.

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.

December 18, 2003

**PRINCIPAL FINANCIAL STATEMENTS
AND NOTES**

CONSOLIDATED BALANCE SHEETS
As of September 30, 2003 and 2002
(Dollars in Thousands)

	2003	2002
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	\$ 9,615,513	\$ 10,166,843
Investments (Notes 1-D and 3)	48,408,153	68,423,887
Interest receivable from investments	726,160	1,074,389
Accounts receivable (Notes 1-E and 4)	3,789,999	3,767,581
Total intra-governmental	62,539,825	83,432,700
Accounts receivable, net of allowance (Notes 1-E and 4)	939,688	825,008
Advances (Notes 1-F and 5)	481,078	516,672
Property, plant and equipment, net of depreciation (Notes 1-G and 6)	830,558	779,821
Total assets	\$ 64,791,149	\$ 85,554,201
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	\$ 37,948	\$ 25,490
Advances from U.S. Treasury (Notes 1-J and 8)	8,243,557	7,718,557
Other liabilities (Note 11)	170,184	131,735
Total intra-governmental	8,451,689	7,875,782
Accounts payable	669,873	451,256
Accrued leave (Note 1-K)	97,913	93,934
Accrued benefits (Notes 1-L and 9)	1,638,594	2,241,679
Future workers' compensation benefits (Notes 1-M and 10)	592,125	596,933
Energy employees occupational illness compensation benefits (Note 1-N)	2,222,574	2,810,022
Other liabilities (Note 11)	270,125	211,161
Total liabilities	13,942,893	14,280,767
Net position (Note 1-R)		
Unexpended appropriations	8,587,666	9,343,624
Cumulative results of operations	42,260,590	61,929,810
Total net position	50,848,256	71,273,434
Total liabilities and net position	\$ 64,791,149	\$ 85,554,201

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2003 and 2002
(Dollars in Thousands)

	<u>2003</u>	<u>2002</u>
NET COST OF OPERATIONS (Notes 1-S and 14)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Intra-governmental	\$ 852,394	\$ 878,063
With the public	<u>60,808,540</u>	<u>57,983,467</u>
Total cost	61,660,934	58,861,530
Less earned revenue	<u>(3,015,750)</u>	<u>(2,813,013)</u>
Net program cost	<u>58,645,184</u>	<u>56,048,517</u>
Employment and training		
Intra-governmental	43,709	95,321
With the public	<u>7,198,735</u>	<u>6,886,665</u>
Total cost	7,242,444	6,981,986
Less earned revenue	<u>(17,630)</u>	<u>(16,190)</u>
Net program cost	<u>7,224,814</u>	<u>6,965,796</u>
Labor, employment and pension standards		
Intra-governmental	138,110	123,613
With the public	<u>459,858</u>	<u>499,749</u>
Total cost	597,968	623,362
Less earned revenue	<u>(10,644)</u>	<u>(7,392)</u>
Net program cost	<u>587,324</u>	<u>615,970</u>
Worker safety and health		
Intra-governmental	158,339	142,535
With the public	<u>642,819</u>	<u>623,937</u>
Total cost	801,158	766,472
Less earned revenue	<u>(5,351)</u>	<u>(1,423)</u>
Net program cost	<u>795,807</u>	<u>765,049</u>
OTHER PROGRAMS		
Statistics		
Intra-governmental	168,252	163,409
With the public	<u>359,768</u>	<u>343,375</u>
Total cost	528,020	506,784
Less earned revenue	<u>(4,438)</u>	<u>(6,036)</u>
Net program cost	<u>523,582</u>	<u>500,748</u>
Costs not assigned to programs		
Less earned revenue not attributed to programs	<u>(29,669)</u>	<u>(35,070)</u>
Net cost not assigned to programs	<u>96,470</u>	<u>94,972</u>
Net cost of operations	<u>\$ 67,873,181</u>	<u>\$ 64,991,052</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2003 and 2002
(Dollars in Thousands)

	2003		2002	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	\$ 61,929,810	\$ 9,343,624	\$ 83,240,355	\$ 10,112,365
Budgetary financing sources (Note 1-T)				
Appropriations received		10,891,922		10,278,498
Appropriations transferred		(702,501)		(644,360)
Appropriations not available	-	(190,679)	-	(254,328)
Appropriations used	10,754,700	(10,754,700)	10,148,551	(10,148,551)
Nonexchange revenue (Note 15)				
Employer taxes	31,698,813		26,822,661	
Interest	3,454,045		5,094,321	
Assessments	137,723		145,613	
Reimbursement of unemployment benefits	2,050,363		1,371,411	
Total nonexchange revenue	37,340,944		33,434,006	
Transfers without reimbursement (Note 16)	3,000		3,000	
Other financing sources (Note 1-U)				
Imputed financing from costs absorbed by others	106,003		92,603	
Transfers without reimbursement (Note 16)	(686)		2,347	
Total financing sources	48,203,961	(755,958)	43,680,507	(768,741)
Net cost of operations	(67,873,181)		(64,991,052)	
Ending balances	\$ 42,260,590	\$ 8,587,666	\$ 61,929,810	\$ 9,343,624

The accompanying notes are an integral part of these statements.

COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2003 and 2002
(Dollars in Thousands)

	<u>2003</u>	<u>2002</u>
BUDGETARY RESOURCES		
Budget authority		
Appropriations received	\$ 68,937,478	\$ 66,449,018
Net transfers	(80,878)	(156,501)
Unobligated balance		
Beginning of period	2,971,602	3,064,662
Net transfers	(732)	(97)
Spending authority from offsetting collections		
Earned		
Collected	2,633,039	2,370,681
Receivable from Federal sources	(45,828)	56,907
Change in unfilled customer orders		
Advance received	17,650	27,971
Without advance from Federal sources	(2,396)	1,320
Transfers from trust funds	<u>4,012,226</u>	<u>4,046,882</u>
Total spending authority from offsetting collections	6,614,691	6,503,761
Recoveries of prior year obligations	308,966	428,561
Permanently not available	<u>(250,856)</u>	<u>(254,328)</u>
Total budgetary resources	<u>\$ 78,500,271</u>	<u>\$ 76,035,076</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 17)		
Direct	\$ 72,731,481	\$ 70,499,669
Reimbursable	<u>2,595,002</u>	<u>2,563,805</u>
Total obligations incurred	75,326,483	73,063,474
Unobligated balances available		
Apportioned	2,423,022	2,008,155
Exempt from apportionment	(208)	-
Other available	207,400	187,429
Unobligated balances not available	<u>543,574</u>	<u>776,018</u>
Total status of budgetary resources	<u>\$ 78,500,271</u>	<u>\$ 76,035,076</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligated balance, net, beginning	\$ 10,538,670	\$ 10,301,270
Obligated balance transferred, net	1,304,116	-
Obligated balance, net, ending		
Accounts receivable	(1,336,589)	(1,362,515)
Undelivered orders	7,112,519	7,993,575
Accounts payable	3,588,904	3,907,610
Outlays		
Disbursements	76,534,321	72,264,887
Collections	<u>(6,960,265)</u>	<u>(6,369,813)</u>
Total outlays	69,574,056	65,895,074
Offsetting receipts	<u>(1,277,239)</u>	<u>(729,086)</u>
Net outlays	<u>\$ 68,296,817</u>	<u>\$ 65,165,988</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF FINANCING
For the Years Ended September 30, 2003 and 2002
(Dollars in Thousands)

	2003	2002
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated		
Obligations incurred	\$ 75,326,483	\$ 73,063,474
Recoveries of prior year obligations	(308,966)	(428,561)
Less spending authority from offsetting collections	(6,614,691)	(6,503,761)
Obligations, net of offsetting collections and recoveries	68,402,826	66,131,152
Other resources		
Imputed financing from costs absorbed by others	106,003	92,603
Transfers, net	2,314	5,347
Exchange revenue not in budget	(78,398)	(116,284)
Trust fund exchange revenue	(613,147)	(520,264)
Total resources used to finance activities	67,819,598	65,592,554
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	931,663	171,470
Resources that finance the acquisition of assets	(101,221)	(113,013)
Allocation transfers to other agencies	(225,950)	(165,697)
Other resources that do not affect net cost of operations	(191)	(272,402)
Total resources used to finance items not part of the net cost of operations	604,301	(379,642)
Total resources used to finance the net cost of operations	68,423,899	65,212,912
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods		
Increase in annual leave liability	3,979	696
Decrease in employee benefits and retirement liabilities	(572,516)	(357,144)
Other	27,875	(10,551)
Total	(540,662)	(366,999)
Components not requiring or generating resources		
Depreciation and amortization	43,275	104,417
Revaluation of assets and liabilities	472,304	324,682
Benefit overpayments	(525,635)	(283,960)
Total	(10,056)	145,139
Total components of the net cost of operations that will not require or generate resources in the current period	(550,718)	(221,860)
Net cost of operations	\$ 67,873,181	\$ 64,991,052

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2003 and 2002
(Dollars in Thousands)

	<u>2003</u>	<u>2002</u>
SOURCES OF CUSTODIAL REVENUE (Notes 1-V and 18)		
Cash collection of fines, penalties, assessments and related interest	\$ 119,911	\$ 114,078
Less refunds	<u>(102)</u>	<u>(26)</u>
Net cash collections	119,809	114,052
Increase in amounts to be collected	<u>2,291</u>	<u>(2,066)</u>
Total sources of custodial revenue	<u>122,100</u>	<u>111,986</u>
DISPOSITION OF CUSTODIAL REVENUE (Note 1-V)		
Net transfers to U.S. Treasury general fund	119,809	114,052
Increase in amounts to be transferred	<u>2,291</u>	<u>(2,066)</u>
Total disposition of custodial revenue	<u>122,100</u>	<u>111,986</u>
Net custodial activity	<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, 2003 and 2002

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

- C Employment and Training Administration (ETA)*
- C Employment Standards Administration (ESA)*
- C Occupational Safety and Health Administration (OSHA)*
- C Bureau of Labor Statistics (BLS)*
- C Mine Safety and Health Administration (MSHA)*
- C Employee Benefits Security Administration (EBSA)*
(Formerly Pension and Welfare Benefits Administration)
- C Veterans' Employment and Training (VETS)*
- C 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

- C Income maintenance*
- C Employment and training*
- C Labor, employment, and pension standards*
- C Worker safety and health*
- C 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, 2003 and 2002

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.

C *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 Workmen's Compensation Act Trust Fund, established under the authority District of Columbia Workmen's 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.

C *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, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

c 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. The fund is currently used to provide general fund financing for emergency benefits as provided by the Temporary Extended Unemployment Compensation Act.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

3. Fund accounting structure - continued

C 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.

C 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.

Salaries and Expenses, (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.

C 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.

C 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Bulletin 01-09. 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 Bulletin 01-09 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB 01-09 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 2003 and 2002. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Investments - Continued

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 straight-line method, which approximates 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Accounts Receivable, Net of Allowance - Continued

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 Corps 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.

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.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Property, Plant and Equipment, Net of Depreciation - Continued

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 grantees' 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.)

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.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 5.375% to 13.875% at September 30, 2003 and 2002. 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. At year end, leave balances are revalued to reflect current wages. 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.

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. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Accrued Benefits - Continued

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 provides for 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Future Workers' Compensation Benefits - Continued

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 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<u>FY</u>	<u>COLA</u>	<u>COLA</u>	<u>CPIM</u>	<u>CPIM</u>
2002	2.70%	2.70%	4.59%	4.59%
2003	2.70%	1.80%	4.49%	4.31%
2004	2.30%	2.67%	3.21%	4.01%
2005	2.00%	2.40%	3.54%	4.01%
2006	1.83%	2.40%	3.64%	4.01%
2007	1.97%	2.40%	3.80%	4.01%
2008+	2.17%	2.40%	3.92%	4.01%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2003, interest rate assumptions were 3.8% in year one and 4.4% year two and thereafter. For 2002, interest rate assumptions were 5.2% in year one 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.

DOL has recognized a \$2.2 billion and \$2.8 billion liability for estimated future benefits payable by DOL at September 30, 2003 and 2002, respectively, to eligible individuals under the EEOICPA. For fiscal year 2003, the undiscounted liability is \$3.0 billion discounted to a present value liability of \$2.2 billion based on an interest rate of 4.29% projected over a sixteen year period. For fiscal year 2002, the undiscounted liability is \$3.8 billion discounted to a present value liability of \$2.8 billion based on an interest rate 4.43% projected over a sixteen year period. 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, 2003 and 2002

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 2003, DOL's contributions to the FEHBP and FEGSLIP were \$63.4 and \$1.9 million, respectively. During 2002, DOL's contributions to the FEHBP and FEGSLIP were \$56.8 and \$1.8 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 \$53.2 million in 2003 and \$50.2 million in 2002.

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 7.00% 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 \$54.4 million in 2003 and \$49.9 million in 2002.

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 8% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 13% 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 first 3% contributed and 50% of the next 2% 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 \$12,000. 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, 2003 and 2002

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 programs 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. Note 14 also presents DOL's net operating costs by the outcome goals adopted in the Department's Annual Performance Plan for FY 2003 and DOL's net operating costs by budget function.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2003 and 2002

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.)

C *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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources - Continued

2. Non-exchange revenue - continued

C Employer taxes - continued

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.

Excise taxes are collected from coal mine operators based on the sale of coal. These excise taxes are collected by the Internal Revenue Service and transferred to the Black Lung Disability Trust Fund.

C 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. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

C 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.

C 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.)

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.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

U. Other Financing Sources - Continued

2. Transfers without reimbursement

Other transfers recognized as financing sources by DOL include the transfer of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in ETA job training programs. (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.)

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Entity Assets</u>	<u>Non-entity Assets</u>	<u>Total</u>
Revolving funds	\$ 24,592	\$ -	\$ 24,592
Trust funds	(28,226)	(206)	(28,432)
Appropriated funds	9,535,109	-	9,535,109
Other	-	84,244	84,244
	<u>\$ 9,531,475</u>	<u>\$ 84,038</u>	<u>\$ 9,615,513</u>

Funds with U.S. Treasury at September 30, 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Entity Assets</u>	<u>Non-entity Assets</u>	<u>Total</u>
Revolving funds	\$ 12,796	\$ -	\$ 12,796
Trust funds	17,434	(59)	17,375
Appropriated funds	10,055,696	-	10,055,696
Other	-	80,976	80,976
	<u>\$ 10,085,926</u>	<u>\$ 80,917</u>	<u>\$ 10,166,843</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 3 - INVESTMENTS

Investments at September 30, 2003 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>
Unemployment Trust Fund				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2004	\$ 1,367,501	\$ -	\$ 1,367,501	\$ 1,367,501
Special issue U.S. Treasury Bonds				
4.875% maturing June 30, 2004	522,089	-	522,089	522,089
6.500% maturing June 30, 2004	14,068,830	-	14,068,830	14,068,830
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	<u>48,188,383</u>	<u>-</u>	<u>48,188,383</u>	<u>48,188,383</u>
Panama Canal Commission Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Notes				
5.875% to 7.875% various maturities	13,747	43	13,790	14,882
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	62,701	12,222	74,923	77,192
	<u>76,448</u>	<u>12,265</u>	<u>88,713</u>	<u>92,074</u>
Energy Employees Occupational Illness Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Bill				
0.950% maturing October 1, 2003	60,232	-	60,232	60,232
Longshore and Harbor Workers' Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
0.900% to 0.990% various maturities	64,438	(90)	64,348	64,348
District of Columbia Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
0.900% to 0.960% various maturities	4,903	(5)	4,898	4,898
Backwage Restitution Fund				
<u>Marketable</u>				
U.S. Treasury Bill				
0.865% to 0.940% various maturities	1,592	(13)	1,579	1,579
	<u>\$ 48,395,996</u>	<u>\$ 12,157</u>	<u>\$ 48,408,153</u>	<u>\$ 48,411,514</u>
Entity investments	\$ 48,339,233	\$ 12,157	\$ 48,351,390	\$ 48,354,751
Non-entity investments	<u>56,763</u>	<u>-</u>	<u>56,763</u>	<u>56,763</u>
	<u>\$ 48,395,996</u>	<u>\$ 12,157</u>	<u>\$ 48,408,153</u>	<u>\$ 48,411,514</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2002 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>
Unemployment Trust Fund				
<u>Non-marketable</u>				
Special issue U.S. Treasury Bonds				
6.500% maturing June 30, 2003	\$ 12,342,691	\$ -	\$ 12,342,691	\$ 12,342,691
6.500% maturing June 30, 2004	20,691,993	-	20,691,993	20,691,993
6.250% maturing June 30, 2004	3,000,000	-	3,000,000	3,000,000
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	<u>68,264,647</u>	<u>-</u>	<u>68,264,647</u>	<u>68,264,647</u>
Panama Canal Commission				
Compensation Fund				
<u>Marketable</u>				
U.S. Treasury Notes				
5.875% to 7.875% various maturities	13,747	114	13,861	15,402
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	63,304	11,370	74,674	79,565
	<u>77,051</u>	<u>11,484</u>	<u>88,535</u>	<u>94,967</u>
Longshore and Harbor Workers' Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
1.530% to 1.640% various maturities	63,244	(192)	63,052	63,052
District of Columbia Trust Fund				
<u>Marketable</u>				
U.S. Treasury Bills				
1.590% to 1.660% various maturities	6,097	(20)	6,077	6,077
Backwage Restitution Fund				
<u>Marketable</u>				
U.S. Treasury Bill				
1.565% to 1.665% various maturities	1,590	(14)	1,576	1,576
	<u>\$ 68,412,629</u>	<u>\$ 11,258</u>	<u>\$ 68,423,887</u>	<u>\$ 68,430,319</u>
Entity investments	\$ 68,383,150	\$ 11,272	\$ 68,394,422	\$ 68,400,854
Non-entity investments	<u>29,479</u>	<u>(14)</u>	<u>29,465</u>	<u>29,465</u>
	<u>\$ 68,412,629</u>	<u>\$ 11,258</u>	<u>\$ 68,423,887</u>	<u>\$ 68,430,319</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity intra-governmental assets			
Due for UCFE and UCX benefits	\$ 254,464	\$ -	\$ 254,464
Due for workers' compensation benefits	3,520,021	-	3,520,021
Other	15,514	-	15,514
	<u>3,789,999</u>	<u>-</u>	<u>3,789,999</u>
Entity assets			
State unemployment taxes	665,961	(524,043)	141,918
Due from reimbursable employers	538,542	(36,072)	502,470
Benefit overpayments	2,090,664	(1,881,135)	209,529
Other	9,242	(481)	8,761
	<u>3,304,409</u>	<u>(2,441,731)</u>	<u>862,678</u>
Non-entity assets			
Fines and penalties	113,206	(51,700)	61,506
Backwages	16,425	(921)	15,504
	<u>129,631</u>	<u>(52,621)</u>	<u>77,010</u>
	<u>3,434,040</u>	<u>(2,494,352)</u>	<u>939,688</u>
	<u>\$ 7,224,039</u>	<u>\$ (2,494,352)</u>	<u>\$ 4,729,687</u>

Changes in the allowance for doubtful accounts during 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2002</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2003</u>
Entity assets					
State unemployment taxes	\$ (518,847)	\$ 299,589	\$ (304,785)	\$ -	\$ (524,043)
Due from reimbursable employers	(36,583)	17,273	(16,762)	-	(36,072)
Benefit overpayments	(1,731,612)	318,674	-	(468,197)	(1,881,135)
Other	(491)	2,115	-	(2,105)	(481)
	<u>(2,287,533)</u>	<u>637,651</u>	<u>(321,547)</u>	<u>(470,302)</u>	<u>(2,441,731)</u>
Non-entity assets					
Fines and penalties	(41,030)	6,966	(17,636)	-	(51,700)
Backwages	(3,825)	2,904	-	-	(921)
	<u>(44,855)</u>	<u>9,870</u>	<u>(17,636)</u>	<u>-</u>	<u>(52,621)</u>
	<u>\$ (2,332,388)</u>	<u>\$ 647,521</u>	<u>\$ (339,183)</u>	<u>\$ (470,302)</u>	<u>\$ (2,494,352)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued

Accounts receivable at September 30, 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity intra-governmental assets			
Due for UCFE and UCX benefits	\$ 267,570	\$ -	\$ 267,570
Due for workers' compensation benefits	3,488,153	-	3,488,153
Other	11,858	-	11,858
	<u>3,767,581</u>	<u>-</u>	<u>3,767,581</u>
Entity assets			
State unemployment taxes	739,465	(518,847)	220,618
Due from reimbursable employers	409,369	(36,583)	372,786
Benefit overpayments	1,882,039	(1,731,612)	150,427
Other	12,758	(491)	12,267
	<u>3,043,631</u>	<u>(2,287,533)</u>	<u>756,098</u>
Non-entity assets			
Fines and penalties	101,833	(41,030)	60,803
Backwages	11,932	(3,825)	8,107
	<u>113,765</u>	<u>(44,855)</u>	<u>68,910</u>
	<u>3,157,396</u>	<u>(2,332,388)</u>	<u>825,008</u>
	<u>\$ 6,924,977</u>	<u>\$ (2,332,388)</u>	<u>\$ 4,592,589</u>

Changes in the allowance for doubtful accounts during 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2001</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2002</u>
Entity assets					
State unemployment taxes	\$ (511,105)	\$ 282,070	\$ (289,812)	\$ -	\$ (518,847)
Due from reimbursable employers	(36,643)	25,027	(24,967)	-	(36,583)
Benefit overpayments	(2,173,992)	750,883	-	(308,503)	(1,731,612)
Other	(913)	208	-	214	(491)
	<u>(2,722,653)</u>	<u>1,058,188</u>	<u>(314,779)</u>	<u>(308,289)</u>	<u>(2,287,533)</u>
Non-entity assets					
Fines and penalties	(52,949)	17,943	(6,024)	-	(41,030)
Backwages	(3,952)	127	-	-	(3,825)
	<u>(56,901)</u>	<u>18,070</u>	<u>(6,024)</u>	<u>-</u>	<u>(44,855)</u>
	<u>\$ (2,779,554)</u>	<u>\$ 1,076,258</u>	<u>\$ (320,803)</u>	<u>\$ (308,289)</u>	<u>\$ (2,332,388)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 5 – ADVANCES

Advances at September 30, 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Advances to states for UI benefit payments	\$ 471,592	\$ 504,283
Advances to grantees and contractors to finance future DOL program expenditures	8,798	8,911
Other	<u>688</u>	<u>3,478</u>
	<u>\$ 481,078</u>	<u>\$ 516,672</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION

Property, plant and equipment at September 30, 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>			<u>2002</u>
	<u>Cost or Basis</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Structures, facilities and improvements				
Structures and facilities	\$ 790,240	\$ (328,550)	\$ 461,690	\$ 406,109
Improvements to leased facilities	<u>315,646</u>	<u>(200,154)</u>	<u>115,492</u>	<u>114,961</u>
	<u>1,105,886</u>	<u>(528,704)</u>	<u>577,182</u>	<u>521,070</u>
Furniture and equipment				
Equipment held by contractors	169,077	(159,429)	9,648	10,441
Furniture and equipment	<u>60,029</u>	<u>(28,901)</u>	<u>31,128</u>	<u>33,311</u>
	<u>229,106</u>	<u>(188,330)</u>	<u>40,776</u>	<u>43,752</u>
ADP software	91,103	(41,410)	49,693	46,240
Construction-in-progress	96,831	-	96,831	105,951
Land	<u>66,076</u>	<u>-</u>	<u>66,076</u>	<u>62,808</u>
	<u>\$ 1,589,002</u>	<u>\$ (758,444)</u>	<u>\$ 830,558</u>	<u>\$ 779,821</u>

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2003 and 2002:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 84,038	\$ 80,917
Investments	56,763	29,465
Interest receivable from investments	<u>828</u>	<u>438</u>
	141,629	110,820
Accounts receivable, net of allowance	<u>77,010</u>	<u>68,910</u>
	<u>\$ 218,639</u>	<u>\$ 179,730</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2002</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2003</u>
Intra-governmental			
Borrowing from the Treasury	\$ 7,718,557	\$ 525,000	\$ 8,243,557
	<u>\$ 7,718,557</u>	<u>\$ 525,000</u>	<u>\$ 8,243,557</u>

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2001</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2002</u>
Intra-governmental			
Borrowing from the Treasury	\$ 7,253,557	\$ 465,000	\$ 7,718,557
	<u>\$ 7,253,557</u>	<u>\$ 465,000</u>	<u>\$ 7,718,557</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, 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
State regular and extended unemployment benefits payable	\$ 983,337	\$ 1,340,034
Federal extended unemployment benefits payable	76,528	37,669
Federal temporary extended unemployment benefits	199,700	556,094
Federal emergency unemployment benefits payable	28,391	11,614
Federal employees' unemployment benefits payable	24,499	25,514
Federal employees' unemployment benefits for existing claims due in the subsequent year	<u>152,614</u>	<u>103,309</u>
Total unemployment benefits payable	1,465,069	2,074,234
Black lung disability benefits payable	25,654	29,469
Federal employees' disability and 10(h) benefits payable	144,747	131,970
Energy employees occupational illness compensation benefits payable	777	3,800
Longshore and harbor workers disability benefits payable	2,172	2,052
District of Columbia disability benefits payable	<u>175</u>	<u>154</u>
	<u>\$ 1,638,594</u>	<u>\$ 2,241,679</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 27,054,049	\$ 24,807,367
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(8,729,029)	(7,653,191)
Department of Navy	(2,999,824)	(2,872,301)
Department of Army	(2,081,971)	(1,929,082)
Department of Veterans Affairs	(1,887,701)	(1,762,577)
Department of Air Force	(1,558,355)	(1,476,884)
Department of Transportation	(1,114,602)	(1,151,854) ⁽¹⁾
Department of Homeland Security	(1,103,401)	-
Tennessee Valley Authority	(664,669)	(652,098)
Department of Treasury	(782,903)	(1,076,954) ⁽¹⁾
Department of Agriculture	(939,818)	(861,620)
Department of Justice	(839,748)	(1,204,284) ⁽¹⁾
Department of Interior	(711,565)	(658,501)
Department of Defense, Other	(955,952)	(904,925)
Department of Health and Human Services	(296,315)	(276,699)
Social Security Administration	(305,289)	(280,549)
General Services Administration	(195,552)	(191,324)
Department of Commerce	(200,056)	(190,687)
Department of Energy	(102,553)	(92,442)
Department of State	(61,628)	(56,259)
Department of Housing & Urban Development	(84,240)	(80,994)
Department of Education	(22,265)	(21,665)
National Aeronautics and Space Administration	(69,446)	(67,280)
Environmental Protection Agency	(44,096)	(39,457)
Federal Emergency Management Agency	-	(28,661) ⁽¹⁾
Small Business Administration	(31,822)	(31,487)
Office of Personnel Management	(14,397)	(13,285)
National Science Foundation	(1,649)	(1,637)
Nuclear Regulatory Commission	(9,073)	(9,062)
Agency for International Development	(27,400)	(28,251)
Other	(626,605)	(596,424)
	<u>(26,461,924)</u>	<u>(24,210,434)</u>
	<u>\$ 592,125</u>	<u>\$ 596,933</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	\$ 241,639	\$ 254,210
FECA benefits due to eligible workers of DOL and Job Corp enrollees	280,398	272,977
FECA benefits due to eligible workers of the Panama Canal Commission	70,088	69,746
	<u>\$ 592,125</u>	<u>\$ 596,933</u>

⁽¹⁾ The amounts presented for 2002 are as they were reported in the prior year. However, during 2003 the Federal Emergency Management Agency and certain agencies within the Departments of Justice, Transportation and Treasury were transferred to the Department of Homeland Security. The amounts for these agencies included in the 2002 presentation are \$28.7, \$407.8, \$83.7 and \$291.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2003 and 2002 consisted of the following current liabilities:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Intra-governmental		
Accrued payroll and benefits	\$ 6,314	\$ 13,901
Unearned FECA assessments	44,577	27,110
Non-entity receipts due to U.S. Treasury	61,506	60,801
Amounts held for the Railroad Retirement Board	55,806	28,268
Advances from other Federal agencies	1,981	1,655
Total intra-governmental	<u>170,184</u>	<u>131,735</u>
Accrued payroll and benefits	34,539	28,531
Due to Backwage recipients	58,354	48,882
Unearned assessment revenue	44,653	38,253
Deposit and clearing accounts	38,561	29,211
Readjustment allowances and other Job Corps liabilities	86,518	58,642
Other advances	7,500	7,642
	<u>270,125</u>	<u>211,161</u>
	<u>\$ 440,309</u>	<u>\$ 342,896</u>

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Intra-governmental		
Advances from U.S. Treasury	\$ 8,243,557	\$ 7,718,557
Future workers' compensation benefits	280,398	272,977
Accrued annual leave	93,324	89,368
Readjustment allowances and other Job Corps liabilities	86,518	58,642
	<u>460,240</u>	<u>420,987</u>
	<u>\$ 8,703,797</u>	<u>\$ 8,139,544</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 13 - PENSION EXPENSE

Pension expense in 2003 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	\$ 39,378	\$ 48,827	\$ 88,205
Federal Employees' Retirement System	65,834	2,954	68,788
Thrift Savings Plan	<u>25,755</u>	<u>-</u>	<u>25,755</u>
	<u>\$ 130,967</u>	<u>\$ 51,781</u>	<u>\$ 182,748</u>

Pension expense in 2002 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	\$ 40,886	\$ 42,444	\$ 83,330
Federal Employees' Retirement System	58,935	-	58,935
Thrift Savings Plan	<u>22,831</u>	<u>-</u>	<u>22,831</u>
	<u>\$ 122,652</u>	<u>\$ 42,444</u>	<u>\$ 165,096</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 2003.

Cost and revenue by suborganization for the nine outcome goals adopted in the Department's Annual Performance Plan for FY 2003, submitted under the requirements of the Government Performance and Review Act (GPRA), are presented in schedule D.

Detailed cost and revenue information by budget function for 2003 is presented in Schedule E and intra-governmental cost and revenue information by budget function for 2003 is presented in Schedule F.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

A. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2003 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>
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 169,269	\$ 711,102	\$ -	\$ -
With the public	58,047,556	2,750,513	-	-
Total cost	58,216,825	3,461,615	-	-
Less earned revenue	(633,588)	(2,407,747)	-	-
Net program cost	57,583,237	1,053,868	-	-
Employment and training				
Intra-governmental	62,255	-	-	-
With the public	6,959,849	-	-	-
Total cost	7,022,104	-	-	-
Less earned revenue	(17,607)	-	-	-
Net program cost	7,004,497	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	106,262	-	-
With the public	-	232,908	-	-
Total cost	-	339,170	-	-
Less earned revenue	-	(1,879)	-	-
Net program cost	-	337,291	-	-
Worker safety and health				
Intra-governmental	-	-	105,801	-
With the public	-	-	397,210	-
Total cost	-	-	503,011	-
Less earned revenue	-	-	(4,547)	-
Net program cost	-	-	498,464	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	182,072
With the public	-	-	-	346,741
Total cost	-	-	-	528,813
Less earned revenue	-	-	-	(6,030)
Net program cost	-	-	-	522,783
Cost not assigned to programs				
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	\$ 64,587,734	\$ 1,391,159	\$ 498,464	\$ 522,783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

<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>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,747	\$ (30,724)	\$ 852,394
-	-	-	5,332	5,139	60,808,540
-	-	-	8,079	(25,585)	61,660,934
-	-	-	-	25,585	(3,015,750)
-	-	-	8,079	-	58,645,184
-	-	10,398	384	(29,328)	43,709
-	-	208,563	972	29,351	7,198,735
-	-	218,961	1,356	23	7,242,444
-	-	-	-	(23)	(17,630)
-	-	218,961	1,356	-	7,224,814
-	42,054	624	31,543	(42,373)	138,110
-	113,054	12,373	59,826	41,697	459,858
-	155,108	12,997	91,369	(676)	597,968
-	(9,441)	-	-	676	(10,644)
-	145,667	12,997	91,369	-	587,324
94,387	-	-	201	(42,050)	158,339
203,052	-	-	507	42,050	642,819
297,439	-	-	708	-	801,158
(804)	-	-	-	-	(5,351)
296,635	-	-	708	-	795,807
-	-	-	225	(14,045)	168,252
-	-	-	574	12,453	359,768
-	-	-	799	(1,592)	528,020
-	-	-	-	1,592	(4,438)
-	-	-	799	-	523,582
-	-	-	126,691	(552)	126,139
-	-	-	(30,221)	552	(29,669)
-	-	-	96,470	-	96,470
\$ 296,635	\$ 145,667	\$ 231,958	\$ 198,781	\$ -	\$ 67,873,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

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, 2003 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>
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	\$ 53,423,986	\$ 62	\$ -	\$ 53,424,048
Grants	4,336,284	-	-	4,336,284
Interest	3,350	-	-	3,350
Other	452,899	7,244	(7,000)	453,143
Total cost	58,216,519	7,306	(7,000)	58,216,825
Less earned revenue	(640,588)	-	7,000	(633,588)
Net program cost	<u>57,575,931</u>	<u>7,306</u>	<u>-</u>	<u>57,583,237</u>
Employment and training				
Benefits	-	25,496	-	25,496
Grants	-	6,776,529	-	6,776,529
Other	-	220,079	-	220,079
Total cost	-	7,022,104	-	7,022,104
Less earned revenue	-	(17,607)	-	(17,607)
Net program cost	<u>-</u>	<u>7,004,497</u>	<u>-</u>	<u>7,004,497</u>
Net cost of operations	<u>\$ 57,575,931</u>	<u>\$ 7,011,803</u>	<u>\$ -</u>	<u>\$ 64,587,734</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

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, 2003 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>
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 2,608,321	\$ -	\$ -	\$ -	\$ (1,893)	\$ 2,606,428
Interest	620,582	-	-	-	-	620,582
Other	<u>234,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,605</u>
Total cost	3,463,508	-	-	-	(1,893)	3,461,615
Less earned revenue	<u>(2,409,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,893</u>	<u>(2,407,747)</u>
Net program cost	<u>1,053,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,053,868</u>
Labor, employment and pension standards						
Benefits	-	10,500	21,898	4,788	-	37,186
Grants	-	-	366	-	-	366
Other	<u>-</u>	<u>85,362</u>	<u>180,189</u>	<u>36,067</u>	<u>-</u>	<u>301,618</u>
Total cost	-	95,862	202,453	40,855	-	339,170
Less earned revenue	<u>-</u>	<u>-</u>	<u>(1,879)</u>	<u>-</u>	<u>-</u>	<u>(1,879)</u>
Net program cost	<u>-</u>	<u>95,862</u>	<u>200,574</u>	<u>40,855</u>	<u>-</u>	<u>337,291</u>
Net cost of operations	<u>\$ 1,053,868</u>	<u>\$ 95,862</u>	<u>\$ 200,574</u>	<u>\$ 40,855</u>	<u>\$ -</u>	<u>\$ 1,391,159</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

D. Consolidating Statement of Net Cost by Outcome Goal

Net cost by outcome goal for the year ended September 30, 2003 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>
Increase employment, earnings and assistance	\$ 3,230,980	\$ -	\$ -	\$ -
Less earned revenue	(22,588)	-	-	-
Net program cost	<u>3,208,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase the number of youth making a successful transition to work	2,951,933	-	-	-
Less earned revenue	(487)	-	-	-
Net program cost	<u>2,951,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
Improve the effectiveness of information and analysis on the U.S. economy	-	-	-	528,813
Less earned revenue	-	-	-	(6,030)
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,783</u>
Increase compliance with worker protection laws	-	238,513	-	-
Less earned revenue	-	(1,925)	-	-
Net program cost	<u>-</u>	<u>236,588</u>	<u>-</u>	<u>-</u>
Protect worker benefits	57,079,171	3,467,474	-	-
Less earned revenue	(627,938)	(2,407,701)	-	-
Net program cost	<u>56,451,233</u>	<u>1,059,773</u>	<u>-</u>	<u>-</u>
Provide worker retraining	1,976,845	-	-	-
Less earned revenue	(182)	-	-	-
Net program cost	<u>1,976,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reduce workplace injuries, illnesses and, fatalities	-	-	503,011	-
Less earned revenue	-	-	(4,547)	-
Net program cost	<u>-</u>	<u>-</u>	<u>498,464</u>	<u>-</u>
Foster equal opportunity workplaces	-	94,798	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>94,798</u>	<u>-</u>	<u>-</u>
Reduce exploitation of child labor and address core international labor standards issues	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost not assigned to goals	-	-	-	-
Less earned revenue not attributed to goals	-	-	-	-
Net cost not assigned to goals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost of operations	<u>\$ 64,587,734</u>	<u>\$ 1,391,159</u>	<u>\$ 498,464</u>	<u>\$ 522,783</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

<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>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ 218,516	\$ 5,632	\$ 23	\$ 3,455,151
-	-	-	-	(23)	(22,611)
<u>-</u>	<u>-</u>	<u>218,516</u>	<u>5,632</u>	<u>-</u>	<u>3,432,540</u>
-	-	-	5,983	-	2,957,916
-	-	-	-	-	(487)
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,983</u>	<u>-</u>	<u>2,957,429</u>
-	-	-	10,313	(1,592)	537,534
-	-	-	-	1,592	(4,438)
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,313</u>	<u>-</u>	<u>533,096</u>
-	-	-	36,468	-	274,981
-	-	-	-	-	(1,925)
<u>-</u>	<u>-</u>	<u>-</u>	<u>36,468</u>	<u>-</u>	<u>273,056</u>
-	155,108	-	61,797	(26,260)	60,737,290
-	(9,441)	-	-	26,260	(3,018,820)
<u>-</u>	<u>145,667</u>	<u>-</u>	<u>61,797</u>	<u>-</u>	<u>57,718,470</u>
-	-	-	953	-	1,977,798
-	-	-	-	-	(182)
<u>-</u>	<u>-</u>	<u>-</u>	<u>953</u>	<u>-</u>	<u>1,977,616</u>
297,439	-	-	20,017	-	820,467
(804)	-	-	-	-	(5,351)
<u>296,635</u>	<u>-</u>	<u>-</u>	<u>20,017</u>	<u>-</u>	<u>815,116</u>
-	-	13,442	9,616	-	117,856
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>13,442</u>	<u>9,616</u>	<u>-</u>	<u>117,856</u>
-	-	-	4,429	-	4,429
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,429</u>	<u>-</u>	<u>4,429</u>
-	-	-	73,794	(552)	73,242
-	-	-	(30,221)	552	(29,669)
<u>-</u>	<u>-</u>	<u>-</u>	<u>43,573</u>	<u>-</u>	<u>43,573</u>
<u>\$ 296,635</u>	<u>\$ 145,667</u>	<u>\$ 231,958</u>	<u>\$ 198,781</u>	<u>\$ -</u>	<u>\$ 67,873,181</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

E. Consolidating Statement of Net Cost by Budget Function

Net cost by budget function for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training and Employment</u>	<u>Health</u>	<u>Income Security</u>
CROSSCUTTING PROGRAMS			
Income maintenance			
Intra-governmental	\$ 55,543	\$ -	\$ 768,731
With the public	<u>181,892</u>	<u>-</u>	<u>60,866,574</u>
Total cost	237,435	-	61,635,305
Less earned revenue	<u>(4,088)</u>	<u>-</u>	<u>(3,011,662)</u>
Net program cost	<u>233,347</u>	<u>-</u>	<u>58,623,643</u>
Employment and training			
Intra-governmental	37,679	-	-
With the public	<u>6,987,814</u>	<u>-</u>	<u>-</u>
Total cost	7,025,493	-	-
Less earned revenue	<u>(17,630)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>7,007,863</u>	<u>-</u>	<u>-</u>
Labor, employment and pension standards			
Intra-governmental	110,374	-	27,131
With the public	<u>342,685</u>	<u>-</u>	<u>104,851</u>
Total cost	453,059	-	131,982
Less earned revenue	<u>(1,879)</u>	<u>-</u>	<u>(8,765)</u>
Net program cost	<u>451,180</u>	<u>-</u>	<u>123,217</u>
Worker safety and health			
Intra-governmental	11,027	147,312	-
With the public	<u>35,290</u>	<u>607,529</u>	<u>-</u>
Total cost	46,317	754,841	-
Less earned revenue	<u>-</u>	<u>(5,351)</u>	<u>-</u>
Net program cost	<u>46,317</u>	<u>749,490</u>	<u>-</u>
OTHER PROGRAMS			
Statistics			
Intra-governmental	168,252	-	-
With the public	<u>359,768</u>	<u>-</u>	<u>-</u>
Total cost	528,020	-	-
Less earned revenue	<u>(4,438)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>523,582</u>	<u>-</u>	<u>-</u>
Cost not assigned to programs			
Intra-governmental	126,139	-	-
Less earned revenue not attributed to programs	<u>(29,669)</u>	<u>-</u>	<u>-</u>
Net cost not assigned to programs	<u>96,470</u>	<u>-</u>	<u>-</u>
Net cost of operations	<u>\$ 8,358,759</u>	<u>\$ 749,490</u>	<u>\$ 58,746,860</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

National Defense	Veterans' Benefits and Services	Total
\$ 28,120	\$ -	\$ 852,394
(239,926)	-	60,808,540
(211,806)	-	61,660,934
-	-	(3,015,750)
(211,806)	-	58,645,184
-	6,030	43,709
-	210,921	7,198,735
-	216,951	7,242,444
-	-	(17,630)
-	216,951	7,224,814
-	605	138,110
-	12,322	459,858
-	12,927	597,968
-	-	(10,644)
-	12,927	587,324
-	-	158,339
-	-	642,819
-	-	801,158
-	-	(5,351)
-	-	795,807
-	-	168,252
-	-	359,768
-	-	528,020
-	-	(4,438)
-	-	523,582
-	-	126,139
-	-	(29,669)
-	-	96,470
\$ (211,806)	\$ 229,878	\$ 67,873,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

F. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)

Net intra-governmental cost by budget function for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training, and Employment</u>	<u>Health</u>	<u>Income Security</u>	<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance						
Intra-governmental	\$ 55,543	\$ -	\$ 768,731	\$ 28,120	\$ -	\$ 852,394
Less earned revenue	(4,088)	-	(3,010,287)	-	-	(3,014,375)
Net program cost	<u>51,455</u>	<u>-</u>	<u>(2,241,556)</u>	<u>28,120</u>	<u>-</u>	<u>(2,161,981)</u>
Employment and training						
Intra-governmental	37,679	-	-	-	6,030	43,709
Less earned revenue	(17,244)	-	-	-	-	(17,244)
Net program cost	<u>20,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,030</u>	<u>26,465</u>
Labor, employment and pension standards						
Intra-governmental	110,374	-	27,131	-	605	138,110
Less earned revenue	89	-	(8,216)	-	-	(8,127)
Net program cost	<u>110,463</u>	<u>-</u>	<u>18,915</u>	<u>-</u>	<u>605</u>	<u>129,983</u>
Worker safety and health						
Intra-governmental	11,027	147,312	-	-	-	158,339
Less earned revenue	-	(2,757)	-	-	-	(2,757)
Net program cost	<u>11,027</u>	<u>144,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,582</u>
OTHER PROGRAMS						
Statistics						
Intra-governmental	168,252	-	-	-	-	168,252
Less earned revenue	(3,440)	-	-	-	-	(3,440)
Net program cost	<u>164,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,812</u>
Cost not assigned to programs						
Intra-governmental	69,236	-	-	-	-	69,236
Less earned revenue not attributed to programs	(19,446)	-	-	-	-	(19,446)
Net cost not assigned to programs	<u>49,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,790</u>
Net cost of operations	<u>\$ 407,982</u>	<u>\$ 144,555</u>	<u>\$ (2,222,641)</u>	<u>\$ 28,120</u>	<u>\$ 6,635</u>	<u>\$ (1,635,349)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

Schedules G, H and I 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 2002.

Detailed cost and revenue information by budget function for 2002 is presented in Schedule J and intra-governmental cost and revenue information by budget function for 2002 is presented in Schedule K.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

G. Consolidating Statement of Net Cost by Suborganization

Net cost by suborganization for the year ended September 30, 2002 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 222,855	\$ 672,553	\$ -	\$ -
With the public	54,982,858	2,971,177	-	-
Total cost	55,205,713	3,643,730	-	-
Less earned revenue	(537,306)	(2,302,943)	-	-
Net program cost	54,668,407	1,340,787	-	-
Employment and training				
Intra-governmental	119,667	-	-	-
With the public	6,645,297	-	-	-
Total cost	6,764,964	-	-	-
Less earned revenue	(16,337)	-	-	-
Net program cost	6,748,627	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	105,054	-	-
With the public	-	229,909	-	-
Total cost	-	334,963	-	-
Less earned revenue	-	229	-	-
Net program cost	-	335,192	-	-
Worker safety and health				
Intra-governmental	-	-	99,748	-
With the public	-	-	384,271	-
Total cost	-	-	484,019	-
Less earned revenue	-	-	(493)	-
Net program cost	-	-	483,526	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	178,419
With the public	-	-	-	335,094
Total cost	-	-	-	513,513
Less earned revenue	-	-	-	(12,765)
Net program cost	-	-	-	500,748
Cost not assigned to programs				
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	\$ 61,417,034	\$ 1,675,979	\$ 483,526	\$ 500,748

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

<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>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 13,990	\$ (31,335)	\$ 878,063
-	-	-	25,331	4,101	57,983,467
-	-	-	39,321	(27,234)	58,861,530
-	-	-	2	27,234	(2,813,013)
-	-	-	39,323	-	56,048,517
-	-	10,603	289	(35,238)	95,321
-	-	190,265	16,012	35,091	6,886,665
-	-	200,868	16,301	(147)	6,981,986
-	-	-	-	147	(16,190)
-	-	200,868	16,301	-	6,965,796
-	38,653	244	18,616	(38,954)	123,613
-	106,634	4,292	120,050	38,864	499,749
-	145,287	4,536	138,666	(90)	623,362
-	(7,710)	-	(1)	90	(7,392)
-	137,577	4,536	138,665	-	615,970
84,272	-	-	124	(41,609)	142,535
197,721	-	-	336	41,609	623,937
281,993	-	-	460	-	766,472
(930)	-	-	-	-	(1,423)
281,063	-	-	460	-	765,049
-	-	-	-	(15,010)	163,409
-	-	-	-	8,281	343,375
-	-	-	-	(6,729)	506,784
-	-	-	-	6,729	(6,036)
-	-	-	-	-	500,748
-	-	-	139,959	(9,917)	130,042
-	-	-	(44,987)	9,917	(35,070)
-	-	-	94,972	-	94,972
<u>\$ 281,063</u>	<u>\$ 137,577</u>	<u>\$ 205,404</u>	<u>\$ 289,721</u>	<u>\$ -</u>	<u>\$ 64,991,052</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

H. Consolidating Statement of Net Cost - Employment and Training Administration

Net cost of the Employment and Training Administration for the year ended September 30, 2002 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>
CROSSCUTTING PROGRAMS				
Income maintenance				
Benefits	\$ 50,893,369	\$ 50	\$ -	\$ 50,893,419
Grants	4,018,115	-	-	4,018,115
Interest	5,333	-	-	5,333
Other	288,603	3,243	(3,000)	288,846
Total cost	55,205,420	3,293	(3,000)	55,205,713
Less earned revenue	(540,306)	-	3,000	(537,306)
Net program cost	54,665,114	3,293	-	54,668,407
Employment and training				
Benefits	-	28,335	-	28,335
Grants	-	6,495,931	-	6,495,931
Other	-	240,698	-	240,698
Total cost	-	6,764,964	-	6,764,964
Less earned revenue	-	(16,337)	-	(16,337)
Net program cost	-	6,748,627	-	6,748,627
Net cost of operations	<u>\$ 54,665,114</u>	<u>\$ 6,751,920</u>	<u>\$ -</u>	<u>\$ 61,417,034</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

I. Consolidating Statement of Net Cost - Employment Standards Administration

Net cost of the Employment Standards Administration for the year ended September 30, 2002 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>
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 2,795,402	\$ -	\$ -	\$ -	\$ (1,884)	\$ 2,793,518
Interest	595,589	-	-	-	-	595,589
Other	<u>254,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,623</u>
Total cost	3,645,614	-	-	-	(1,884)	3,643,730
Less earned revenue	<u>(2,304,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884</u>	<u>(2,302,943)</u>
Net program cost	<u>1,340,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,787</u>
Labor, employment and pension standards						
Benefits	-	12,618	25,366	5,245	-	43,229
Other	<u>-</u>	<u>83,975</u>	<u>175,584</u>	<u>32,175</u>	<u>-</u>	<u>291,734</u>
Total cost	-	96,593	200,950	37,420	-	334,963
Less earned revenue	<u>-</u>	<u>-</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>229</u>
Net program cost	<u>-</u>	<u>96,593</u>	<u>201,179</u>	<u>37,420</u>	<u>-</u>	<u>335,192</u>
Net cost of operations	<u>\$ 1,340,787</u>	<u>\$ 96,593</u>	<u>\$ 201,179</u>	<u>\$ 37,420</u>	<u>\$ -</u>	<u>\$ 1,675,979</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

J. Consolidating Statement of Net Cost by Budget Function

Net cost by budget function for the year ended September 30, 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training and Employment</u>	<u>Health</u>	<u>Income Security</u>
CROSSCUTTING PROGRAMS			
Income maintenance			
Intra-governmental	\$ 62,636	\$ -	\$ 804,154
With the public	199,133	-	57,756,615
Total cost	261,769	-	58,560,769
Less earned revenue	(2,719)	-	(2,810,294)
Net program cost	259,050	-	55,750,475
Employment and training			
Intra-governmental	89,437	-	-
With the public	6,694,888	-	-
Total cost	6,784,325	-	-
Less earned revenue	(16,190)	-	-
Net program cost	6,768,135	-	-
Labor, employment and pension standards			
Intra-governmental	99,110	-	24,287
With the public	394,918	-	100,602
Total cost	494,028	-	124,889
Less earned revenue	229	-	(7,620)
Net program cost	494,257	-	117,269
Worker safety and health			
Intra-governmental	10,688	131,847	-
With the public	32,347	591,590	-
Total cost	43,035	723,437	-
Less earned revenue	-	(1,423)	-
Net program cost	43,035	722,014	-
OTHER PROGRAMS			
Statistics			
Intra-governmental	163,409	-	-
With the public	343,375	-	-
Total cost	506,784	-	-
Less earned revenue	(6,036)	-	-
Net program cost	500,748	-	-
Cost not assigned to programs			
Less earned revenue not attributed to programs	130,042	-	-
	(35,070)	-	-
Net cost not assigned to programs	94,972	-	-
Net cost of operations	<u>\$ 8,160,197</u>	<u>\$ 722,014</u>	<u>\$ 55,867,744</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
\$ 11,273	\$ -	\$ 878,063
27,719	-	57,983,467
<u>38,992</u>	<u>-</u>	<u>58,861,530</u>
-	-	(2,813,013)
<u>38,992</u>	<u>-</u>	<u>56,048,517</u>
-	5,884	95,321
-	191,777	6,886,665
<u>-</u>	<u>197,661</u>	<u>6,981,986</u>
-	-	(16,190)
<u>-</u>	<u>197,661</u>	<u>6,965,796</u>
-	216	123,613
-	4,228	499,748
<u>-</u>	<u>4,444</u>	<u>623,361</u>
-	-	(7,391)
<u>-</u>	<u>4,444</u>	<u>615,970</u>
-	-	142,535
-	-	623,937
<u>-</u>	<u>-</u>	<u>766,472</u>
-	-	(1,423)
<u>-</u>	<u>-</u>	<u>765,049</u>
-	-	163,409
<u>-</u>	<u>-</u>	<u>343,375</u>
-	-	506,784
<u>-</u>	<u>-</u>	<u>(6,036)</u>
<u>-</u>	<u>-</u>	<u>500,748</u>
-	-	130,042
<u>-</u>	<u>-</u>	<u>(35,070)</u>
<u>-</u>	<u>-</u>	<u>94,972</u>
<u>\$ 38,992</u>	<u>\$ 202,105</u>	<u>\$ 64,991,052</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 14 - PROGRAM COST - Continued

K. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)

Net intra-governmental cost by budget function for the year ended September 30, 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training, and Employment</u>	<u>Health</u>	<u>Income Security</u>	<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance						
Intra-governmental	\$ 62,636	\$ -	\$ 804,154	\$ 11,273	\$ -	\$ 878,063
Less earned revenue	(2,721)	-	(2,810,294)	-	-	(2,813,015)
Net program cost	<u>59,915</u>	<u>-</u>	<u>(2,006,140)</u>	<u>11,273</u>	<u>-</u>	<u>(1,934,952)</u>
Employment and training						
Intra-governmental	89,437	-	-	-	5,884	95,321
Less earned revenue	(15,611)	-	-	-	-	(15,611)
Net program cost	<u>73,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,884</u>	<u>79,710</u>
Labor, employment and pension standards						
Intra-governmental	99,110	-	24,287	-	216	123,613
Less earned revenue	229	-	(7,385)	-	-	(7,156)
Net program cost	<u>99,339</u>	<u>-</u>	<u>16,902</u>	<u>-</u>	<u>216</u>	<u>116,457</u>
Worker safety and health						
Intra-governmental	10,688	131,847	-	-	-	142,535
Less earned revenue	-	(975)	-	-	-	(975)
Net program cost	<u>10,688</u>	<u>130,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,560</u>
OTHER PROGRAMS						
Statistics						
Intra-governmental	163,409	-	-	-	-	163,409
Less earned revenue	(5,322)	-	-	-	-	(5,322)
Net program cost	<u>158,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,087</u>
Cost not assigned to programs						
Intra-governmental	67,087	-	-	-	-	67,087
Less earned revenue not attributed to programs	(30,457)	-	-	-	-	(30,457)
Net cost not assigned to programs	<u>36,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,630</u>
Net cost of operations	<u>\$ 438,485</u>	<u>\$ 130,872</u>	<u>\$ (1,989,238)</u>	<u>\$ 11,273</u>	<u>\$ 6,100</u>	<u>\$ (1,402,508)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 15 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 6,514,194	\$ 6,613,294
State unemployment taxes	24,678,538	19,642,722
	<u>31,192,732</u>	<u>26,256,016</u>
Black Lung Disability Trust Fund excise taxes	506,081	566,645
	<u>31,698,813</u>	<u>26,822,661</u>
Interest		
Unemployment Trust Fund	3,447,565	5,083,191
Longshore and Harbor Workers' Trust Fund	511	854
District of Columbia Trust Fund	48	85
Panama Canal Commission Compensation Fund	6,155	6,380
Energy Employees Occupational Illness Compensation Fund	263	1,468
Black Lung Disability Trust Fund	(497)	2,343
	<u>3,454,045</u>	<u>5,094,321</u>
Assessments		
Longshore and Harbor Workers' Trust Fund	127,661	134,081
District of Columbia Trust Fund	9,510	11,559
Other	552	(27)
	<u>137,723</u>	<u>145,613</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	2,050,363	1,371,411
	<u>\$ 37,340,944</u>	<u>\$ 33,434,006</u>

NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Budgetary financing sources		
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	\$ 3,000	\$ 3,000
Other financing sources		
From General Services Administration	2,123	3,009
To General Services Administration	(2,809)	(662)
	<u>(686)</u>	<u>2,347</u>
	<u>\$ 2,314</u>	<u>\$ 5,347</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 17 - STATUS OF BUDGETARY RESOURCES

A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2003 and 2002 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
Direct Obligations		
Category A	\$ 3,815,410	\$ 3,748,936
Category B	10,265,880	9,843,443
Exempt from apportionment	<u>58,650,191</u>	<u>56,907,290</u>
Total direct obligations	<u>72,731,481</u>	<u>70,499,669</u>
Reimbursable Obligations		
Category A	150,970	174,901
Category B	<u>2,444,032</u>	<u>2,388,904</u>
Total reimbursable obligations	<u>2,595,002</u>	<u>2,563,805</u>
	<u>\$ 75,326,483</u>	<u>\$ 73,063,474</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, 2003 has not been published as of the issue date of these financial statements. This document will be available in February, 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

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, 2002 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Total Outlays</u>
Consolidated Statement of Budgetary Resources	\$ 76,035	\$ 73,063	\$ 65,895
Pension Benefit Guaranty Corporation reported separately	14,567	2,108	(965)
Accruals not reported in the budget	(645)	(672)	-
Accounts in the budget not included in the Consolidated Statement of Budgetary Resources	68	54	54
Unobligated balances transferred to unavailable receipts in the budget	(38)	-	-
Expired accounts	(550)	(190)	-
Other	<u>3</u>	<u>3</u>	<u>(3)</u>
Budget of the United States Government	<u>\$ 89,440</u>	<u>\$ 74,366</u>	<u>\$ 64,981</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, 2002, reclassified from unobligated balances to UTF unavailable collections, is presented below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 18 – SOURCES OF CUSTODIAL REVENUE

Custodial revenues in 2003 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	\$ 59,563	\$ -	\$ 59,563	\$ (985)	\$ 58,578
MSHA	16,628	-	16,628	4,532	21,160
EBSA	9,450	-	9,450	(1,520)	7,930
ESA	<u>23,789</u>	<u>(96)</u>	<u>23,693</u>	<u>136</u>	<u>23,829</u>
	109,430	(96)	109,334	2,163	111,497
ETA disallowed grant costs	4,853	(6)	4,847	128	4,975
Other	<u>5,628</u>	<u>-</u>	<u>5,628</u>	<u>-</u>	<u>5,628</u>
	<u>\$ 119,911</u>	<u>\$ (102)</u>	<u>\$ 119,809</u>	<u>\$ 2,291</u>	<u>\$ 122,100</u>

Custodial revenues in 2002 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	\$ 59,535	\$ -	\$ 59,535	\$ 1,585	\$ 61,120
MSHA	17,888	-	17,888	552	18,440
EBSA	11,429	-	11,429	584	12,013
ESA	<u>15,456</u>	<u>(12)</u>	<u>15,444</u>	<u>865</u>	<u>16,309</u>
	104,308	(12)	104,296	3,586	107,882
ETA disallowed grant costs	9,190	(12)	9,178	(5,652)	3,526
Other	<u>580</u>	<u>(2)</u>	<u>578</u>	<u>-</u>	<u>578</u>
	<u>\$ 114,078</u>	<u>\$ (26)</u>	<u>\$ 114,052</u>	<u>\$ (2,066)</u>	<u>\$ 111,986</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

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, 2003 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>
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ (59,434)	\$ 30,432	\$ 56	\$ 4
Investments	48,188,383	-	64,348	4,898
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	254,677	-	-	-
Interest receivable from investments	723,114	-	-	-
Total intra-governmental	49,106,740	30,432	64,404	4,902
Accounts receivable, net				
State unemployment tax	141,918	-	-	-
Due from reimbursable employers	502,470	-	-	-
Benefit overpayments	179,479	10,638	-	-
Other	-	1,131	2,541	87
Advances to states	471,592	-	-	-
Total assets	<u>\$ 50,402,199</u>	<u>\$ 42,201</u>	<u>\$ 66,945</u>	<u>\$ 4,989</u>
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,304,116	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	8,243,557	-	-
Amounts held for the Railroad Retirement Board	55,806	-	-	-
Total intra-governmental	1,359,922	8,243,557	-	-
Accrued benefits	1,465,069	25,654	2,172	175
Other	-	-	41,284	3,369
Total liabilities	<u>2,824,991</u>	<u>8,269,211</u>	<u>43,456</u>	<u>3,544</u>
Net position				
Cumulative results of operations	47,577,208	(8,227,010)	23,489	1,445
Total liabilities and net position	<u>\$ 50,402,199</u>	<u>\$ 42,201</u>	<u>\$ 66,945</u>	<u>\$ 4,989</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

NOTE 19 - DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2003 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>
Cost, net of earned revenues				
Benefits	\$ (53,417,598)	\$ (375,031)	\$ (133,286)	\$ (11,055)
Interest	(3,350)	(620,582)	-	-
Administrative	(386,531)	(59)	-	-
	<u>(53,807,479)</u>	<u>(995,672)</u>	<u>(133,286)</u>	<u>(11,055)</u>
Earned revenue	613,146	-	-	-
	<u>(53,194,333)</u>	<u>(995,672)</u>	<u>(133,286)</u>	<u>(11,055)</u>
Net financing sources				
Taxes	31,192,732	506,081	-	-
Interest	3,447,565	(497)	511	48
Assessments	2,050,363	-	127,661	9,510
Transfers-in				
Treasury	-	-	-	-
DOL entities	-	-	-	-
Transfers-out				
DOL entities	(3,315,901)	(55,273)	(2,016)	-
	<u>33,374,759</u>	<u>450,311</u>	<u>126,156</u>	<u>9,558</u>
Net results of operations	(19,819,574)	(545,361)	(7,130)	(1,497)
Net position, beginning of period	<u>67,396,782</u>	<u>(7,681,649)</u>	<u>30,619</u>	<u>2,942</u>
Net position, end of period	<u>\$ 47,577,208</u>	<u>\$ (8,227,010)</u>	<u>\$ 23,489</u>	<u>\$ 1,445</u>

The financial position of each trust fund as of September 30, 2002 is shown below and on the following page.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ (23,255)	\$ 38,828	\$ 629	\$ 34
Investments	68,264,647	-	63,052	6,077
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	267,737	-	-	-
Interest receivable from investments	<u>1,071,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intra-governmental	69,580,428	38,828	63,681	6,111
Accounts receivable, net				
State unemployment tax	220,618	-	-	-
Due from reimbursable employers	372,786	-	-	-
Benefit overpayments	105,384	24,728	-	-
Other	-	2,821	4,025	204
Advances to states	<u>504,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 70,783,499</u>	<u>\$ 66,377</u>	<u>\$ 67,706</u>	<u>\$ 6,315</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2003 and 2002

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>
Liabilities				
Intra-governmental				
Accounts payable to ETA - SUIESO	\$ 1,284,215	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	7,718,557	-	-
Amounts held for the Railroad				
Retirement Board	28,268	-	-	-
Total intra-governmental	1,312,483	7,718,557	-	-
Accrued benefits	2,074,234	29,469	2,052	154
Other	-	-	35,035	3,219
Total liabilities	<u>3,386,717</u>	<u>7,748,026</u>	<u>37,087</u>	<u>3,373</u>
Net position				
Cumulative results of operations	67,396,782	(7,681,649)	30,619	2,942
Total liabilities and net position	<u>\$ 70,783,499</u>	<u>\$ 66,377</u>	<u>\$ 67,706</u>	<u>\$ 6,315</u>

The net results of operations of each trust fund for the year ended September 30, 2002 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>
Cost, net of earned revenues				
Benefits	\$ (50,887,009)	\$ (367,911)	\$ (129,139)	\$ (10,962)
Interest	(5,333)	(595,589)	-	-
Administrative	(227,363)	(33)	-	-
	(51,119,705)	(963,533)	(129,139)	(10,962)
Earned revenue	520,264	-	-	-
	<u>(50,599,441)</u>	<u>(963,533)</u>	<u>(129,139)</u>	<u>(10,962)</u>
Net financing sources				
Taxes	26,256,016	566,645	-	-
Interest	5,083,191	2,343	854	85
Assessments	1,371,411	-	134,081	11,559
Transfers-in				
Treasury	270,090	-	-	-
DOL entities	102,079	-	-	-
Transfers-out				
DOL entities	(4,092,672)	(54,239)	(1,970)	-
	<u>28,990,115</u>	<u>514,749</u>	<u>132,965</u>	<u>11,644</u>
Net results of operations	(21,609,326)	(448,784)	3,826	682
Net position, beginning of period	<u>89,006,108</u>	<u>(7,232,865)</u>	<u>26,793</u>	<u>2,260</u>
Net position, end of period	<u>\$ 67,396,782</u>	<u>\$ (7,681,649)</u>	<u>\$ 30,619</u>	<u>\$ 2,942</u>

**REQUIRED SUPPLEMENTARY STEWARDSHIP
INFORMATION**

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

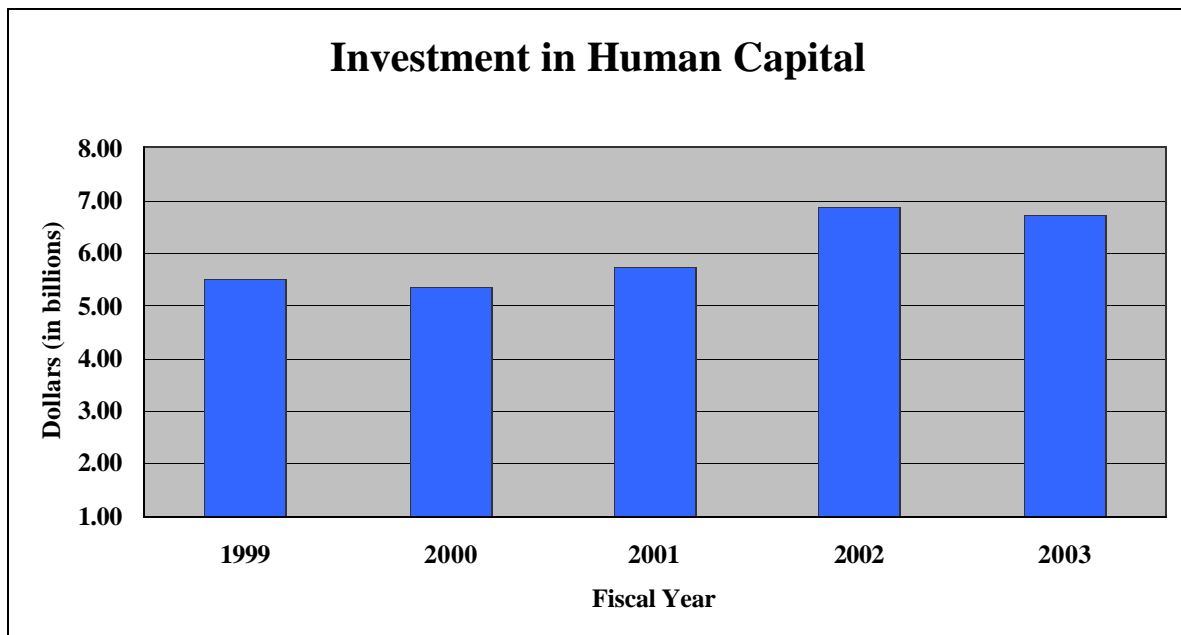
STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

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 and employment services 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. The ETA's investment in human capital for fiscal years 1999 to 2003, excluding the cost of internal Federal education and training, is presented below.



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

A brief description of the programs under each Act is as follows:

Workforce Investment Act (Successor Legislation to the JTPA)

- C **Youth Activities** - Grants to provide financial assistance to States and U.S. territories to design and operate workforce investment activities for eligible youth.
- C **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 re-employment services and retraining assistance to individuals dislocated from their employment.
- C **Job Corps** - Nationwide program carried out in partnership with States and communities to assist eligible youth to become more responsible, employable, and productive citizens.
- C **National Programs** - Grants to provide financial assistance in support of employment and training activities and opportunities for Native American, Migrant and Seasonal Farm Workers, Veterans and Disadvantaged Youth.

Job Training Partnership Act (Antecedent Legislation to the WIA)

- C **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.
- C **Dislocated Worker Employment and Training** - Grants to provide re-employment services and retraining assistance to individuals dislocated from their employment.
- C **Youth Training** - Grants to provide financial assistance to States and U.S. territories to design and operate training programs for economically disadvantaged youth.
- C **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.
- C **Native Americans** - Grants to Indian tribes and other Native American groups to provide training, work experience, and other employment-related services to Native Americans.
- C **Migrant and Seasonal Farm Workers** - 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.
- C **Veterans Employment** - Grants or contracts to provide disabled, Vietnam era, and recently separated veterans with programs to meet their unique employment and training needs.
- C **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.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Trade Act of 1974

- C **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.
- C **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

- C **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

- C **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.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Veterans= Employment and Training Service

The mission of Veterans=Employment and Training Service (VETS) is to provide veterans with the resources and services to succeed in the 21st Century workforce, by maximizing their employment opportunities, protecting their employment rights, and meeting labor market demands with qualified veterans. The Agency's vision is embodied in this statement: Veterans Succeeding in the 21st 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 staff 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 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 SESAs, 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.

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>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Program Expenses				
Career Counseling and Employment Services				
Disabled Veterans Outreach Program	\$ 87,013	\$ 82,582	\$ 84,681	\$ 81,956
Local Veterans' Employment Representative	82,148	77,977	80,155	78,753
Transition and Reemployment Services	25,957	25,635	27,970	25,500
	<u>\$ 195,118</u>	<u>\$ 186,194</u>	<u>\$ 192,806</u>	<u>\$ 186,209</u>

A summary of program outputs is presented below.

Program Outputs	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Disabled Veterans Outreach Program				
Participants employed	235,000 *	120,400	131,000	146,000
Disabled veterans	na	15,057	16,000	17,500
Special disabled veterans	na	7,107	8,000	8,600
Participants assisted	na	584,719	581,000	568,000
Local Veterans' Employment Representative				
Participants employed	251,000 *	128,450	138,700	156,700
Disabled veterans	na	13,533	14,000	14,800
Special disabled veterans	na	6,233	6,500	6,900
Participants assisted	na	639,694	733,600	632,600
Transition and Reemployment Services				
Participants served	110,055	104,000	112,000	121,384
Workshops	3,142	3,151	3,181	3,121
Uniformed Services Employment and Reemployment				
Briefings, presentations, and technical assistance	10,081	5,436	3,200	4,981
Individuals briefed or assisted	66,545	54,050	-	-

* - Projected data.

na - Data not available at time of publication.

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 programs' 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 workers' 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 workers' 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 are currently being paid under the Temporary Extended Unemployment Compensation Act. Emergency benefit payments totaling \$10.7 billion were paid in FY 2003 and payments in excess of \$19 billion have been paid since inception of the program in March 2002. The benefits under this program are 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, 2003, total assets within the UTF exceeded liabilities by \$48.2 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, 2003 was \$48.2 billion. These investments accrue interest, which is distributed to eligible State and Federal accounts within the UTF. Interest income from these investments during FY 2003 was \$3.4 billion. Federal and State UI tax and reimbursable revenues of \$33.2 billion and regular, extended and emergency benefit payment expense of \$53.4 billion were recognized for the year ended September 30, 2003.

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, 2003 were \$1.4 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

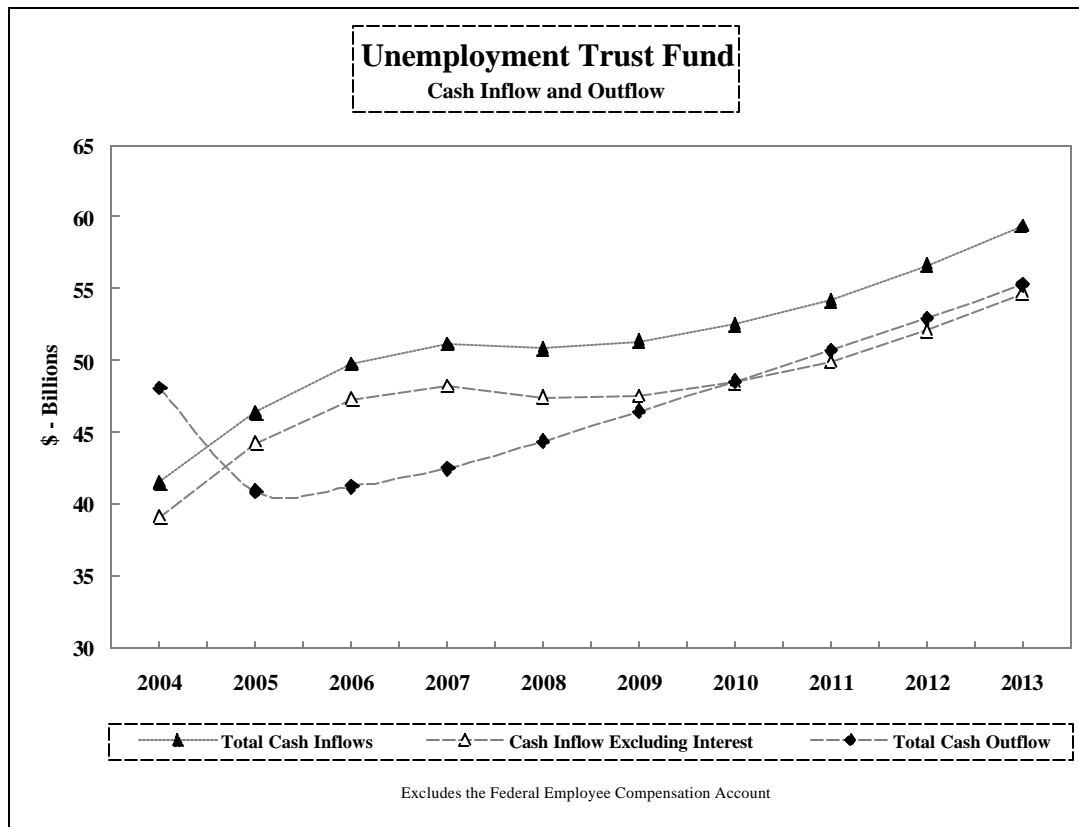
Charts I and II graphically depict the effect of expected economic conditions on the UTF over the next ten years.

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 5.70% during FY 2004, decreasing to 5.10% in FY 2008 and thereafter. Cash outflows exceed cash inflows combined with interest earnings for FY 2004. Positive cash flows resume in FY 2005, peaking at \$8.6 billion in FY 2007 and decreasing to \$3.5 billion in FY 2011, indicating that States have replenished their funds to desired levels.

These projections, excluding interest earnings, indicate net cash outflows in FY 2004, then net cash inflows for the next five years. Due to projected transfers of excess Federal funds to the States starting in 2008, which tends to depress state tax collections, there is crossover back to net outflows in FY 2010. The result is that the fund must rely on interest earnings to keep growing.

Chart I



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

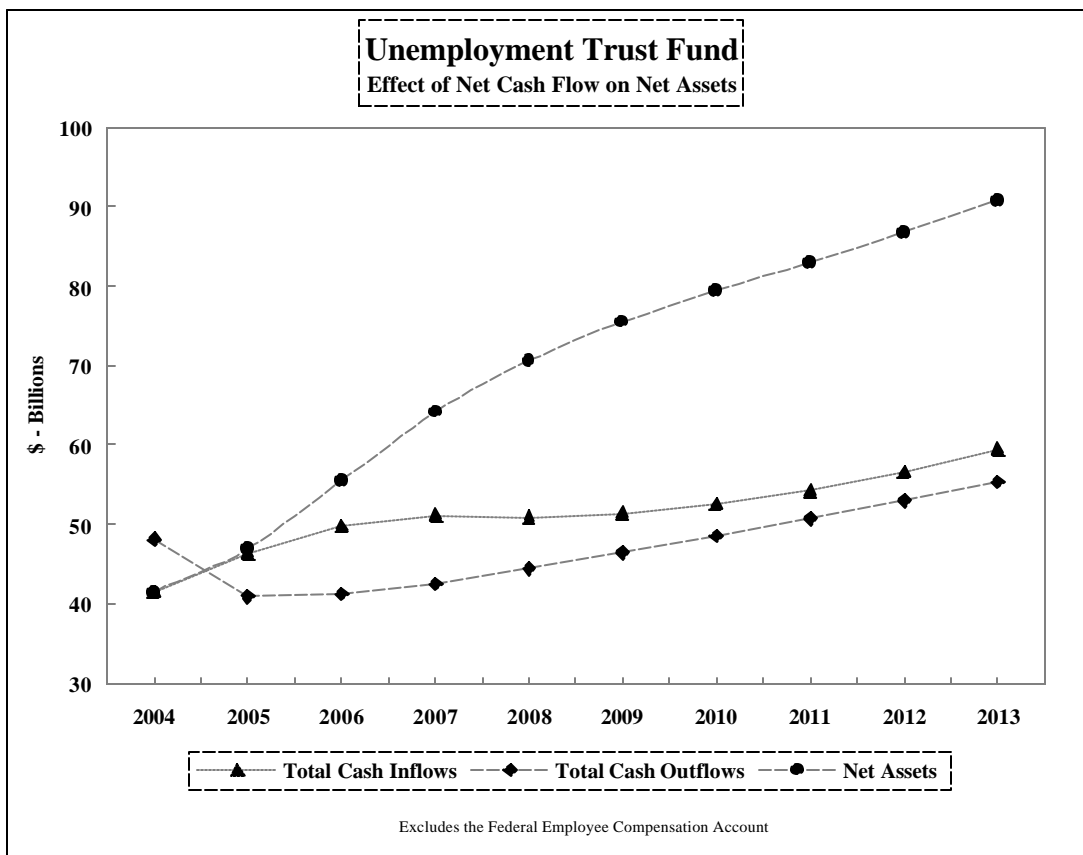
Effect of Projected Cash Inflows and Outflows on the Accumulated Net Assets of the UTF - Continued

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, 2013. 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 outflows exceed cash inflows during 2004. Total cash inflows exceed cash outflows in each of the next nine years projected, with this excess peaking in 2007 and decreasing the next four years after that until resuming growth in 2012. Net UTF assets decrease to \$41.4 billion in FY 2004 but increase by 119% over the next nine years to \$90.7 billion by the end of FY 2013.

Chart II



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Recessionary Scenarios

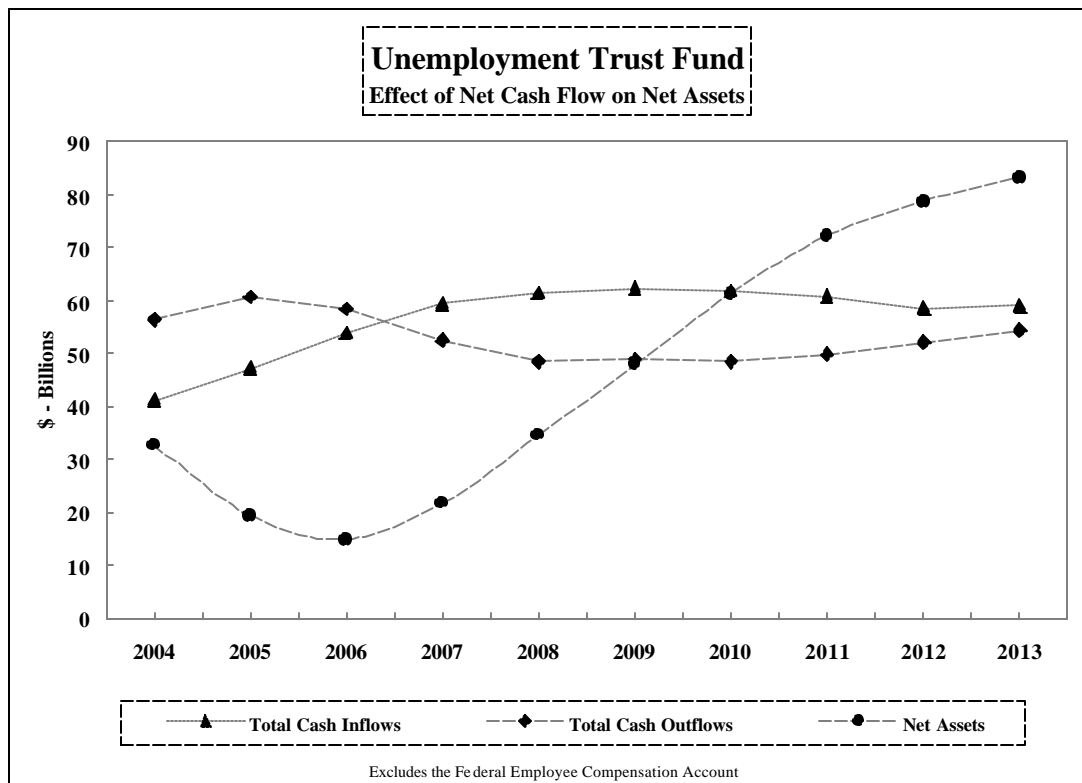
Charts III and IV demonstrate the effect on accumulated UTF assets of projected total cash inflows and cash outflows of the UTF over the ten year period ending September 30, 2013, under mild and severe recession scenarios. Each scenario uses an open group, which includes current and future participants 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 2005, net cash outflows are projected in FY 2004 through FY 2006. Net cash inflows are reestablished in FY 2007 and peak in FY 2010 with a drop in the unemployment rate to 5.18%.

The crossover pattern discussed above remains the same without including interest earnings. However, in the final year of the projections when cash outflows are marginally less than total cash inflows the states have replenished their funds to the desired level and growth of the fund slows.

Chart III



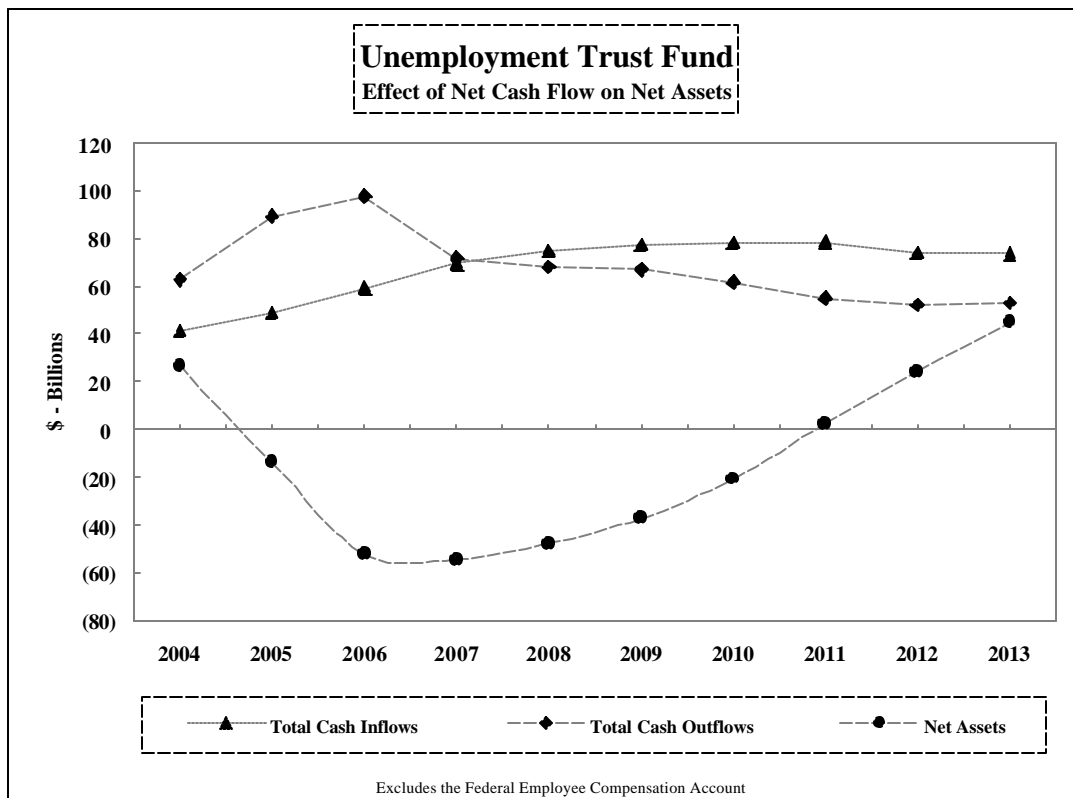
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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 2006. Under this scenario, net cash outflows are projected in FY 2004 through FY 2007, with the fund in a deficit situation from 2005 to 2010. By the end of FY 2007, the net assets of the UTF decrease from \$26.6 billion in FY 2004 to a negative \$54.5 billion, a decline of \$81.1 billion (305%). 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 2008, with a drop in the unemployment rate to 7.28%. By the end of FY 2013, this positive cash flow has replenished UTF account balances to \$44.7 billion, higher than the beginning of 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.

Chart IV



Tables containing the total yearly cash inflow, interest earnings and cash outflow for each scenario are presented in the following pages.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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, 2013
(2) MILD RECESSIONARY UNEMPLOYMENT RATE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(Dollars in thousands)										
Balance, start of year	\$48,010,330	\$32,821,941	\$19,368,061	\$14,925,434	\$21,779,906	\$34,677,817	\$47,960,942	\$61,397,631	\$72,269,147	\$78,755,808
Cash inflow										
State unemployment taxes	31,591,000	38,491,000	44,156,000	47,673,000	48,967,000	48,478,000	47,517,000	46,333,000	45,915,000	46,971,000
Federal unemployment taxes	6,751,000	6,856,000	7,759,000	9,403,000	9,985,000	10,998,000	11,035,000	10,571,000	8,399,000	7,470,000
General revenue appropriation	417,900	21,800	17,300	4,100	600	900	400	500	600	700
Interest on loans	172,000	503,000	894,000	1,028,000	846,000	595,000	312,000	154,000	111,000	106,000
CMIA receipts	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Deposits by the Railroad Retirement Board	138,500	119,400	118,500	115,400	105,500	101,700	110,300	119,000	117,300	112,400
Total cash inflow excluding interest	39,073,400	45,994,200	52,947,800	58,226,500	59,907,100	60,176,600	58,977,700	57,180,500	54,545,900	54,663,100
Interest on Federal securities	2,198,268	1,233,547	1,014,524	1,196,813	1,544,247	2,123,146	2,880,027	3,581,924	4,048,919	4,330,061
Total cash inflow	41,271,668	47,227,747	53,962,324	59,423,313	61,451,347	62,299,746	61,857,727	60,762,424	58,594,819	58,993,161
Cash outflow										
State unemployment benefits	52,151,000	56,193,000	53,880,000	48,103,000	44,114,000	44,514,000	43,891,000	45,241,000	47,336,000	49,560,000
State administrative costs	4,046,328	4,224,202	4,258,845	4,194,269	4,160,972	4,217,083	4,238,701	4,350,563	4,465,871	4,570,230
Federal administrative costs	143,266	147,183	151,820	156,740	162,087	167,508	171,656	178,566	183,989	189,406
Interest on tax refunds	2,963	2,822	3,206	3,932	4,357	4,890	4,961	4,779	3,818	3,395
Railroad Retirement Board withdrawals	116,500	114,420	111,080	110,900	112,020	113,140	114,720	116,000	118,480	119,220
Total cash outflow	56,460,057	60,681,627	58,404,951	52,568,841	48,553,436	49,016,621	48,421,038	49,890,908	52,108,158	54,442,251
Excess of total cash inflow excluding interest over total cash outflow	(17,386,657)	(14,687,427)	(5,457,151)	5,657,659	11,353,664	11,159,979	10,556,662	7,289,592	2,437,742	220,849
Excess of total cash inflow over total cash outflow	(15,188,389)	(13,453,880)	(4,442,627)	6,854,472	12,897,911	13,283,125	13,436,689	10,871,516	6,486,661	4,550,910
Balance, end of year	\$32,821,941	\$19,368,061	\$14,925,434	\$21,779,906	\$34,677,817	\$47,960,942	\$61,397,631	\$72,269,147	\$78,755,808	\$83,306,718
Total unemployment rate	6.60%	7.43%	7.13%	6.35%	5.63%	5.48%	5.18%	5.10%	5.10%	5.10%

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

U.S. DEPARTMENT OF LABOR
 SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
 CASH FLOW AND OUTFLOW OF THE
 UNEMPLOYMENT TRUST FUND EXCLUDING THE FEDERAL EMPLOYEES COMPENSATION ACCOUNT
 FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2013

(3) DEEP RECESSIONARY UNEMPLOYMENT RATE

(Dollars in thousands)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Balance, start of year	\$ 48,010,330	\$ 26,580,618	\$ (13,911,847)	\$ (52,515,249)	\$ (54,503,714)	\$ (47,769,492)	\$ (37,404,250)	\$ (20,901,602)	\$ 2,402,980	\$ 24,192,801
Cash inflow										
State unemployment taxes	31,753,000	39,949,000	48,311,000	55,840,000	59,499,000	59,751,000	58,633,000	56,804,000	53,804,000	52,285,000
Federal unemployment taxes	6,716,000	6,710,000	7,537,000	9,484,000	10,841,000	13,295,000	15,309,000	17,603,000	16,569,000	18,115,000
General revenue appropriation	419,400	35,000	33,600	11,600	4,800	8,200	7,100	1,100	200	400
Interest on loans	232,000	1,154,000	2,765,000	3,774,000	3,805,000	3,627,000	3,244,000	2,603,000	1,862,000	1,125,000
CIVIA receipts	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Deposits by the Railroad Retirement Board	138,500	119,400	118,500	115,400	105,500	101,700	110,300	119,000	117,300	112,400
Total cash inflow excluding interest	<u>39,261,900</u>	<u>47,970,400</u>	<u>58,768,100</u>	<u>69,228,000</u>	<u>74,258,300</u>	<u>76,785,900</u>	<u>77,306,400</u>	<u>77,133,100</u>	<u>72,355,500</u>	<u>71,640,800</u>
Interest on Federal securities	1,981,149	766,923	376,038	298,577	421,912	577,704	789,495	1,166,176	1,546,241	1,968,128
Total cash inflow	41,243,049	48,737,323	59,144,138	69,526,577	74,680,212	77,363,604	78,095,895	78,299,276	73,901,741	73,608,928
Cash outflow										
State unemployment benefits	58,239,000	83,776,000	90,723,000	64,019,000	60,345,000	59,659,000	54,809,000	49,025,000	46,908,000	48,180,000
State administrative costs	4,171,048	4,789,423	5,058,526	4,624,436	4,522,152	4,552,803	4,490,988	4,467,170	4,493,920	4,572,421
Federal administrative costs	143,266	147,183	151,820	156,740	162,087	167,508	171,656	178,566	183,989	189,406
Interest on tax refunds	2,947	2,762	3,114	3,966	4,731	5,911	6,883	7,958	7,531	8,254
Interest on General Fund advances	-	400,000	1,700,000	2,600,000	2,800,000	2,500,000	2,000,000	1,200,000	400,000	-
Railroad Retirement Board withdrawals	116,500	114,420	111,080	110,900	112,020	113,140	114,720	116,000	118,480	119,220
Total cash outflow	<u>62,672,761</u>	<u>89,229,788</u>	<u>97,747,540</u>	<u>71,515,042</u>	<u>67,945,990</u>	<u>66,998,362</u>	<u>61,593,247</u>	<u>54,994,694</u>	<u>52,111,920</u>	<u>53,069,281</u>
Excess of total cash inflow excluding interest over total cash outflow	<u>(23,410,861)</u>	<u>(41,259,388)</u>	<u>(38,979,440)</u>	<u>(2,287,042)</u>	<u>6,312,310</u>	<u>9,787,538</u>	<u>15,713,153</u>	<u>22,138,406</u>	<u>20,243,580</u>	<u>18,571,519</u>
Excess of total cash inflow over total cash outflow	<u>(21,429,712)</u>	<u>(40,492,465)</u>	<u>(38,603,402)</u>	<u>(1,988,465)</u>	<u>6,734,222</u>	<u>10,365,242</u>	<u>16,502,648</u>	<u>23,304,382</u>	<u>21,789,821</u>	<u>20,539,647</u>
Balance, end of year	<u>\$ 26,580,618</u>	<u>\$ (13,911,847)</u>	<u>\$ (52,515,249)</u>	<u>\$ (54,503,714)</u>	<u>\$ (47,769,492)</u>	<u>\$ (37,404,250)</u>	<u>\$ (20,901,602)</u>	<u>\$ 2,402,980</u>	<u>\$ 24,192,801</u>	<u>\$ 44,732,448</u>
Total unemployment rate	6.93%	9.08%	10.15%	7.83%	7.28%	7.05%	6.43%	5.65%	5.20%	5.10%

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 level of benefit payments experienced by the State over the last twenty years. A ratio of 1.0 or greater 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 Illinois, Missouri, New York and Minnesota state accounts had loans payable to FUA at the end of FY 2003. 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, 2003, in descending order, by ratio. As the table below illustrates, 32 states failed to maintain minimal solvency ratios at September 30, 2003. The ratio is not computed for Texas because the bulk of their fund balance represents proceeds from the sale of bonds.

Chart V

Minimally Solvent		Not Minimally Solvent	
State	Ratio	State	Ratio
New Mexico	2.90	South Carolina	0.99
Mississippi	2.30	Georgia	0.97
Vermont	2.29	Oklahoma	0.97
Virgin Islands	2.00	South Dakota	0.90
Delaware	1.94	Wisconsin	0.90
Maine	1.80	Alaska	0.87
New Hampshire	1.67	Kansas	0.85
Arizona	1.63	Nebraska	0.83
Montana	1.53	Tennessee	0.82
Hawaii	1.49	New Jersey	0.75
Puerto Rico	1.45	Maryland	0.74
Iowa	1.39	Washington	0.67
Wyoming	1.39	Kentucky	0.64
Indiana	1.34	Rhode Island	0.64
Louisiana	1.34	Michigan	0.61
District of Columbia	1.25	Alabama	0.60
Utah	1.25	West Virginia	0.60
Oregon	1.22	Idaho	0.57
Florida	1.01	Connecticut	0.55
Nevada	1.01	Ohio	0.53
		Virginia	0.47
		North Dakota	0.39
		Pennsylvania	0.34
		Colorado	0.32
		Arkansas	0.31
		California	0.28
		Massachusetts	0.13
		North Carolina	0.01
		Illinois	-0.06
		Missouri	-0.08
		New York	-0.12
		Minnesota	-0.13
		Texas	N.A.

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, 2003, total liabilities of the Black Lung Disability Trust Fund exceeded assets by \$8.2 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, 2003 were \$8.2 billion, bearing interest rates ranging from 5.375 to 13.875 percent. Excise tax revenues of \$506.1 million, benefit payment expense of \$375.0 million and interest expense of \$620.6 million were recognized for the year ended September 30, 2003.

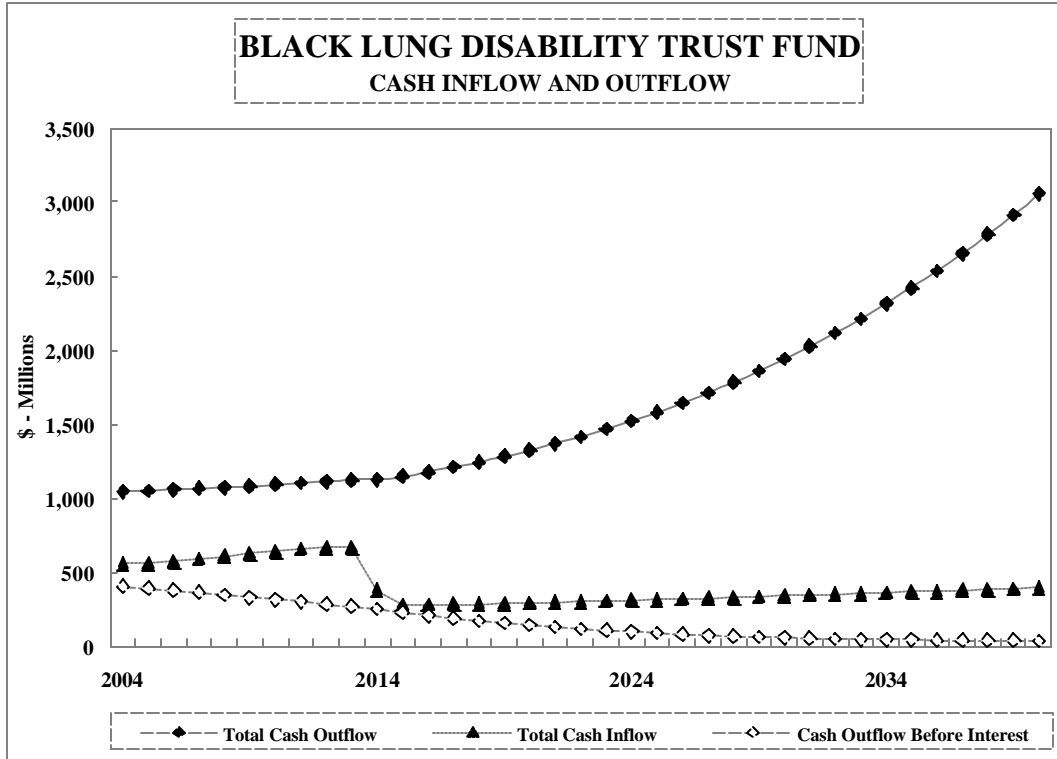
As discussed in Note 1.L.3, DOL recognized a liability for disability benefits to the extent of unpaid benefits applicable to the current period. Accrued disability benefits payable at September 30, 2003 were \$25.7 million. Although no liability was recognized for future payments to be made to present 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-seven 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 \$9.1 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-seven periods included in the projections. Net cash outflows after interest payments are projected to reach \$60.6 billion by the end of the year 2040, increasing the BLDTF's deficit to \$53.8 billion at September 30, 2040. (See Chart I on following page.)

The net present value of future benefit payments for the thirty-seven year period ending 2040 is \$3.0 billion. The net present value of future excise taxes for the thirty-seven year period is \$7.3 billion which results in a \$4.3 billion excess of excise taxes over benefit payments. However, the net present value of total cash outflows, including interest payments and administrative costs, is \$21.8 billion resulting in an excess of cash outflows over excise taxes of \$14.5 billion. The interest rate used for net present value is 5.375 percent.

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-eight 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 \$12.5 billion by the year 2040.

Yearly cash inflows and outflows are presented in the table on the following page.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

U.S. DEPARTMENT OF LABOR
 SUPPLEMENTARY SOCIAL INSURANCE INFORMATION
 CASH INFLOW AND OUTFLOW OF THE BLACK LUNG DISABILITY TRUST FUND
 FOR THE THIRTY-SEVEN YEAR PERIOD ENDING SEPTEMBER 30, 2040

	2004	2005	2006	2007	2008	2009 - 2040	Total
(Dollars in thousands)							
Cash inflow							
Excise taxes	\$ 557,000	\$ 560,000	\$ 573,000	\$ 589,000	\$ 607,000	\$ 12,228,169	\$ 15,114,169
Interest	-	-	-	-	-	-	-
Total cash inflow	557,000	560,000	573,000	589,000	607,000	12,228,169	15,114,169
Cash outflow							
Disabled coal miners benefits	350,016	334,105	318,024	301,946	284,742	3,288,213	4,877,046
Administrative costs	56,099	57,396	58,731	60,103	61,526	885,113	1,178,968
Cash outflows before interest payments	406,115	391,501	376,755	362,049	346,268	4,173,326	6,056,014
Cash inflow over cash outflow before interest payments	150,885	168,499	196,245	226,951	260,732	8,054,843	9,058,155
Interest on advances	639,055	658,533	680,291	703,427	727,346	51,172,734	54,581,386
Total cash outflow	1,045,170	1,050,034	1,057,046	1,065,476	1,073,614	55,346,060	60,637,400
Total cash outflow over total cash inflow	(488,170)	(490,034)	(484,046)	(476,476)	(466,614)	(43,117,891)	(45,523,231)
Balance, start of year	(8,227,010)	(8,715,180)	(9,205,214)	(9,689,260)	(10,165,736)	(10,632,350)	(8,227,010)
Balance, end of year	\$ (8,715,180)	\$ (9,205,214)	\$ (9,689,260)	\$ (10,165,736)	\$ (10,632,350)	\$ (53,750,241)	\$ (53,750,241)

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 2003 and 2002. 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, 2003

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>
BUDGETARY RESOURCES			
Budget authority			
Appropriations received	\$ 65,489,498	\$ 1,657,892	\$ 453,256
Net transfers	(605,878)	525,000	-
Unobligated balance			
Beginning of period	1,575,277	1,301,463	16,163
Net transfers	(781)	(363)	(402)
Spending authority from offsetting collections			
Earned			
Collected	61,721	2,381,620	6,380
Receivable from Federal sources	497	(45,082)	807
Change in unfilled customer orders			
Advance received	-	17,466	-
Without advances from Federal sources	-	-	-
Transfers from trust funds	3,690,196	34,003	-
Total spending authority from offsetting collections	3,752,414	2,388,007	7,187
Recoveries of prior year obligations	231,926	5,722	12,210
Permanently not available	(224,999)	(3,533)	(6,139)
Total budgetary resources	<u>\$ 70,217,457</u>	<u>\$ 5,874,188</u>	<u>\$ 482,275</u>
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	\$ 68,582,902	\$ 2,021,901	\$ 459,864
Reimbursable	19,344	2,391,572	4,484
Total obligations incurred	68,602,246	4,413,473	464,348
Unobligated balances available			
Apportioned	1,268,996	1,100,707	919
Exempt from apportionment	(208)	-	-
Other available	-	207,223	-
Unobligated balances not available	346,423	152,785	17,008
Total status of budgetary resources	<u>\$ 70,217,457</u>	<u>\$ 5,874,188</u>	<u>\$ 482,275</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS			
Obligated balance, net, beginning	\$ 9,777,073	\$ 171,155	\$ 99,381
Obligated balance transferred, net	1,304,116	-	-
Obligated balance, net, ending			
Accounts receivable	(1,304,637)	(18,390)	(887)
Undelivered orders	6,530,531	31,031	49,972
Accounts payable	3,174,644	249,123	34,094
Outlays			
Disbursements	70,005,263	4,363,272	470,372
Collections	(4,011,032)	(2,434,137)	(9,219)
Total outlays	65,994,231	1,929,135	461,153
Offsetting receipts	(1,270,628)	(6,611)	-
Net outlays	<u>\$ 64,723,603</u>	<u>\$ 1,922,524</u>	<u>\$ 461,153</u>

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>
\$ 423,893	\$ 274,741	\$ 117,045	\$ 26,900	\$ 494,253	\$ 68,937,478
-	-	-	-	-	(80,878)
18,021	5,267	2,814	1,968	50,629	2,971,602
(1,166)	(457)	(145)	(161)	2,743	(732)
6,390	946	9,978	185	165,819	2,633,039
780	859	236	70	(3,995)	(45,828)
-	-	-	-	184	17,650
-	-	-	-	(2,396)	(2,396)
71,561	-	-	187,312	29,154	4,012,226
78,731	1,805	10,214	187,567	188,766	6,614,691
7,506	2,542	972	870	47,218	308,966
(6,437)	(2,895)	(1,113)	(1,392)	(4,348)	(250,856)
<u>\$ 520,548</u>	<u>\$ 281,003</u>	<u>\$ 129,787</u>	<u>\$ 215,752</u>	<u>\$ 779,261</u>	<u>\$ 78,500,271</u>
\$ 502,893	\$ 265,842	\$ 118,397	\$ 213,957	\$ 565,725	\$ 72,731,481
6,039	739	9,444	-	163,380	2,595,002
508,932	266,581	127,841	213,957	729,105	75,326,483
1,337	10,958	265	1,031	38,809	2,423,022
-	-	-	-	-	(208)
-	-	-	-	177	207,400
10,279	3,464	1,681	764	11,170	543,574
<u>\$ 520,548</u>	<u>\$ 281,003</u>	<u>\$ 129,787</u>	<u>\$ 215,752</u>	<u>\$ 779,261</u>	<u>\$ 78,500,271</u>
\$ 60,229	\$ 23,138	\$ 41,949	\$ 19,557	\$ 346,188	\$ 10,538,670
-	-	-	-	-	1,304,116
(794)	(874)	(236)	(70)	(10,701)	(1,336,589)
28,551	11,946	31,201	21,133	408,154	7,112,519
30,149	9,380	8,130	34,152	49,232	3,588,904
502,992	266,400	129,486	206,347	590,189	76,534,321
(77,974)	(1,480)	(9,978)	(216,485)	(199,960)	(6,960,265)
425,018	264,920	119,508	(10,138)	390,229	69,574,056
-	-	-	-	-	(1,277,239)
<u>\$ 425,018</u>	<u>\$ 264,920</u>	<u>\$ 119,508</u>	<u>\$ (10,138)</u>	<u>\$ 390,229</u>	<u>\$ 68,296,817</u>

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES For the Year Ended September 30, 2002

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>
BUDGETARY RESOURCES			
Budget authority			
Appropriations received	\$ 63,348,716	\$ 1,381,282	\$ 444,651
Net transfers	(621,501)	465,000	-
Unobligated balance			
Beginning of period	1,405,625	1,573,776	15,105
Net transfers	(123)	(145)	(922)
Spending authority from offsetting collections			
Earned			
Collected	39,920	2,136,154	2,678
Receivable from Federal sources	(436)	54,506	(866)
Change in unfilled customer orders			
Advance received	7,500	20,316	-
Without advances from Federal sources	-	-	-
Transfers from trust funds	3,729,564	33,291	-
Total spending authority from offsetting collections	3,776,548	2,244,267	1,812
Recoveries of prior year obligations	352,198	6,098	17,863
Permanently not available	(230,031)	(8,386)	(4,710)
Total budgetary resources	<u>\$ 68,031,432</u>	<u>\$ 5,661,892</u>	<u>\$ 473,799</u>
STATUS OF BUDGETARY RESOURCES			
Obligations incurred			
Direct	\$ 66,435,635	\$ 2,020,332	\$ 455,623
Reimbursable	20,520	2,340,096	2,012
Total obligations incurred	66,456,155	4,360,428	457,635
Unobligated balances available			
Apportioned	983,633	974,048	13
Other available	(27,769)	214,941	-
Unobligated balances not available	619,413	112,475	16,151
Total status of budgetary resources	<u>\$ 68,031,432</u>	<u>\$ 5,661,892</u>	<u>\$ 473,799</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS			
Obligated balance, net, beginning	\$ 9,608,164	\$ 169,819	\$ 97,656
Obligated balance, net, ending			
Accounts receivable	(1,256,389)	(63,472)	(80)
Undelivered orders	7,569,570	17,139	60,886
Accounts payable	3,463,892	217,488	38,575
Outlays			
Disbursements	65,884,941	4,299,140	440,518
Collections	(3,726,441)	(2,190,412)	(4,282)
Total outlays	62,158,500	2,108,728	436,236
Offsetting receipts	(722,412)	(6,674)	-
Net outlays	<u>\$ 61,436,088</u>	<u>\$ 2,102,054</u>	<u>\$ 436,236</u>

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>
\$ 407,422	\$ 254,768	\$ 111,466	\$ 25,800	\$ 474,913	\$ 66,449,018
-	-	-	-	-	(156,501)
18,141	5,372	2,099	1,854	42,690	3,064,662
(1,519)	(203)	(34)	(79)	2,928	(97)
14,649	3,341	7,815	161	165,963	2,370,681
(296)	(7)	-	-	4,006	56,907
-	-	-	-	155	27,971
-	-	-	-	1,320	1,320
69,132	-	-	186,716	28,179	4,046,882
83,485	3,334	7,815	186,877	199,623	6,503,761
6,497	4,051	996	1,810	39,048	428,561
(4,607)	(3,094)	(1,040)	-	(2,460)	(254,328)
<u>\$ 509,419</u>	<u>\$ 264,228</u>	<u>\$ 121,302</u>	<u>\$ 216,262</u>	<u>\$ 756,742</u>	<u>\$ 76,035,076</u>
\$ 478,566	\$ 258,166	\$ 110,779	\$ 214,294	\$ 526,274	\$ 70,499,669
12,832	795	7,710	-	179,840	2,563,805
491,398	258,961	118,489	214,294	706,114	73,063,474
8,364	229	1,078	639	40,151	2,008,155
-	-	-	-	257	187,429
9,657	5,038	1,735	1,329	10,220	776,018
<u>\$ 509,419</u>	<u>\$ 264,228</u>	<u>\$ 121,302</u>	<u>\$ 216,262</u>	<u>\$ 756,742</u>	<u>\$ 76,035,076</u>
\$ 86,983	\$ 20,565	\$ 40,445	\$ 46,117	\$ 231,521	\$ 10,301,270
(14)	(15)	-	(27,848)	(14,697)	(1,362,515)
30,199	13,102	32,080	33,628	236,971	7,993,575
30,044	10,051	9,869	13,777	123,914	3,907,610
511,950	252,380	115,990	211,197	548,771	72,264,887
(83,781)	(3,377)	(7,815)	(159,029)	(194,676)	(6,369,813)
428,169	249,003	108,175	52,168	354,095	65,895,074
-	-	-	-	-	(729,086)
<u>\$ 428,169</u>	<u>\$ 249,003</u>	<u>\$ 108,175</u>	<u>\$ 52,168</u>	<u>\$ 354,095</u>	<u>\$ 65,165,988</u>

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE

The U.S. Department of Labor, Employment and Training Administration (ETA) maintains ninety-six (96) 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.

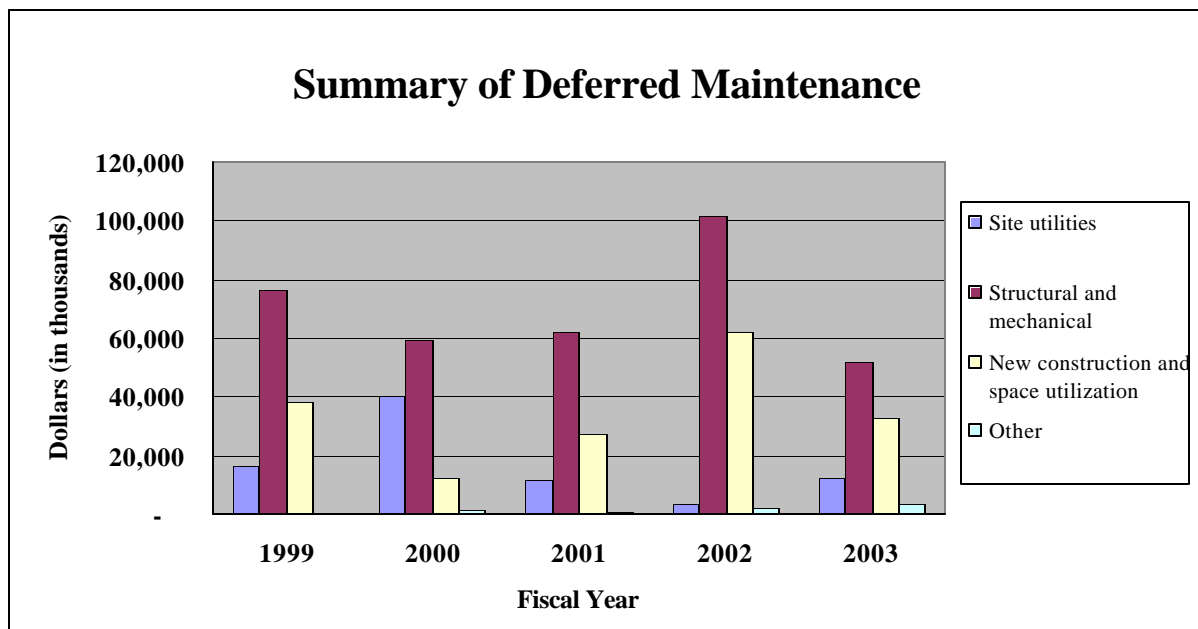
Information on deferred maintenance is based on condition assessment surveys that are conducted every three years at each Job Corps center to determine the current condition of facilities and the estimated cost to correct deficiencies. The surveys are based on methods and standards that are applied on a consistent basis, including:

- C condition descriptions of facilities,
- C recommended maintenance schedules,
- C estimated costs for maintenance actions, and
- C standardized condition codes.

These surveys evaluate the facilities at each Job Corps center to identify:

- C rehabilitation projects that are required to provide for health and safety, or upgrade to an acceptable state of repair,
- C present utilization,
- C health and safety programs,
- C barrier-free access,
- C maintenance, operations, and security programs,
- C energy usage,
- C natural hazards, and
- C conformance to U.S. Environmental Protection Agency and applicable air and water quality standards.

The estimated cost of deferred maintenance for fiscal years 1999 to 2003 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 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:

- C **Financial and Administrative Services** - This activity provides a program of centralized administrative management services at both national and regional levels.
- C **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.
- C **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.
- C **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.
- C **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, 2003 and 2002 is as follows:

<u>(Dollars in thousands)</u>	<u>2003</u>	<u>2002</u>
BALANCE SHEET		
Assets		
Funds with U.S. Treasury	\$ 24,592	\$ 12,796
Accounts receivable, net of allowance	5,894	10,766
Property, plant and equipment	<u>24,936</u>	<u>25,715</u>
Total assets	<u>\$ 55,422</u>	<u>\$ 49,277</u>
Liabilities and Net Position		
Accounts payable	\$ 12,835	\$ 10,377
Accrued leave	3,969	4,028
Future workers' compensation benefits	3,991	2,412
Other liabilities	<u>3,611</u>	<u>3,107</u>
Total liabilities	<u>24,406</u>	<u>19,924</u>
Cumulative results of operations	<u>31,016</u>	<u>29,353</u>
Total liabilities and net position	<u>\$ 55,422</u>	<u>\$ 49,277</u>
STATEMENT OF NET COST		
Cost		
Intra-governmental	\$ 49,280	\$ 50,238
With the public	<u>88,941</u>	<u>94,305</u>
	<u>138,221</u>	<u>144,543</u>
Earned		
Departmental Management	(33,600)	(32,123)
Employment Standards Administration	(31,293)	(29,046)
Employment and Training Administration	(20,593)	(21,092)
Occupational Safety and Health Administration	(18,865)	(18,287)
Bureau of Labor Statistics	(12,899)	(11,488)
Mine Safety and Health Administration	(9,049)	(8,144)
Other revenues	<u>(5,805)</u>	<u>(16,013)</u>
Total revenues	<u>(132,104)</u>	<u>(136,193)</u>
Net costs of operations	<u>\$ 6,117</u>	<u>\$ 8,350</u>
STATEMENT OF CHANGES IN NET POSITION		
Net costs of operations	\$ (6,117)	\$ (8,350)
Imputed financing	4,780	4,251
Transfers-in	3,000	3,000
Net position, beginning of period	<u>29,353</u>	<u>30,452</u>
Net position, ending of period	<u>\$ 31,016</u>	<u>\$ 29,353</u>

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL ASSETS

Intra-governmental assets at September 30, 2003 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>
Trading partner				
Department of Agriculture	\$ -	\$ -	\$ -	\$ 176,857
Department of Commerce	-	-	-	43,580
Department of Interior	-	-	-	135,247
Department of Justice	-	-	-	146,144
Department of the Navy	-	-	-	614,679
United States Postal Service	-	-	-	339,551
Department of State	-	-	-	18,382
Department of the Treasury	9,615,513	48,408,153	726,160	143,750
Department of the Army	-	-	-	404,490
Office of Personnel Management	-	-	-	8,907
Social Security Administration	-	-	-	53,228
U.S. Nuclear Regulatory Commission	-	-	-	1,674
Department of Veterans Affairs	-	-	-	355,945
General Services Administration	-	-	-	36,219
National Science Foundation	-	-	-	274
Department of the Air Force	-	-	-	333,411
Federal Emergency Management Agency	-	-	-	2,012
Tennessee Valley Authority	-	-	-	89,663
Environmental Protection Agency	-	-	-	8,141
Department of Transportation	-	-	-	218,170
Department of Homeland Security	-	-	-	187,102
Agency for International Development	-	-	-	10,583
Small Business Administration	-	-	-	6,896
Department of Health and Human Services	-	-	-	53,201
National Aeronautics and Space Administration	-	-	-	15,404
Department of Housing and Urban Development	-	-	-	17,454
Department of Energy	-	-	-	17,850
Department of Education	-	-	-	5,407
Department of Defense	-	-	-	190,979
Other	-	-	-	154,799
	<u>\$ 9,615,513</u>	<u>\$ 48,408,153</u>	<u>\$ 726,160</u>	<u>\$ 3,789,999</u>

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL LIABILITIES

Intra-governmental liabilities at September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Accounts Payable</u>	<u>Advances from U.S. Treasury</u>	<u>Other</u>
Trading partner			
Department of Agriculture	\$ 209	\$ -	\$ 1
Department of Commerce	177	-	5
Department of Interior	13	-	-
Department of Justice	1,041	-	35
Department of the Navy	-	-	8
United States Postal Service	110	-	-
Department of State	123	-	-
Department of the Treasury	323	8,243,557	-
Office of Personnel Management	868	-	4,808
Social Security Administration	261	-	29
Department of Veterans Affairs	88	-	-
General Services Administration	17,475	-	1,681
Department of Transportation	6	-	-
Small Business Administration	16	-	-
Department of Health and Human Services	15,538	-	428
Department of Energy	-	-	300
Department of Education	-	-	5
Department of Defense	2	-	-
Other	1,698	-	162,884
	<u>\$ 37,948</u>	<u>\$ 8,243,557</u>	<u>\$ 170,184</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, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Earned Revenue</u>
Trading partner	
Department of Agriculture	\$ 110,596
Department of Commerce	19,014
Department of Interior	82,767
Department of Justice	89,611
Department of the Navy	365,162
United States Postal Service	999,523
Department of State	8,860
Department of the Treasury	124,045
Department of the Army	324,175
Office of Personnel Management	1,537
Social Security Administration	34,787
U.S. Nuclear Regulatory Commission	590
Department of Veterans Affairs	165,983
General Services Administration	16,614
National Science Foundation	321
Department of the Air Force	203,129
Federal Emergency Management Agency	22,890
Tennessee Valley Authority	67,353
Environmental Protection Agency	4,265
Department of Transportation	106,096
Department of Homeland Security	48,000
Agency for International Development	9,765
Small Business Administration	5,125
Department of Health and Human Services	28,259
National Aeronautics and Space Administration	7,017
Department of Housing and Urban Development	8,575
Department of Energy	12,591
Department of Education	18,990
Department of Defense	98,140
Other	81,609
	<u>\$ 3,065,389</u>
	Gross Cost to Generate Revenue
Budget Functional Classification	
Education, Training and Employment	\$ 44,129
Income Security	3,018,503
Health	2,757
	<u>\$ 3,065,389</u>

REQUIRED SUPPLEMENTARY INFORMATION

INTRA-GOVERNMENTAL NON-EXCHANGE REVENUE

Intra-governmental non-exchange revenue for the year ended September 30, 2003 consisted of the following:

(Dollars in thousands)

	<u>Interest</u>	<u>Taxes</u>
Trading partner		
Department of the Treasury	\$ 3,422,214	\$ -
Treasury General Fund	<u>-</u>	<u>7,020,275</u>
	<u>\$ 3,422,214</u>	<u>\$ 7,020,275</u>

Management and Performance Challenges



Top Management Challenges Facing the U.S. Department of Labor

The 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 (DOL).

- Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding
- Integrity of Foreign Labor Certification Programs
- Financial and Performance Accountability
- Information Technology and Electronic Government
- Security of Pension Assets
- Workforce Investment Act Reauthorization
- Grant Accountability, Performance, and Effectiveness
- Effectiveness of Mine Safety and Health Programs
- Addressing Issues that Require Joint Action with Other Federal Entities in the Areas of:
 - Unemployment Insurance Administrative Charges
 - Cash Balance Pension Plans
 - Black Lung Disability Trust Fund Indebtedness
 - Human Capital Management

Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding

Enhancing the integrity and solvency of the Unemployment Insurance (UI) system is a challenge to DOL given the program's scope and vulnerabilities. The UI program paid over \$41 billion in income maintenance benefits to workers during the first three quarters of FY 2003. These benefits were financed by employer taxes and paid out by states under a Federal framework. Among the OIG's continued concerns about the UI program are its financial stability and susceptibility to fraud schemes involving identity theft. We believe that reducing overpayments, whether inadvertent or the result of fraud, and ensuring the unemployment trust fund (UTF) has adequate reserves are key to safeguarding this program for American workers.

Overpayments and the BAM system. DOL's Benefit Accuracy Measurement (BAM) system, which uses sampling techniques to estimate total improper payments in the UI system, projected approximately \$4 billion in overpayments for calendar year 2002. A recent OIG audit of the BAM system found that the system accurately detected and reported overpayments. However, we found that the Employment and Training Administration (ETA) did not use BAM information to strengthen internal controls over benefit payments, costing the UI program millions of dollars every year. We concluded that changes must be made to policies and procedures that will make overpayment prevention a top priority by ETA. For example, based on our best practices analysis of state UI operations, we concluded that ETA working with states to expedite the implementation of new hire database con-

nectivity in 10 states, and increasing its usage in another eight states, could save the UTF an estimated \$428 million annually.

Identity Theft and Organized Crime Activity in Unemployment Insurance Fraud.

OIG investigations have identified several methods used to defraud the UI system that have resulted in substantial losses to the UTF. Of greatest concern are identity theft schemes, which involve the use of stolen identities to apply for UI benefits. Recent OIG investigations have demonstrated both the scope and potential monetary losses associated with identity theft fraud. In two California cases the OIG identified a total of over \$11 million in losses. One of those cases involved 3,000 stolen identities. In both investigations, non-traditional organized crime groups were involved. The OIG is seeing more of these “hybrid” cases, which involve extensive program fraud against DOL programs coupled with the involvement of non-traditional organized crime groups.

The OIG also continues to uncover UI check counterfeiting schemes and fictitious employer fraud, wherein an individual or group creates a fictitious company and obtains UI benefits for alleged former employees. We are extremely concerned that telephone and electronic claims, which eliminate the need for applicants to appear in person, will enhance the program’s vulnerability to these abuses. To better combat UI fraud, the OIG has recommended enhanced investigative training for state UI personnel, which focuses on fraud prevention and detection, sharing information about common fraud schemes, and best practices used by the states. The OIG and ETA continue to work together to provide state employees training of this type.

UI Trust Fund Solvency. The national unemployment rate has increased over the last three years from 4% in FY 2000 to a rate of 6.1% as of August 2003. As of September 30, 2002, the Department estimated that, should a severe recession occur, net UTF assets would decline by \$71.1 billion from FY 2003 to FY 2005, possibly requiring borrowing from the Treasury to meet projected needs. As of September 30, 2003, 32 states were reported by DOL as not minimally solvent. The OIG remains concerned that states may not have adequate reserves to meet the UI compensation demands on their trust funds.

Integrity of Foreign Labor Certification Programs

The Department is challenged with ensuring the integrity of its foreign labor certification programs. These programs enable U.S. employers to hire foreign workers when qualified American workers are not available or when admitting foreign workers does not adversely impact the job opportunities, wages, and working conditions of U.S. workers and legal residents. Before hiring foreign laborers, participating employers must apply to DOL for certification that the conditions of these programs are being met. Once the labor certification is granted, the foreign workers involved may obtain visas to live and work in this country.

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

Problems with the Labor Certification Process. ETA is responsible for approving employers' applications that ultimately allow aliens to work in the United States. However, its role in the labor certification process continues to be perfunctory in the Permanent Alien Labor Certification (PLC) program, H-1B Specialty Workers program for highly qualified individuals in specialty occupations, and H-2A Temporary Seasonal Agricultural programs.

- **The Permanent Labor Certification:** Under a new ETA system called Program Electronic Review Management, employer applications would be electronically submitted and processed. A recent OIG assessment concluded that, while the system will significantly reduce the time required to process applications, it will eliminate most human screening of certification applications received. The OIG is concerned that this automated approval system may lead to an increase in program fraud due to fewer controls over application information.
- **H-1B Specialty Workers:** On labor condition applications for the H1-B program, employers declare they will pay foreign specialty workers appropriate wages and follow workplace guidelines. Under current law, DOL must approve the application if it is complete and free of obvious errors. Without the authority to validate information on the application, the DOL's role in this program does little to add value to the process of protecting American jobs and wages.
- **H-2B Temporary Nonagricultural Program:** Although DOL must certify or deny employers' applications for the H-2B program, its certification is only advisory to the Bureau of Citizenship and Immigration Service (BCIS). The BCIS may grant visas to foreign workers despite DOL's denial of the application. In our view, DOL resources expended on this program have little benefit to the U.S. worker.

Labor Certification Fraud. The OIG continues to identify fraud against DOL foreign labor certification programs. These cases involve fraudulent labor certification applications that are filed with DOL on behalf of fictitious companies or that use the names of legitimate companies without their knowledge or permission. ETA has worked with OIG by providing access to its databases and developing revised applications that would assist in automated fraud detection, among other things.

OIG work has shown that corrupt immigration attorneys and labor brokers collect hefty fees from foreign workers for the certifications. For example, the owner of Central Migration, Inc. pled guilty in April 2003 to visa fraud for conspiring with others to forge alien employment certifications. A joint investigation of this case led by the OIG revealed that the owner falsely claimed to be an attorney and filed over 900 fraudulent certification applications, charging foreign workers between \$4,500 and \$8,000 per certification.

Moreover, the OIG is concerned about the vulnerability of the DOL's Foreign Labor Certification programs to fraud by non-traditional, transnational organized crime groups, including Eastern Block and Asian groups. These groups engage not only in activities traditionally associated with organized crime such as extortion, but also in immigration fraud and fraud against DOL programs.

Financial and Performance Accountability

In order to manage DOL programs for results and fully integrate budget and performance as envisioned by the President's Management Agenda (PMA), the Department needs timely financial data, a managerial cost accounting system that matches cost information with program outcomes, and quality performance data. In addition, the Department is challenged to obtain quality information from audits conducted under the Single Audit Act, which cover over 90% of the Department's expenditures, and to strengthen internal controls on the Federal Employee Compensation Act (FECA) program. While DOL has received top marks for progress on the PMA scorecard for financial performance and budget and performance integration, the Department faces challenges in each of these areas.

Financial Accounting. The Department faces a major challenge as it develops a new core accounting system to replace the existing 14-year old Department of Labor Accounting and Related Systems (DOLARS). Like DOLARS, the new system will serve as the central repository for all DOL financial data. As such, it will be the foundation for all financial management activity, including production of DOL's Standard General Ledger, preparation of the Department's financial statements, and maintenance of various accounting subsystems. Among the challenges the Department will encounter are: fully testing the system before, during, and after launch; performing validation and verification of data transferring from the old to the replacement system; and ensuring that the system fully meets Federal financial system requirements and users' needs. The Department will need to take full advantage of lessons learned from recent system implementations as it seeks to meet the challenges of the new accounting system. The OIG stands ready to consult with the Department as appropriate, and will provide audit oversight as the system is implemented.

Managerial Cost Accounting. The OIG's report on the Department's FY 2002 financial statements included our opinion that DOL was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) because DOL had not complied with managerial cost accounting requirements in Federal accounting standards. While the Department subsequently determined that DOL was in substantial compliance with the FFMIA, as allowed by the Act, we maintained that DOL had not implemented managerial cost accounting in accordance with Federal standards. This was because costs were not reported at the required level, and there was no integrated system DOL could use to manage programs on a day-to-day basis. We recommended that the Chief Financial Officer ensure the development of a comprehensive Department-wide managerial cost accounting system.

In May 2003, the Department issued its Managerial Cost Accounting Plan of Action that called for a 14-month timeframe to implement initial managerial cost accounting capability across DOL. Among the Plan's objectives are to make progress toward demonstrating substantial compliance with Federal financial reporting requirements, to complete initial DOL-wide implementation by the July 2004, and to support the Department's FY 2006 budget process. We will continue to monitor and assess the Chief Financial Officer's implementation of DOL's managerial cost accounting plan to determine its effect on financial and performance reporting.

Quality Performance Data. Most program results data required by DOL to measure attainment of its strategic plan goals is 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, which hamper the Department's ability to gauge the success of programs. Obtaining statutory authority to access the National Directory of New Hires and the Social Security Administration wage record database would also enhance the Department's ability to evaluate programs particularly in the area of employment and training programs.

ETA initiated a data validation project to create more precise programming specifications and standards for use in validating that grantee-reported data on the Workforce Investment Act, Trade Adjustment Assistance Act, and other ETA programs are correctly reported. A timeline published by ETA anticipates that states/grantees will finish validating 2002 data for some programs and begin submitting validation output reports to ETA in April 2004. The OIG will continue to follow ETA's progress in implementing the data validation project to assure the reliability of program data.

Single Audit. The Department relies on the Single Audit Act to provide audits for over 90% of its expenditures, including grant costs and UI benefit costs. The OIG is concerned about the adequacy of information being provided to the Department in these audits, which are conducted by public accountants or state auditors and procured with DOL grant funds. Quality control reviews we conducted found serious deficiencies in single audits, including inadequate sampling, which would make the audits unreliable. As a result, the OIG continues to monitor and evaluate single audits, and will work with DOL's grantor agencies to improve their monitoring and evaluation activities. The OIG will continue our multi-year review of single audit reports to determine the adequacy of the audit coverage and whether DOL can continue relying on single audits for financial management purposes. Further, we are working with the National Single Audit Sampling Plan project to assess the quality of Single Audits government-wide. We believe this will improve the quality and usefulness of single audits, to the benefit of DOL and other Federal agencies. However, the Department through its monitoring should also ensure that grantees procure quality audits and that the results of these audits are fully utilized by the grantees and the Department to improve programs.

Internal Controls on the Federal Employee's Compensation Act Program.

Internal control weaknesses relative to medical evidence used to determine eligibility in the Federal Employees Compensation Act (FECA) program increase the risk of improper payments to FECA claimants across the Federal government. An FY 2003 OIG audit concluded that the primary control ensuring that claimants submit medical evidence to support continuing eligibility for compensation and medical benefits is not effective, increasing the susceptibility of this multi-billion dollar program to fraud and overpayments.

Claims Examiners (CE) are required to obtain and review medical evidence on a periodic basis in order to determine claimants' continuing eligibility for compensation payments. Our audit found that in 18 percent of sampled cases where current-year medical evidence was required, the case file did not have current medical evidence. In most of these cases, it

appeared the claimant did not seek medical treatment during the current fiscal year as no medical bills had been processed. Our audit found that the lack of current medical evidence appeared to be due to OWCP's failure to comply with its procedures, which require the CE to obtain and review medical reports and, if such reports are not received, to direct the claimant to undergo a medical examination. We determined that this was a procedural issue rather than a lack of responsiveness on the part of the claimant. Absent medical evidence, OWCP could not make a determination as to whether benefits should be suspended or terminated. Without adequate procedures for obtaining and reviewing current medical evidence, the risk of improper payments increases.

Information Technology and Electronic Government

Maintaining the security of DOL information technology (IT) systems and data is vital, because it relates to key economic indicators and the payment of billions of dollars to workers. The Department will be challenged to prevent unauthorized access to its systems and networks in an expanding electronic government environment. Likewise, DOL must take care to adequately plan and manage IT system initiatives that use new technologies as it strives to deliver high quality services to the public. Continued improvements to IT security policies and correction of security weaknesses identified through the audit process will be key to this effort.

Computer Systems Security. Threats to the Department's information systems from unauthorized access remain a concern for the DOL. This is especially true as web-based technologies and wireless networking proliferate. DOL's implementation of E-Government merited a "yellow" rating on the President's Management Agenda scorecard and a "green" score for progress. The open environment characterized by new technologies and increased public access through E-Government lends itself to increasingly sophisticated attacks on IT systems.

Information Systems Planning and Implementation. DOL continues to stress the importance of acquiring and developing the best computing power to deliver high quality services to the public, while at the same time lowering overall life cycle and program costs. Because of this, the Department must adequately plan and manage systems projects that implement new technologies. Two problems OIG identified in DOL systems development activities were a lack of effective planning for major system initiatives, and failure to ensure that experienced and qualified project management was hired. The Administration is now tasking all Federal organizations to ensure that qualified Project Managers are hired for IT systems related projects. We view this as a positive step toward DOL's continued development and improvement of sound, cost-effective, IT systems.

DOL Security Efforts. During FY 2003, the OIG performed audits of 23 of the DOL's 82 sensitive systems in accordance with the Federal Information Security Management Act (FISMA), and followed up on actions by DOL agencies to address security weaknesses. We concluded that, in FY 2003, the Department maintained consistent focus on improving its information security program through use of its Plans of Action and Milestones (POA&Ms) process. The Department made notable progress in the areas of security training and awareness, physical security, and system security integration. Our

system audits also identified weaknesses in system security control areas including Certification and Accreditation of systems, Contingency Plans, and Risk Assessment, which the Department plans to address with a new model for risk assessments.

Overall, we consider DOL's information systems to be reliable and adequately safeguarded. However, with advances in e-Government and technology, implementing and improving upon security policies and guidance to DOL programs will remain critical. The OIG continues to recommend that this could be best accomplished by a Chief Information Officer (CIO) who is organizationally independent within DOL and focuses solely on IT issues, much as the Chief Financial Officer is organizationally independent. The Department holds that its current organizational structure, in which the CIO is also the Assistant Secretary of Administration and Management, is working.

Security of Pension Assets

Protecting the pensions of American workers remains a significant challenge to the Department. DOL administers and enforces Title I of the Employee Retirement Income Security Act of 1974 (ERISA), which aims to protect the interests of participants in employee benefit plans. The Employee Benefits Security Administration (EBSA) administers the program, overseeing about 730,000 private pension plans and millions of health and welfare plans covered by ERISA. These pension plans hold over \$4 trillion in assets and cover more than 45 million workers. Enhancing their security will involve expanding existing safeguards and enforcing pension protections.

Safeguards to Protect Pension Assets. The OIG has long advocated that ERISA be amended in order to increase protections for pension plan participants. In particular, we have recommended that Section 103(a)(3)(C) of ERISA be repealed. This section contains a "limited-scope" provision that results in inadequate auditing of pension plan assets, because it exempts from audit all pension plan funds invested in banks, insurance companies and other entities regulated by Federal or state governments. Between 1991 and 1997, the Department submitted legislative proposals calling for the repeal of the limited-scope audit provision and calling for reforms to strengthen plan audits. DOL also proposed legislative changes to require direct reporting of certain criminal violations relating to employee benefit plans. These proposals were not enacted. While EBSA has taken steps to improve the audit process through ongoing program initiatives, the problem of limited scope audits remains. We urge the DOL to continue to push for legislative change in order to adequately protect pension assets.

Pension Plan Enforcement. Also of concern is the security of assets in pension plans, which are an attractive target to organized crime groups, corrupt pension plan officials, and those who influence the investment of plan assets. OIG labor racketeering investigations consistently show that assets in Taft-Hartley plans, which are jointly administered by labor union and management representatives, are at risk. In 1997, the OIG identified the risk posed by corrupt financial investment and service providers who employ complex financial schemes to conceal their crimes against employee benefit plans. Abuses by these providers are of particular concern because their activities may impact more than one plan. Our investigations continue to identify multi-million dollar losses due to this

type of crime. One such case recently led to the indictment of an attorney, a real estate agent, and a former pension plan trustee who received illegal payoffs in connection with a \$10 million land purchase by the pension fund of the Northwest District Council of Carpenters. This joint investigation with EBSA is one of 54 current joint OIG and EBSA pension investigations.

In addition, the OIG has renewed concern about the security of the assets in employer-sponsored 401(k) plans that are collectively bargained. Within our jurisdiction, the OIG is developing investigative casework on the growing number of these 401(k) plans.

Workforce Investment Act Reauthorization

Seeking revisions to the Workforce Investment Act (WIA) during the reauthorization process so that it can better achieve its goals poses challenges for the Department. In particular, WIA needs improvement in areas such as the eligible training provider system, sequence of services, financial reporting, and youth and dislocated worker activities. While legislation has been proposed that addresses some of the concerns we have identified in our work on the WIA program, such as burdensome performance reporting and eligibility requirements imposed on training providers that make some providers unwilling to serve WIA participants, OIG audits offer further lessons and insights that should be considered during reauthorization.

Increase Training Provider Participation. An assessment of training activities for adults and dislocated workers in six states found that the number of WIA participants trained has declined when compared to the proportion trained under Job Training Partnership Act (JTPA). We also found that some of WIA's training provisions were burdensome and therefore discouraged eligible training provider participation. ETA should endorse changes to reduce the burden associated with reporting data on non-WIA students, and encourage states to periodically review training courses to ensure that fee and time restrictions do not lower program quality.

Improve Dislocated Worker Program Services and Outcomes. An audit of WIA's Dislocated Worker program found that the services provided had positive effects. However, we also determined ETA should place additional focus on ensuring the program serves only eligible individuals, that participants return to the workforce as quickly as possible, and that reported performance outcomes are complete and meaningful.

Youth Program Improvements. WIA shifted the youth program's focus from short-term training and job placement to long-term, comprehensive youth services that provide the education, skills, work and experience needed for youth to obtain jobs. An evaluation of WIA's youth programs operated by Local Workforce Investment Boards found that recorded performance measures and reported activities of youth participants were often inadequately documented, making it difficult to accurately evaluate program outcomes. ETA should ensure that the services provided and their outcomes are better documented to ensure that programs are accurately evaluated, as well as encouraging revisions to WIA that improve the youth program, such as allowing summer employment as a stand-alone activity for particular participants.

State and Local Reporting of WIA Obligations. The amount of WIA funding available at the state level has been an issue of contention between the states and the Department. A 2003 OIG report addressed the way WIA obligations and expenditures are reported and the question of which is the better basis for determining how much money is available for expenditure and how much new money is needed. We found reported obligations were generally overstated and reported expenditures were generally understated. We concluded, that if obligations accurately reflect legal commitments and are consistently reported, obligations are the more useful measure for assessing states' current WIA funding availability. ETA issued revised instructions to clarify WIA financial reporting requirements in November 2002. WIA reauthorization is an opportunity to provide definitive reporting guidance to grantees on both obligations and expenditures and to mandate accurate, timely reporting.

Grant Accountability, Performance, and Effectiveness

The Department is challenged to provide accountability for the costs and results of \$10 billion in grants it awards each year, mostly for employment and training activities. ETA, DOL's largest grantor agency, is responsible for administering these grants, which provide job skills and enhanced opportunities for workers. Direct Federal oversight of grants of this type is difficult because a large share of the funding is passed down through the states to subgrantees and contractors.

OIG audits have identified, and continue to identify, concerns about accountability at all phases of the grant process. Weaknesses in the pre-award/award stage; grant execution problems including poor performance and charging unallowable costs, errors in grant reporting, and weaknesses in ETA oversight are among those concerns. The OIG has worked with ETA both to resolve our recommendations involving individual grants as well as to improve its overall approach to grant accountability.

ETA took a significant step in April 2003 when it issued an Order implementing its Grant/Contract Administration Plan. Employment and Training Order No. 1-03, which updates ETA's grant administration policy, is designed to improve grantee accountability, compliance, and performance. The Order identifies goals and ETA policies for each of four major phases of grant administration: pre-award, grant award, post-award grant management, and closeout/audit resolution. It also identifies roles and responsibilities for program, administrative and financial, and Regional staff for each phase of the grant process. In carrying out the order, ETA has issued a Regional Accounting Policies and Procedures Manual and is making improvements to post-award grant monitoring, among other things.

The OIG is encouraged by these early efforts and will work with the Department to improve accountability over DOL grants so that funds are properly managed. In the meantime, OIG audits continue to highlight those areas of concern that must be addressed in order to achieve grant accountability, performance, and effectiveness.

Effectiveness of Mine Safety and Health Programs

The OIG still considers enhancing the effectiveness of MSHA programs as a management challenge because the protection of miners from injury or death is at stake. Prior evaluations by the OIG identified a number of mine safety and health issues needing the Department's attention, and MSHA has taken significant steps toward addressing our recommendations. Unresolved recommendations require rulemaking, which will be a challenge for MSHA to fully implement in the coming year.

In particular, based on our evaluation of inspection activities at the W.R. Grace & Company Mine in Libby, Montana, MSHA must address lowering the permissible exposure limits for asbestos, using a more effective method to analyze fiber samples that may contain asbestos, and addressing take-home contamination from asbestos. In response to our recommendations on asbestos rulemaking, MSHA said it expects to publish its proposed rule "Measuring and Controlling Asbestos Exposure" by May 2004.

Addressing Issues that Require Joint Action with Other Federal Entities

The Department is challenged to correct longstanding problems that require coordination with other government entities to fully resolve. Issues requiring intergovernmental action include: Internal Revenue Service (IRS) overcharges to the Unemployment Trust Fund (UTF); inadequate guidance concerning pension plans that underpay participants; the insufficiency of the Black Lung Disability Trust Fund; and strategic human capital management.

IRS Overcharges to the UI Trust Fund. The IRS charges the UTF for collecting employers' monthly UI payments and related activities. For the past 15 years, the OIG has reported problems with the costs that the IRS charges to administer the UTF. In 1999, we reported that the IRS did not have a cost accounting system to capture actual costs of its UTF-related work, and had overcharged the UTF \$48 million during a 3-year period, which they returned to the trust fund. A follow-up audit determined that the IRS charged almost \$300 million in administrative costs to the UTF for FYs 1999-2002 without adequate documentation. If the IRS had used a method based on the percent of revenue received, the agency would have charged the UTF approximately \$174 million less.

We suggested that ETA work with the IRS to adopt an alternative method to allocate administrative costs to the UTF, and request the IRS reimburse the fund for unsupported charges of \$118 million. Following our audit, the IRS reduced the amount of its FY 2002 administrative charges to the UTF. In addition, the IRS is scheduled to implement a new methodology for allocating program-related costs to their appropriate trust funds in FY 2004. The IRS agreed to provide ETA with additional information on this methodology as it evolves in order for ETA to assess whether the new methodology will be acceptable. ETA continues to consult with the OIG regarding its attempts to resolve this issue with the IRS.

Cash Balance Pension Plans. In 2002 we raised concerns about the methodology used to convert traditional defined benefit pension plans to cash balance plans, calling for more clarity and guidance on computing participant benefits. Our audit of a judgmental sample of cash balance conversions found that some sampled plans underpaid benefits after con-

version due to errors made by employers while projecting participant benefits and cost-of-living allowances. We found that while EBSA focused on disclosure and education, it did not review the manner in which plans calculated accrued benefits for employees who left work before normal retirement age. We recommended EBSA direct more resources to protecting the benefits of cash balance plan participants, and work with the IRS in developing improved guidance on calculating participant accrued benefits.

EBSA responded that its enforcement oversight responsibilities are statutorily restricted, and therefore disagreed with our recommendation to direct more enforcement resources toward protection efforts. Nonetheless, in February 2002, EBSA asked the IRS for advice concerning plans that underpaid participants. One month later, EBSA provided a legal opinion to the OIG stating that the Department did have some limited authority to take enforcement action in certain cases. That legal opinion also stated that the Department should wait until the IRS provided its comments to EBSA before EBSA would even consider taking any action. Eighteen months have now passed with no comments from the IRS. We remain concerned that plan participants who left the plans before retirement age may have been underpaid significant amounts because of the IRS' and EBSA's continued lack of action.

Black Lung Disability Trust Fund Indebtedness. The OIG first reported in March 1997 on the chronic insufficiency of Black Lung Disability Trust Fund revenue, which provides benefits for eligible coal miners. When coal excise tax revenues are insufficient to meet the trust fund's obligations, it receives advances from the U.S. Treasury. At the close of FY 2002, outstanding advances to the Black Lung Disability Trust Fund totaled \$7.7 billion. Since the trust fund remains unable to repay any principal on these advances, it must borrow to pay the interest. DOL's projections indicate that cumulative borrowing from the Treasury could total \$53.7 billion or more by 2040. DOL must therefore continue to work with the Congress on legislation to restructure the Fund's debt and provide additional funding to compensate for lost income to correct these problems.

Human Capital Management. Strategic human capital management is vital if the Department seeks to be a high-performing organization. Plans must be in place to recruit, hire, train, and retain the best talent available so that organizational goals can be met. Given projected retirement statistics within the next decade of employees throughout the Federal Government, some agencies are pursuing legislative reform in order to manage their people more effectively. The Department has taken significant steps to address this issue, but must continue to work with the Office of Personnel Management and, if necessary, the Congress to maximize its ability to attract and retain talented people.

Changes from Last Year

In identifying the most critical management challenges faced by the DOL each year, the OIG recognizes significant matters meriting the continued attention of the Department may be omitted from the list. For example, this year's challenge list highlights the UI program, but not the Energy Employees' Occupational Illness Compensation program, which will be challenged because of its newness and increasing worker benefits. The Bureau of International Labor Affairs has implemented additional management controls

and plans to address additional OIG recommended improvements. As a result, at this point, we do not consider this issue to be among DOL's most critical challenges. Finally, this year's top management challenges do not raise the issue of the authority of the Chief Financial Officer (CFO). Recent achievements in addressing longstanding OIG financial management recommendations, including progress toward implementing managerial cost accounting in the Department, are evidence of the leadership and authority the CFO is exercising over agency financial operations. The OIG will continue to monitor DOL's progress in these areas.

Management's Response to the Inspector General's Statement on the Top Management Challenges Facing the U.S. Department of Labor

December, 2003

Since the announcement of the President's Management Agenda in 2001, the Department continues to make solid progress in implementing its five Government-wide initiatives: *Strategic Management of Human Capital*, *Competitive Sourcing*, *Improved Financial Performance*, *Expanded Electronic Government*, and *Budget and Performance Integration*. DOL remains one of the leaders among Cabinet agencies — with status scores of *Yellow* for four of the five Government-wide initiatives, and progress scores of *Green* for the same four initiatives. Nonetheless, we recognize the areas needing improvement and have plans in place to achieve success.

The Department recognizes that the nine challenges posed by the Inspector General represent issues of major potential impact on the effectiveness and efficiency of DOL's programs and operations. The Department's responses identify extensive actions to address these challenges, which have been completed or are currently in progress. The Department anticipates that the results of initiatives to address several management challenges during FY 2003 and a reassessment of other challenges should enable the Inspector General to report even further progress next year.

Several of the challenges reference specific concerns reported in detail in Office of the Inspector General (OIG) audits issued over the past several years, and the management response summarizes corrective action plans taken or planned by the Department. We anticipate that the majority of these findings should be corrected within the next year. Other challenges require legislative action or necessitate that actions be taken jointly with non-DOL government agencies, as explained in management's response. The Department's responses to other challenges offer systematic performance data to provide readers comprehensive information about the overall effectiveness of a program or area of responsibility.

Where a sustained effort is required over several years to address an OIG management challenge that impacts a core program or management priority, performance goals and strategies are provided in either the Departmental or agency annual performance plans. For example, plans at the Departmental and agency level are in place to comprehensively address the human capital management challenges faced by the Department, as well as to improve the results of the job training programs identified in the Inspector General's statement. Finally, other issues raised in the management challenges, such as plans to improve data quality and achieve further integration of budget and performance, are discussed in detail in the Department's Annual Performance Plan.

Actions taken or planned by the Department to address each management challenge are discussed below.

Unemployment Insurance: Overpayments, Identity Theft Fraud, and Funding

Overpayments and the Benefit Accuracy Measurement (BAM) system. The Department is taking crucial steps to improve both the prevention and detection/recovery of overpayments. These steps include encouraging and funding states to use online Social Security Administration data on-line to prevent overpayments due to misused social security numbers, and conducting cross-matches of benefit payments against the New Hire database. In April 2003, the Employment and Training Administration (ETA) issued an Unemployment Insurance Program Letter on integrity analysis to provide states with guidance on the costs and benefits of alternative approaches to preventing, detecting and recovering overpayments.

Regarding overpayments and the BAM system, Office of Workforce Security (OWS) calculations suggest a significant savings, although more modest than the OIG's finding of \$428 million in savings. OWS estimates that States could save approximately \$100 million per year if all States would connect to the New Hire databases and follow up on new hires of the rate of two percent of claimants per year—the rate at which the most active states currently use the databases.

UI Trust Fund Solvency. The most recent data show that 21 states were minimally solvent as of December 31, 2002. States are considered minimally solvent when, at the beginning of a recession, they have enough funds on deposit to pay benefits at the rate paid out for the average of the three highest 12-month periods during the last 20 years or a period covering the three most recent recessions, whichever is longer. This is a marked improvement from previous years' data.

Integrity of Foreign Labor Certification Programs

Overall, DOL has taken positive steps to build and improve the systems used to identify fraud in the Foreign Labor Certification programs, in an effort to reduce the incidence of fraud and improve program effectiveness and integrity. To address the OIG's concerns about this issue, ETA has held several meetings with the OIG, the United States Citizenship and Immigration Services (CIS), and the Office of the US Attorney General, who provided ETA with suggestions of data and processes to include in the new and enhanced fraud detection system. Virtually all the recommendations were accepted and are being implemented within the new Program Electronic Review Management system.

The OIG also expressed concerns over the H-1B program and H-2B Temporary Nonagricultural program. For the H-1B program, OIG noted that because the Department does not have the authority to validate information on H-1B applications, DOL's role in the program does little to add value to the process of protecting American jobs and wages. However, as the Immigration and Nationality Act specifically states: "The Secretary of Labor shall review such an application only for completeness and obvious inaccuracies." The OIG's recommendations would require legislation changes and, accordingly, will be a matter of future policy discussions.

For the H-2B Temporary Nonagricultural Program, ETA has been working closely with CIS to determine why CIS has granted visas to foreign workers despite an application rejection by DOL. Better instructions are being provided to regional alien labor certifi-

cation staff on ways to reduce the number of overturns by CIS and improve the consistency of decisions made between CIS and DOL.

Financial and Performance Accountability

Financial Accounting. The Office of the Chief Financial Officer (OCFO) is pursuing an efficient and integrated approach that builds on government, industry, and project management best practices for acquiring a commercial off-the-shelf financial management package and the system integration expertise necessary for implementation. This approach will use a performance-based acquisition strategy based on effective planning and requirements-gathering consistent with DOL information technology policy and system development life-cycle guidance. OCFO plans to manage the DOLARS Replacement Project using critical components of earned-value management methods for program planning, reporting, and management. OCFO has also developed appropriate planning documents, emphasizing different aspects of the effort, to ensure that the acquisition and implementation of a modern financial management system is cost-effective, efficient, and meets DOL business, technical, and compliance needs.

Managerial Cost Accounting. The Department supports the use of managerial cost accounting (MCA) for results-oriented decision-making and measurement of program economy and effectiveness. Since March 2003, DOL has made significant progress in its ongoing initiative to enhance the Department's managerial cost accounting capability. DOL seeks to enhance MCA through a program entitled Cost Analysis Manager (CAM), and to deliver value-added cost information throughout DOL to support program evaluation, decision-making, cost effectiveness in the delivery of programs, and attainment of strategic goals. To this end, OCFO formed a CAM Project Management Office and developed a Plan of Action to complete CAM implementation by July 2004.

DOL is currently implementing the roadmap defined in the Plan of Action, fully supported by senior executive management, to develop cost information that supports key business requirements of Agency Heads and senior management, operational needs of program managers, and financial reporting needs. Key progress to date includes:

- Acceptance of Plan of Action by Agency Heads and the Deputy Secretary
- Development and delivery of CAM training to 130 DOL finance and program managers
- Commencement of MCA implementation for large major agencies, including ESA, ETA, MSHA, OSHA and EBSA
- Identification and utilization of existing cost information and costing processes, including MCA pilots, information contained in the Department's core accounting system, subsidiary ledgers, and the Statement of Net Cost
- Definition of significant outputs (i.e., products and services) to define the major programs of the five agencies listed above
- Linking costs to these agencies' programs and to the defined outputs

Quality Performance Data. As OIG notes, ETA has launched a data validation initiative to ensure the accuracy of performance data and other program information collected

and reported from states and grantees. Data validation for the Unemployment Insurance (UI) program was implemented in July 2003 for the UI quarterly reports. States submitted validation summary reports in September 2003.

ETA is currently implementing a data validation requirement for six employment and training programs. ETA released guidance in August 2003, establishing the Agency's data validation policy and implementation timeframes. States received training on data validation during the summer of 2003. States will submit validation summary reports in April 2004 for the PY 2002 Workforce Investment Act annual report, FY 2003 Trade Act Participant Record records for the Trade Adjustment Assistance program, and ETA 9002 and VETS 200 reports covering four quarters of the Labor Exchange program. Additional training for National Program grantees will be held during the winter and spring of 2004, and they will begin the validation process by the end of CY 2004.

Single Audit. The Department shares the OIG's concerns about the adequacy of Single Audit Act (SAA) audit coverage of its programs. In our oversight and monitoring activities, we will continue to strive to ensure that covered recipients and sub-recipients have required audits performed, that audits are appropriately resolved, and that audit results are used to improve program performance.

Additionally, in FY 2004 and beyond, the Department will establish quality controls more proactively through implementation of the provisions of the Improper Payments Information Act of 2002. For every program/activity with significant erroneous payments, the Department will construct a statistically-valid methodology and program design to estimate the annual amount of erroneous payments, analyze causes of errors, and ensure progress in reducing erroneous payments. These actions will allow the Department to more effectively target payment errors. DOL will also conduct periodic program reviews to improve internal controls and train staff to provide guidance on maintaining these controls over the long term.

Internal Controls on the Federal Employee's Compensation Act Program. As noted by the OIG, this issue relates to procedures OWCP has in place to ensure that current medical evidence is present in each long-term disability file. Of the errors identified by OIG, 60 percent occurred in one office. OWCP had identified failure to comply with this procedure through its own internal accountability reviews, and has already initiated corrective action. FECA management is taking concrete steps to ensure staff are following procedures and is developing an electronic tracking system to assist them in doing so

Information Technology and Electronic Government

Computer Systems Security. Given the expanding electronic government environment, coupled with the emergence and proliferation of web-based technologies, the Department recognizes a critical need to emphasize the delivery of its Cyber Security Program. Integral to this, as well as the efficiency and effectiveness of DOL as a whole, is the importance of implementing systems which deliver quality services to the public while at the same time lowering overall life cycle and program costs.

Information Systems Planning and Implementation. DOL's Office of Chief Information Officer (OCIO) is implementing a comprehensive project management structure that employs a rigorous system developmental life-cycle management process that includes appropriate checks and balances to ensure projects are being executed according to plan, performance, and budget. This is accomplished through systematic reviews of efforts in accordance with the Capital Planning, Investment, and Control Process. These quarterly reviews allow the OCIO to ensure that agencies' projects are properly aligned with DOL's business objectives, Cyber Security Program, and Enterprise Architecture.

The overall CIO Information Technology (IT) management structure has been strengthened with the recent hiring of an additional senior executive IT manager, who along with the Deputy CIO, will oversee IT system management, development of IT projects, and ongoing IT systems operations. DOL is taking steps to hire qualified and experienced project management staff and to provide project management training for the existing CIO staff. A Contracting Officers Technical Representative (COTR) training class was also provided to the entire senior staff of both the OCIO Programs and the Information Technology Center.

DOL Security Efforts. DOL has made significant strides in the effectiveness of its Cyber Security Program, resulting in the proactive use of program management tools such as Plans of Action and Milestones, and an enhanced risk assessment methodology that includes both qualitative and quantitative risk evaluations. DOL also implemented a web-based computer security awareness and training program that provides consistent and convenient access to security training and on-line completion of status reports. The number of employees and contractors who have successfully completed this training increased from 93 percent in FY 02 to 97 percent in FY 03.

DOL's continued emphasis on program integration has led to a revised System Development Lifecycle Manual that corresponds with the DOL Computer Security Handbook and the Cyber Security Program Plan. In collaboration with the IT Security Officer's Working Group, DOL has established a forum for sharing best practices and increasing managerial involvement in information security issues. This collaborative effort has resulted in 58 percent of DOL's sensitive systems achieving Authority to Operate (ATO), an increase of 17 percent over FY 02. This increase is significant because the number of systems requiring ATO increased from 46 in FY 02 to 81 in FY 03. DOL is committed to achieving its goal of having all 81 systems achieve ATO by July 2004.

While DOL has made significant strides in the effectiveness of its Cyber Security Program Plan, it acknowledges that opportunity for program improvement still exists. Most DOL systems have contingency plans in place; however, adequate testing has not yet been implemented. Although 42 percent of DOL systems have Interim Authority to Operate, the majority of these systems only require systems testing and evaluation to achieve full ATO. DOL has implemented a project management strategy to ensure a high degree of involvement in agency security programs and to cultivate a robust Cyber Security Program.

Security of Pension Assets

Safeguards to Protect Pension Assets. Between 1991 and 1997, the Department submitted legislative proposals calling for the repeal of the limited-scope audit provision and for reforms to strengthen plan audits. DOL also proposed legislative changes that would require the direct reporting of certain criminal violations relating to employee benefit plans. Despite DOL's continued efforts, neither the House nor the Senate reported legislation out of committee.

The Department continues to take steps to improve the audit process established by the Employee Retirement Income Security Act (ERISA) of 1974. In February 2003, the Department's Employee Benefit Security Administration (EBSA) initiated its second nationwide review to assess the quality of employee benefit plan audits. This study involves a statistical sample of 300 plan audits to assess compliance with professional accounting and auditing standards, and should be completed in early 2004.

Ongoing DOL program initiatives include cooperative efforts with the accounting profession. EBSA will be coordinating closely with the Public Company Accounting Oversight Board (created by the Sarbanes – Oxley Act) and will continue its active involvement with the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (FASB) to develop accounting guidance for employee benefit plans and additional technical materials for CPAs to use in conducting audits of employee benefit plans.

Pension Plan Enforcement. DOL recognizes that pension funds represent a target for individuals with criminal intent and has responded with a strong enforcement program. EBSA's enforcement mission is to deter and correct violations of Title I of ERISA and related criminal statutes through the use of civil and criminal investigations of plans, plan sponsors, fiduciaries, and service providers. EBSA's criminal investigations during FY 2003 resulted in 137 indictments, convictions or pleas entered in 57 different EBSA cases, and recovery of over \$5.8 million on behalf of employee benefit plans or their participants and beneficiaries. EBSA also closed 4,253 civil investigations, 69 percent of which were closed with results. During this period, EBSA civil enforcement investigations had monetary results of over \$1 billion.

EBSA will continue targeting criminal cases using successful means such as analyzing computer data, gathering information through civil investigations, leads from plan participants, plan officials, informants, and media sources, and information gained from other government agencies. DOL also maintains close working relationships with other law enforcement agencies such as the U.S. Attorneys, the FBI, the Postal Inspectors, and OIG. DOL is also proactively promoting early detection and prevention of criminal behavior through aggressive compliance assistance, outreach and education campaigns that create knowledgeable consumers who can assist in "policing" their own benefit plans.

EBSA has had a national enforcement project since 1995 focusing on the failure of employers to timely remit employee contributions to 401(k) plans. Since the beginning of the project through September 30, 2003, EBSA has opened over 9,200 civil investigations and closed almost 8,000 civil investigations (5,500 with violations and monetary

results). Also, 209 criminal cases have been opened. These cases have so far resulted in the criminal prosecution of 124 persons and monetary returns of over \$305 million nationwide have been achieved by EBSA

DOL's announcement of a final Voluntary Fiduciary Correction Program (VFCP) enables 401(k) plan sponsors to self-correct delinquent participant contributions by restoring losses, including earnings, to plans. DOL received 240 VFCP applications during FY 2003 and had monetary results of approximately \$8.7 million.

Workforce Investment Act Reauthorization

Increase Training Provider Participation. Several provisions in the Workforce Investment Act (WIA) reauthorization bills before the Congress (House-passed H.R. 1261 and Senate-passed S. 1627) should help increase training provider participation, including requirements relating to the certification of eligible providers of training services. States would be given the authority to determine what provider information and data will be required to establish a list of eligible training providers. There would be no federal requirement to report performance outcomes for all students in a training program rather than just WIA-funded students. States would have the flexibility to design procedures that respond to their state's needs. To ensure the quality of providers, States would have to establish criteria including the performance of providers with respect to WIA's performance indicators.

Second, WIA would be amended to address issues regarding current law requirements for a "sequencing of services" – that is, how a participant moves from core to intensive to training services. States and local areas would be given additional flexibility to determine whether core or intensive services alone are sufficient for the participant to obtain employment, or whether training services would also be necessary.

Third, the concept of Individual Training Account would be broadened to "Career Scholarship Account" and local areas would have the flexibility to combine other training resources with WIA funds in these accounts. This would facilitate training acquisition and maximize the number of participants that can be assisted through training.

Regarding OIG's recommendation that ETA encourage states to periodically review training courses to ensure fee and time restrictions do not lower program quality, ETA agrees that States should take appropriate steps to ensure that training provided is of high quality. Although there are no federal requirements relating to fee and time restrictions for training courses, ETA believes that States need to identify factors affecting quality of training programs and develop appropriate policies, accordingly. This would be part of an increase in State responsibility under revised eligible training provider provisions in a reauthorized WIA. ETA has particularly encouraged an emphasis on outcomes achieved by providers, but additional features, including those noted by the OIG, may also be relevant. ETA will encourage sharing of information and practices among States to assist in the development of appropriate training program policies.

Improve Dislocated Worker Program Services and Outcomes. The Department's approach for improvement of the Dislocated Worker program reflects the broad principles of OIG's recommendations. A feature of the proposed WIA reauthorization is con-

solidation of funding streams for the WIA Dislocated Worker, Adult, and Employment Service funding streams into a single formula grant, designed to streamline state and local program administration. Until the WIA reauthorization is complete, DOL contends that policy changes to eligibility requirements for the Dislocated Worker program are inappropriate, and should be issued after final legislation is enacted. Through the implementation of common measures for federal employment and training programs, DOL will capture more comprehensive information on program participants, and improve delivery of services in ways that encourage program participants' prompt return to the workforce.

The common measures will require state and local areas to provide participants meaningful, reportable service, or terminate participation if no service is provided within 90 days. This uniform strategy provides a clear statement of ETA policy, and encourages provision of services associated with quick re-entry to employment for dislocated workers. The Department is also developing a new reporting and information collection system that will more comprehensively and meaningfully demonstrate workforce system results. ETA's data validation initiative will also ensure the accuracy of performance data reported by states and grantees.

Youth Program Improvements. ETA continues to focus on the OIG's key issue that programs be accurately evaluated. DOL is currently revising a comprehensive case management manual developed in October 2002, and will distribute the document to all youth workforce investment areas in FY 2004. ETA is also implementing a data validation project that addresses required documentation needed to substantiate reported performance outcomes.

DOL does not concur with the OIG recommendation to encourage revisions to WIA, such as allowing summer employment as a stand-alone activity for particular participants, because this is contrary to the original legislative intent to improve youth programs under WIA. The WIA legislation moved youth programming towards a comprehensive youth development approach centered on a broad range of coordinated services embodied in the ten required program elements. In its guidance to the workforce investment system, DOL has continuously encouraged states and local areas to integrate summer employment opportunities with other program elements in a comprehensive strategy to address youth employment and training needs. DOL believes the workforce investment system has continued to focus on summer jobs programs because of the relative ease of serving in-school youth. Although this practice continues, DOL contends that the legislation should reinforce the original legislative direction, rather than retreating from the practice.

State and Local Reporting of WIA Obligations. The Department agrees with the OIG's assertion that clarification of obligations and expenditures and mandating timely, accurate reporting are critical factors in WIA reauthorization. The OIG suggests that obligations are the more useful measure for assessing states' current WIA funding availability, and the General Accounting Office (GAO) recommends that DOL require States to report obligations made at the point of service delivery. However, as noted in DOL's response to the GAO report, the Department is concerned that it would be burdensome and expensive to implement reporting of obligations at the point of service delivery

nationwide. Accordingly, DOL supports the WIA reauthorization proposals that would require states to make financial reports on the basis of expenditures, and would allow DOL to recapture unexpended funds in each program in states and local areas in excess of 30 percent of total funds available during a program year.

In conjunction with issuing revised instructions that clarified WIA financial reporting requirements, DOL is providing on-going training about timely reporting of expenditures and accurate reporting of obligations. DOL is also developing an introductory course on financial management and reporting that focuses on application of accounting requirements and concepts, such as proper accrual of costs at the end of a reporting period, and commitment and obligation of funds. Through guidance, training, and technical assistance, DOL continues to make accounting of WIA funds a priority.

Grant Accountability, Performance and Effectiveness

Implementation of policies contained in the Employment and Training Order No. 1-03 issued in April 2003 is a priority for ETA. The order was designed to update ETA policy and clarify roles and responsibilities for grant administration to improve accountability, compliance, and performance from services delivered by ETA grantees. ETA recently introduced the Grants e-management System (GEMS) and will deploy the system Department-wide. GEMS assists Federal Project Officers to manage daily grants management workload and to track activities throughout the life cycle of each grant. The system provides automated tools for grant monitoring activities including pre-award assistance, tracking and submitting grant modification requests, performing desk reviews, conducting monitoring visits and generating reports, and performing risk assessments at several phases of a grant's life cycle.

Additionally, DOL has developed a standardized risk assessment for use in overseeing ETA-administered grants. This assessment will be used to assign a risk level for each grant, to identify "at risk" grants, and to assist in prioritization of oversight activities over the coming quarter. ETA is also redesigning its Grants Tracking System (GTS) to tie into GEMS, which will support improved grants tracking, as well as the management and processing of procurement action requests.

Effectiveness of Mine Safety and Health Programs

Working together with mine operators and miners, the Mine Safety and Health Administration (MSHA) is facilitating cultural change in the mining community so that safety is embraced as a value. As a result, for all of FY 2003, mining fatality and injury rates declined to record lows. MSHA has also successfully implemented OIG's recommendations to better integrate our enforcement and compliance assistance activities, standardize complaint-handling procedures, and promote Personal Protective Equipment use by miners. Specifically, MSHA has:

- Tested and deployed a Nationwide hazard complaint analysis system, conducted training, and implemented revised Hazard Complaint Procedures Handbook procedures (effective in November of 2002).

- Rolled out an extensive educational and behaviorally-based campaign conducted with NIOSH to increase personal protective equipment among miners, running through December 2005.
- Conducted detailed analysis of trends in injuries and fatalities so that compliance assistance can be targeted more effectively and problem areas addressed more proactively.

MSHA also intends to issue a proposed rule by May 2004 on “Measuring and Controlling Asbestos Exposure,” which will address lowering the Permissible Exposure Limit for asbestos to a more protective level. Currently, MSHA is assessing the best means to address the issues of fiber sample analysis and take-home asbestos contamination.

Addressing Issues That Require Joint Action with Other Federal Entities

IRS Overcharges to the UI Trust Fund. On August 19, 2003, ETA advised the OIG that it has conducted negotiations with the IRS. The IRS has begun to develop a new financial accounting system that includes a module that uses a different methodology for allocating its program-related costs to appropriate trust funds. ETA will assess the acceptability of this methodology as it develops. To date, IRS has described how they are addressing the problem and another meeting is pending in December to specify more of these approaches.

ETA’s target to execute a Memorandum of Agreement with the IRS for ensuring consistent application of the new cost-allocation methodology is January 9, 2004; accordingly, the earliest date for a final response to this challenge is January 30, 2004. IRS intends to use the methodology to determine past overcharges and amounts to be reimbursed to the UI trust fund. ETA will be involved in that process.

Cash Balance Pension Plans. The Department’s regulatory and enforcement authority in this area is limited, since DOL cannot take any enforcement action or begin working with IRS on additional guidance until IRS determines whether there were violations of Internal Revenue Code and ERISA. Consequently, DOL forwarded a copy of the OIG report and supporting work papers to the IRS for its review and comments, and is currently awaiting IRS’ response. DOL will provide assistance in developing new guidance if IRS determines this action is warranted.

Black Lung Disability Trust Fund Indebtedness. This issue can only be resolved by legislative action. Progress is anticipated shortly on proposed legislation being advanced as part of the President’s 2004 budget. The proposed legislation would restructure the existing indebtedness and extend the current excise tax rates until the debt is repaid.

Human Capital Management. The Department takes seriously the challenge to maintain a high-performing organization, and has implemented new flexibilities available through the Office of Personnel Management (OPM) to attract and retain talented people, including:

- **Succession Planning.** DOL has successfully implemented an SES Candidate Program (27 participants), and the Mid-Level Management Development Program (40 participants), two programs to insure a sufficient number of

leaders are available to meet future DOL needs. DOL has also launched a mentoring program for mid-level employees to develop new leaders, with 118 mentoring pairs participating in FY 2003. DOL recently received an Impact award from the International Personnel Management Association recognizing these succession-planning efforts.

- **Hiring and Pay Flexibilities.** DOL has aggressively implemented new hiring flexibilities made available by OPM, particularly making extensive use of the Career Intern Program to appoint 64 employees in FY 2003. This authority also allowed DOL to launch an initiative to address a gap in business skills, such that DOL hired 30 MBA Fellows currently rotating through various DOL agencies.

DOL also continues to use pay flexibilities to recruit and retain high performing employees, with over 120 recruitment bonuses, 15 retention allowances, and 9 relocation bonuses awarded in FY 2003. DOL also began utilizing the Student Loan Repayment Program in FY 2003, and hired 76 students under the Student Career Experience Program.

- **Competency Models.** In FY 2003, DOL developed competency models for all mission-critical occupations that contain the general and technical competencies required at various proficiency levels (entry, journey, senior and expert). These competency models identify and define competencies and set benchmarks (standards by which work is measured at each proficiency level), selection indicators, and developmental indicators for each competency.
- **Performance Management.** To ensure a results-oriented and high-performing workforce, DOL has placed all managers on performance plans encompassing basic management competencies and performance goals tied to DOL's organizational goals. DOL has also aligned all employees' performance rating cycles to coincide with the fiscal year, so performance goals from strategic and annual performance plans will filter down to all employees. DOL is also increasing the size of award pools so performance awards are more meaningful to employees.

Strategic Planning. DOL has submitted a management cross-cut of \$2.6 million in FY 2003 to fund key human capital initiatives. In an effort to tie together human capital initiatives, DOL has just completed development of a comprehensive Human Capital Strategic Plan for FY 2003 through FY 2008. This plan summarizes the current assessment of our workforce, provides projections regarding retirement and turnover, and focuses on major strategic initiatives to accomplish the President's Management Agenda goals.

- **New Flexibilities Under the Homeland Security Act.** Currently, DOL is reviewing new HR flexibilities provided under the Homeland Security Act,

and will work with OPM to implement these new authorities. Government-wide succession planning efforts currently under consideration, include:

- Studying whether category rating is an appropriate alternative to numerical scores to rank applicants on competitive certificates.
- Reviewing the direct hiring authority process to hire qualified applicants without competition.
- Submitting a Departmental request to OPM for use of voluntary early retirement authority (VERA) in FY 2004.



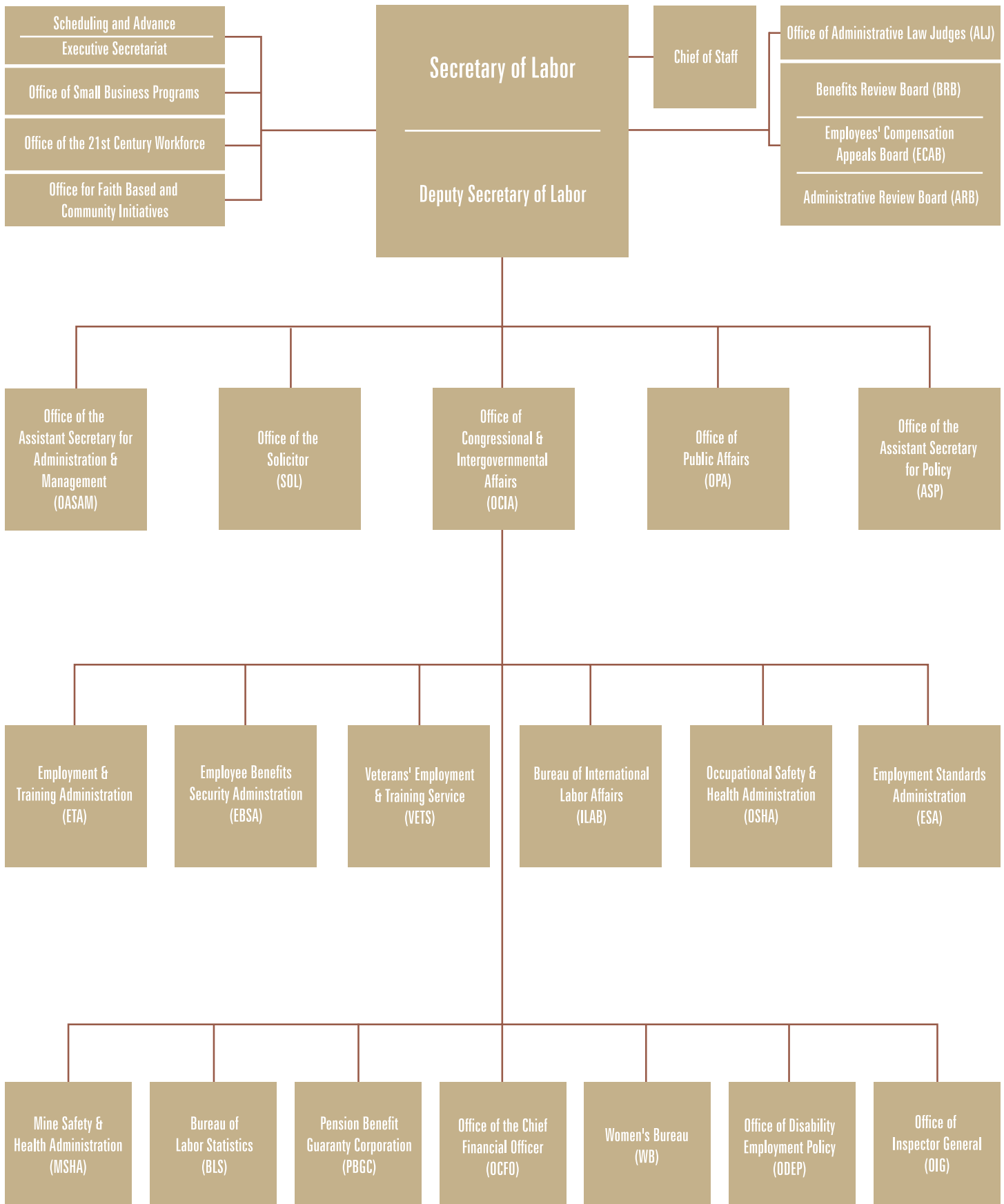
Appendices

GLOBAL ECONOMY

WORKFORCE

COMPELLIVE

Appendix 1 Department of Labor Organization



Agency Missions

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.

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, energy workers, and coal 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.

Mine Safety and Health Administration (MSHA): To protect the safety and health of the Nation's miners by determining 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.

Occupational Safety and Health Administration (OSHA): To assure so far as possible 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.

Office of the Assistant Secretary for Administration and Management (OASAM): The Office of the Assistant Secretary for Administration and Management is responsible for the development and promulgation of policies, standards, procedures, systems, and materials related to the resource and administrative management of the Department and for the execution of such policies and directives at Headquarters and in the field. The ASAM also serves as Chief Information Officer and in that capacity provides leadership and assistance to Departmental agencies in all aspects of using information technology to manage programs.

Office of the Chief Financial Officer (OCFO): To oversee all financial management activities relating to the Department's programs and operations, ensure compliance with financial management laws and standards, and develop and manage high-integrity financial information, policies, services, and products in support of the department's mission to prepare and protect American workers.

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 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.

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. PBGC is an independent Federal corporation.

Veterans' Employment and Training Service (VETS):

To help Veterans, Reservists, and National Guard members in securing and maintaining employment and the rights and benefits associated with employment.

Women's Bureau (WB):

To promote profitable employment opportunities for women, to empower them by enhancing their skills and improving their working conditions, and to provide employers with more alternatives to meet their labor needs.

Appendix 2

Goals and Results

The table below presents, by DOL Agency, each performance goal for which results are being reported in this document. It includes the goal statement, whether it was achieved, and the period covered. As discussed in the Executive Summary, many of our programs are forward-funded and report on a program year (PY) that begins nine months after the fiscal year. In addition, two OSHA goals (3.1D and 3.1F) rely on performance data that are only available on a calendar year (CY) basis.

Agency – Goal	Performance Goal	Result	Period
BLS - 1.3A	Produce and disseminate timely, accurate, and relevant economic information.	Achieved	FY 2003
BLS - 1.3B	Improve the accuracy, efficiency, and relevancy of economic measures.	Achieved	FY 2003
EBSA - 2.2B	Enhance Pension and Health Benefits Security.	Achieved	FY 2003
ESA - 2.1A	Covered American workplaces legally, fairly, and safely employ and compensate their workers.	Substantially Achieved	FY 2003
ESA - 2.1B	Advance safeguards for union financial integrity and democracy and the transparency of union operations.	Not Achieved	FY 2003
ESA - 2.2C	Minimize the human, social, and financial impact of work-related injuries for workers and their families.	Substantially Achieved	FY 2003
ESA - 3.2A	Federal contractors achieve equal opportunity workplaces.	Achieved	FY 2003
ETA - 1.1A	Increase the employment, retention, and earnings of individuals registered under the WIA adult program.	Not Achieved	PY 2002
ETA - 1.1B	Improve the outcomes for job seekers and employers who receive public labor exchange services.	Not Achieved	PY 2002
ETA - 1.1C	Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.	Substantially Achieved	FY 2003
ETA - 1.2A	Increase entrance and retention of youth registered under the WIA youth program in education or employment.	Achieved	PY 2002
ETA - 1.2B	Increase participation, retention, and earnings of Job Corps graduates in employment and education.	Not Achieved	PY 2002
ETA - 1.2C	Increase entrance and retention of Youth Opportunity Grant participants in education, training, or employment.	Not Achieved	PY 2002
ETA - 2.2A	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.	Substantially Achieved	FY 2003
ETA - 2.3A	Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.	Not Achieved	PY 2002
ETA - 2.3B	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	FY 2003
ILAB - 3.3A	Reduce exploitative child labor by promoting international efforts and targeting focused initiatives in selected countries.	Achieved	FY 2003
ILAB - 3.3B	Improve living standards and conditions of work for workers in developing and transition countries.	Achieved	FY 2003
MSHA - 3.1A	Reduce the mine industry fatal injury incidence by 15% annually, and reduce the all-injury incidence rate 50% below the FY 2000 baseline by the end of FY 2005. For FY 2003 this equates to a 17% reduction.	Not Achieved	FY 2003
MSHA - 3.1B	Reduce the percentage of respirable coal dust samples exceeding the applicable standards by five percent for designated occupations in coal mines and reduce the percentage of silica dust samples in metal and nonmetal mines exceeding the applicable standards by five percent for designated high risk occupations; and reduce the percentage of noise exposures above the citation level in all mines by five percent.	Achieved	FY 2003
OASAM - 3.2B	States that receive financial assistance under the Workforce Investment Act provide benefits and services in a nondiscriminatory manner.	Achieved	FY 2003
OASAM - HR1	The right people are in the right place at the right time to carry out the mission of the Department.	Achieved	FY 2003

Agency – Goal	Performance Goal	Result	Period
OASAM - HR2	Reduce the rate of lost production days by two percent (i.e., number of days employees spend away from work due to injuries and illnesses).	Achieved	FY 2003
OASAM - HR3	Reduce the overall occurrence of injuries and illnesses for DOL employees by three percent, and improve the timeliness of filing injury/illness claims by five percent.	Achieved	FY 2003
OASAM - IT	Improve organizational performance and communication through effective information management and deployment of IT resources.	Not Achieved	FY 2003
OASAM - PR1	Complete public-private or direct conversion competitions on not less than 10 percent of the FTE listed on the DOL's Federal Activities Inventory Reform Act (FAIR) inventory.	Not Achieved	FY 2003
OASAM - PR2	Award contracts over \$25,000 using Performance-Based Contracting Services (PBSC) techniques for not less than 30 percent of total eligible service contracting dollars.	Achieved	FY 2003
OCFO - FM1	Improve the accuracy and timeliness of financial information.	Achieved	FY 2003
OCFO - FM2	Integrate financial and performance management to support day-to-day operations across DOL.	Achieved	FY 2003
ODEP - 1.1D	Implement new demonstration programs, through grants, designed to develop and test strategies to address the special needs of persons with significant disabilities.	Not Achieved	FY 2003
OSHA - 3.1C	Reduce the rate of workplace fatalities by two percent from baseline.	Not Achieved	FY 2003
OSHA - 3.1D*	Reduce injuries/illnesses by 11% [from baseline] in five industries characterized by high-hazard workplaces.	Achieved	CY 2001
OSHA - 3.1F	Decrease fatalities in the construction industry by 15% by focusing on four leading causes of fatalities (falls, struck-by, crushed-by, and electrocutions and electrical injuries).	Achieved	CY 2002
PBGC - 2.2D	PBGC will provide accurate and timely payments to the beneficiaries and businesses it serves.	Substantially Achieved	FY 2003
VETS - 1.1E	Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.	Not Measured	FY 2003
VETS - 1.1F	At least 54.5% of veterans enrolled in Homeless Veterans Reintegration Project (HVRP) grants enter employment.	Achieved	FY 2003

*This is the goal as it appeared in the FY 2001 Annual Performance Plan. It was revised in FY 2002 and again in FY 2003. Results for CY 2002 and CY 2003 will be reported on in the FY 2004 and FY 2005 reports, respectively.

FY 2003 Goals – No Results Reported

This table lists FY 2003 goals for which no results are reported. They apply to ETA's forward-funded Program Year 2003 (July 1, 2003 – June 30, 2004).

Agency – Goal	Performance Goal	Reason Delayed	Period
ETA - 1.1A	Increase the employment, retention, and earnings of individuals registered under the WIA adult program.	Forward Funded	PY 2003
ETA - 1.1B	Improve the outcomes for job seekers and employers who receive public labor exchange services.	Forward Funded	PY 2003
ETA - 1.2A	Increase entrance and retention of youth registered under the WIA youth program in education or employment.	Forward Funded	PY 2003
ETA - 1.2B	Increase participation, retention, and earnings of Job Corps graduates in employment and education.	Forward Funded	PY 2003
ETA - 1.2C	Increase retention of Youth Opportunity Grant participants in education, training, or employment.	Forward Funded	PY 2003
ETA - 2.3A	Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.	Forward Funded	PY 2003

Appendix 3

Program Evaluations at the Department of Labor

The Department of Labor has worked hard to cultivate an "Evaluation Culture," a term used by the U.S. General Accounting Office (GAO) in a recent report.¹ For the Department, this has meant welcoming objective reviews and audits by the Office of Inspector General (OIG) and the GAO. Beyond that, we initiate self-examination by contracting with professional evaluators, inviting them to study our programs and assess our effectiveness.

During the course of the past year, the evaluation programs at the Department of Labor have supported a wide variety of studies, such as:

- Process evaluations, reviewing our operating procedures and program implementations
- Outcome evaluations, moving us beyond a focus on our "outputs" and guiding us further in our commitment toward producing positive "outcomes"
- Impact evaluations, distinguishing the precise contribution of our programs from that of other external factors
- Cost studies, analyzing the delicate balance between the cost of operations and the yield in benefits.

While all of the audits and evaluations described below have their own unique focus and content, they each share in our common goal of trying to improve our efforts to develop a global economy for the 21st century.

Studies Conducted by the DOL Office of Inspector General (OIG)

1. Bureau of Labor Statistics: **Government Information Security Reform Act (GISRA) Review of Current Employment Statistics (CES), July 2002**

Performance Goal(s) Affected: 1.3A – Produce and disseminate timely, accurate, and relevant economic information.

Findings: There were five findings related to: (1) the CES Continuity of Operations Plan (COOP); (2) a supplemental Uninterruptible Power Supply (UPS) for the CES production server; (3) the Mainframe Security in BLS; (4) CES server passwords and unneeded accounts; and (5) access controls to certain system services.

Recommendations: (1) Improve the CES Continuity of Operations Plan (COOP); (2) Supply a supplemental Uninterruptible Power Supply (UPS) for the CES production server; (3) Improve the Mainframe Security in BLS by developing adequate procedures for access controls, and hiring/training an individual to serve as a backup to the Mainframe Security Officer; (4) Ensure that CES server passwords comply with BLS policy and that unneeded accounts are deleted; and (5) Prohibit unnecessary access to certain system services.

Actions Taken: BLS responded to the final report from the OIG on May 28, 2003.

Additionally, each of the five recommendations has been completed, except for number one because it includes COOP testing, which is a longer-term commitment.

Additional Information: A copy of the final evaluation may be obtained from the Bureau of Labor Statistics, Division of Management Systems, Room 4080, 2 Massachusetts Avenue, NE, Washington, DC 20212, or by calling 202-691-7628.

¹ "Program Evaluation. An Evaluation Culture and Collaborative Partnerships Help Build Agency Capacity." GAO-03-454, May 2003.

2. Employment Standards Administration: Controls over the Disclosure, Access, and Use of Social Security Numbers (SSNs) in the Federal Employees' Compensation Act (FECA) Program (Audit Report 03-03-002-04-001), December 2002

Performance Goal(s) Affected: 2.2C – Minimize the human, social and financial impact of work-related injuries for workers and their families.

Findings: The OIG found that FECA management controls provide reasonable assurance that (1) legal and informed disclosure is taking place, (2) adequate controls exist over contractors' and other entities' access to and use of SSNs, and (3) third party contracts contain Privacy Act notification and appropriate safeguards. They also determined that adequate controls exist over access and use of SSNs in FECA's automated databases. The report indicates, however, that several opportunities were noted for improving existing controls.

Recommendations: (1) Revise the standard claimant forms to ensure that the claimant is aware of the Privacy Act Disclosure Statement. (2) Develop and implement a cost-effective, onsite monitoring program that will provide reasonable assurance that contractors and other entities are complying with the requirements for safeguarding the access and use of FECA claimants' SSNs. (3) Provide second opinion and Independent Medical Examination (IME) physicians a cover letter when providing them with claimant files or documentation, explaining in detail the physicians' responsibility to comply with Privacy Act requirements. (4) Explore the extent and cause of losses of claimant files or documents by IME physicians and take any necessary corrective action.

Actions Taken: (1) Claims forms will be revised as they are prepared for Electronic Data Interface submission and submitted for clearance as required by the Paperwork Reduction Act. (2) FECA will explore implementing a cost-effective monitoring plan within base funding levels. (3) An appropriate cover letter was implemented by each FECA district office. (4) FECA will develop a plan to explore both the causes and the extent of loss of claimant file materials and will fully address any necessary corrective action. The Division should be able to report its findings during the 3rd quarter of FY 2004.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/03-03-002-04-001.pdf>

3. Employment and Training Administration: The IRS Did Not Have Adequate Support For Its Administrative Charges To The Unemployment Trust Fund (UTF) For Fiscal Years 1999-2002 (06-03-005-03-315), March 2003

Performance Goal(s) Affected: 2.2A – 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.

Findings: (1) The Internal Revenue Service (IRS) charged almost \$300 million in administrative costs to the UTF without adequate support documentation. (2) The IRS has a complex system for collecting and reporting UTF taxes, involving multiple cost centers. If the IRS used a method based on the percent of revenue received, the agency would have charged the UTF approximately \$17 million less.

Recommendations: OIG made the following recommendations to ETA: (1) Work with the IRS to adopt an alternative method to allocate administrative costs to the UTF. An example of an alternative method would be percent-of-revenue received. (2) Request the IRS to reim-

burse the UTF \$118 million (\$174 million minus \$56 million that the IRS already paid back) in unsupported cost estimates it charged to the fund. (3) Develop a Memorandum of Agreement with the IRS to ensure consistent application of the alternative methodology.

Actions Taken: (1) The IRS reports that it recently began the process of developing and implementing a new financial accounting system which will include a cost accounting module. As part of the cost accounting module, the IRS will develop a new methodology for allocating its program-related costs to appropriate trust funds. This methodology will be supported by the new financial accounting system. Implementation is expected during FY 2004. (2) IRS staff, supported by a Treasury Inspector General for Tax Administration (TIGTA) report, stated that it was not clear whether the UTF was over or under charged for the period examined by the DOL OIG (FY 1999 through FY 2002) and that this issue may not be clear until the new costing methodology is completed. IRS staff wants to assess the applicability of the new methodology for use in calculating prior year costs before recommending any action to correct charges to the UTF. IRS agreed to provide ETA with additional information on the methodology as it evolves in order for ETA to assess whether the methodology is acceptable. (3) To accommodate the IRS' development schedule for the new financial accounting system and the methodology to allocate costs among the trust funds, a realistic target date for the Memorandum of Agreement would be January 9, 2004.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/06-03-005-03-315.pdf>

4. Employment and Training Administration: **Implementation of the Workforce Investment Act's (WIA) Training Provisions in Selected States (04-03-017-03-390), March 2003**

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. 2.3A – Increase the employment, retention, and earnings of individuals registered under the WIA dislocated worker program.

Findings: OIG assessed training activities for adults and dislocated workers in the States of Arizona, Delaware, Florida, Mississippi, Ohio, and Texas to determine if WIA encourages eligible training providers (ETPs) to participate in the One Stop Career system. It was found that there may be WIA requirements, along with state and local policies, that discourage ETP participation. These factors may have contributed to lower numbers of job-seekers enrolled in training. Key items identified were (1) the providers with few WIA participants were reluctant to gather data on all students to fulfill WIA reporting requirements and (2) nearly 40% of the providers reported that Workforce Investment Boards unexpectedly changed program fees or reduced class length leaving students with insufficient job preparation.

Recommendations: ETA was encouraged to (1) enact policy changes to reduce ETP burdens associated with reporting data on non-WIA students and (2) have states periodically review training courses to ensure that fee and time restrictions do not lower program quality.

Actions Taken: The WIA reauthorization proposal includes changes on the information ETPs will be required to report to State agencies with respect to Federal and State programs. The policy changes will also help to reduce the ETP burdens associated with the reporting data on non-WIA students.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/04-03-017-03-390.pdf>

5. Employment and Training Administration: WIA Youth Opportunity Grant Audit: Summary of Educational Services and Vocational Training Provided to Out-of-School Youth (OSY) (OIG/OA 06-03-001-03-390), March 2003

Performance Goal(s) Affected: 1.2C – Increase retention of Youth Opportunity (YO) Grant participants in education, training, or employment.

Findings: OIG sampled 240 individuals whom grantees reported as out-of-school youth (OSY). It was found that 176 received services. Other findings include: (1) The majority of youth received readiness or work-related services rather than educational and vocational skills training. (2) Less than a third of youth 17 and older, who entered the program with a high school diploma, equivalent, or some college, received vocational training or educational assistance. (3) Grantees' records did not accurately report the number of OSY enrolled in the YO program.

Recommendations: The study recommends that ETA (1) strengthen educational and vocational training activities for out-of-school high school graduates and (2) develop procedures to reduce inaccurate reporting.

Actions Taken: To strengthen services, ETA (1) required sites to document the improvement of education components, improve linkages with community colleges and high schools, and help facilitate peer-to-peer workshops; (2) provided program workshops and leadership training at several leadership institutes; (3) supplied sites with tool kits on how to help participants achieve high school diplomas, how to understand reading performance, among others; and (4) gave sites monthly goals for short- and long-term placement of out of school youth. To assist with better data collection, ETA provided on-site training to incorporate Management Information System (MIS) data. ETA also conducted a review of MIS specifications and worked with a consultant to improve these specifications.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/06-03-001-03-390.pdf>

6. Employment and Training Administration: Audit of Services Provided and Outcomes Obtained for Participants Enrolled in the WIA Dislocated Workers Program During PY 2000 (02-03-204-03-390), September 2003

Performance Goal(s) Affected: 2.3A – Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.

Findings: Overall, the study indicated that participants obtained employment, retained a large percentage of their layoff earnings, kept their post-layoff jobs, and were satisfied with most of the services provided. Additional focus is needed to ensure the Dislocated Worker program serves only eligible individuals, participants return to the workforce as quickly as possible, and reported outcomes are complete and meaningful. Also, participants were not as positive about the program as they were under the Job Training and Partnership Act (JTPA) about job finding assistance, which is a primary function of WIA.

Recommendations: ETA should provide additional guidance, or ensure that states and local boards develop guidance, regarding documentation of the likelihood a participant will return to a previous industry or occupation. To more fully represent outcomes obtained by individuals irrespective of their enrollment status, ETA should require the states to supplement their Annual Reports with information on all participants' employment status at a designated point following registration. ETA should clarify its exit definition, con-

duct a study of participants enrolled over one year, and explore if one-stops could provide intensive services to expedite their exit. ETA should examine and address why participants are relatively less satisfied with job search assistance, which plays a key role in successful reemployment. If credential attainment continues to be an official measure, ETA should provide a uniform definition for credential attainment.

Actions Taken: The Department's approach for improvement of the Dislocated Worker program reflects the broad principles of OIG's recommendations. Through implementation of the common measures for federal employment and training programs, the ETA will also address recommendations regarding participant outcomes, exit definition, and definition for credential attainment. ETA's policy guidance for common measures will require state and local areas to provide participants meaningful, reportable service, or exit participants if no service is provided within 90 days. This uniform exit strategy provides a clear statement of ETA policy and encourages provision of the kinds of services associated with quick re-entry to employment for dislocated workers. The guidance also includes a definition of certificate to be used for the youth common measures. This definition can be used as a starting point for developing a uniform definition of credential attainment if the Dislocated Worker program continues to use it as a performance measure. In conjunction with the common measures, the Department is also developing a new reporting and information collection system that will capture more comprehensive information on program participants.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/02-03-204-03-390.pdf>

7. Employment and Training Administration: Workforce Investment Act: Evaluation of Youth Program Enrollments, Services, and Recorded Outcomes (06-03-006-03-390), September 2003

Performance Goal(s) Affected: 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment.

Findings: The OIG observed: (1) The WIA youth program focused predominately on in-school, younger youth ages 14-16. (2) Younger youth were enrolled equally in employment-related, educational, and work-readiness activities, whereas older youth were enrolled in employment-linked activities. Participation for the reported activities was documented to some extent in seventy-two percent of the cases. (3) Almost half the youth exited the program within one year. One in four youth sampled, and two of every five youth enrolled during the months of May and June, may have enrolled only for the summer employment program. (4) Skill Attainment was the overwhelming accomplishment (91 percent) for younger youth, while entered employment (57 percent) was the predominant outcome recorded for the older youth. Only 37 percent of these recorded accomplishments were adequately documented.

Recommendations: OIG recommended that ETA: (1) Promote proposed amendments to the Workforce Investment Act (WIA) of 1998 as they relate to the WIA youth program to focus the program on those youth most in need, i.e., out-of-school, at-risk youth. (2) Promote amendments to WIA of 1998 to allow summer employment as a stand-alone activity for those participants whose individual assessments indicate only such a need. If additional needs are identified, youth should be provided other intervention which should be fully documented. (3) Require youth program administrators and/or service providers to better document services provided and outcomes recorded to ensure that programs are accurately evaluated.

Actions Taken: The Department agrees with OIG's recommendation that services provided and their outcomes should be better documented to ensure that programs are accurately evaluated. Resources will be focused on out-of-school youth, especially school dropouts, by helping them attain academic and occupational credentials and workplace skills that lead to employment. ETA revised a comprehensive case management manual and distributed it to all youth workforce investment areas in November 2003. This manual contains a specific section on documentation of services and outcomes. ETA is implementing a data validation project to address the accuracy of data and the required documentation to substantiate reported performance outcomes. ETA is also collecting program management data through a quality Management Information System (MIS) to improve documentation and recording of services and outcomes by front-line youth workers.

DOL does not concur with the OIG recommendation to encourage revisions to WIA that would allow summer employment as a stand-alone activity for particular participants. DOL's position is that such a proposed amendment is contrary to the original legislative intent to improve youth programs under WIA. The WIA legislation moved youth programming towards a comprehensive youth development approach centered on a broad range of coordinated services embodied in the ten required program elements. In its guidance to the workforce investment system, DOL has continuously encouraged states and local areas to integrate summer employment opportunities with other program elements in a comprehensive strategy to address youth employment and training needs. DOL believes that the workforce investment system has continued to focus on summer jobs programs because of the relative ease of serving in-school youth. Although this practice continues, DOL contends that the legislation should reinforce the original legislative direction rather than pursuing a retreat from the practice.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/06-03-006-03-390.pdf>

8. Employment and Training Administration: Improved Quality Control Practices Within the Benefit Accuracy Measurement System Could Save the Unemployment Insurance Trust Fund Approximately \$400 Million Annually (22-03-009-03-315), September 2003

Performance Goal(s) Affected: 2.2A – 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.

Findings: The OIG concluded that while the Benefit Accuracy Measurement (BAM) program accurately detected and reported Unemployment Insurance (UI) claimant overpayments, due to its design, BAM underestimates unreported earnings. The OIG also concluded that ETA did not use BAM data to prevent overpayments. Using ETA's BAM overpayment projections and data mining techniques, OIG identified a best practice that, once implemented, could reduce UI claimant overpayments by an estimated \$428 million annually.

Recommendations: The OIG provided the following recommendations: (1) Modify the system used to project overpayments related to unreported earnings issues by devising a follow-up process for paid claims and creating a formula for reporting the information learned from the follow-up process. (2) Make overpayment oversight a top priority by making BAM payment accuracy a Tier I measure, including overpayment analysis in the State

Quality Service Plan (SQSP), using Unemployment Insurance Program Letters to communicate the importance of the overpayment problem, using BAM data to perform more comparative analyses between states, and requiring Regional BAM Monitors to fulfill their program leadership duties. (3) Expedite the implementation of New Hire database connectivity in 10 states, and require 8 other states to perform cross match procedures (to their states' New Hire database) at least weekly.

Actions Taken: Although ETA does not agree with the audit's estimate of potential savings, we do agree with the overarching audit findings that (1) overpayment estimates could be improved by incorporating a follow-up procedure into the BAM investigative process and (2) operational use of New Hires data is useful in reducing overpayments. In response to the first recommendation, the Department plans to pilot test cross matches of wage record and New Hires data in several states to determine the extent to which overpayments are underestimated, and the cost-benefit of incorporating the cross match nationally. For the second recommendation, the Department has made overpayment oversight a top priority and plans to institute overpayment detection as a performance measure for which states will be held accountable and which will be included in the quarterly ranking reports; issuing the annual publication of states' BAM data summary that includes several analyses; clarifying national and regional office roles regarding state oversight and technical assistance. For the third recommendation, the OIG agreed that the implementation of the overpayment detection performance goal discussed above generally meets the intent of this recommendation "provided management monitors all states not currently connected" to the state's New Hires database. The performance goals that are being established will promote effective performance. Forty nine states are currently either operating or plan to implement New Hires systems.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/22-03-009-03-315.pdf>

9. Office of the Assistant Secretary for Administration and Management: Evaluation of the Department of Labor's Purchase Card Program (2E-09-001-0002), December 2002

Performance Goal(s) Affected: FM1 – Maintain the integrity and stewardship of the Department's Financial Resources.

Findings: The OIG evaluated the adequacy of policies, procedures, and internal controls over the DOL Purchase Card Program and found that (1) management oversight and control over the program needs to be strengthened, (2) current policy and procedural guidelines do not adequately address key aspects of the program, and (3) improved communication and training will enhance the effectiveness of the program.

Recommendations: (1) Require Agencies to provide updated information on a regular basis regarding changes to program participant information, (2) examine and modify purchase card limits to better reflect spending patterns and agency needs, (3) establish formal criteria for selection of cardholders and approving officials' accounts and purchase limits, (4) re-examine the Approving Official to cardholder common ratios to ensure timely reviews of transactions, (5) update current policy and procedures on key aspects of the program, (6) review the contracting authority for cardholders and the number of cardholders, (7) ensure that purchase cards are only used by qualified individuals, (8) incorporate purchase card responsibilities in the performance standards of responsible employees, (9) review and address the "risk assessment" component for internals con-

trols, (10) consistently provide necessary information about the program to all participants, (11) establish formal training requirements for participants prior to issuance of cards, and (12) survey and evaluate agencies to determine training needs.

Actions Taken: The Department has taken positive steps to improve the program by (1) requiring quarterly updates of cardholder information, (2) requiring Agencies to evaluate monthly total expenditures to determine adjustments to ceiling amounts, (3) developing a template of codes for appropriate purchases, (4) establishing a policy for the ratio of approving officials to cardholders, (5) publishing guidelines on the conduct and responsibilities of the purchase card, (6) developing a standardized checklist for reviewing accounts, (7) updating the program hand to reflect policy changes, (8) implementing a training program for current and new cardholders, approving officials, and program coordinators, (9) holding a Purchase Card Conference to set a more uniform approach to managing the program, (10) recommending that DOL Agencies include performance standards for cardholders, approving officials, and coordinators and providing Agencies with sample elements, (11) reducing the risks associated with the program by monitoring and documenting card activity, (12) posting all purchase card guidelines and documentation on the DOL internal website, and (13) assessing future training needs.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/21-03-021-07-711.pdf>

10. Office of the Chief Financial Officer: Review of Common Problems and Best Practices in Federal Agencies' Travel Card Programs (2E-98-599-0001), November 2002

Performance Goal(s) Affected: FM1 – Maintain the integrity and stewardship of the Department's Financial Resources.

Findings: The Inspector General community across the Federal government found the following common problems in the Travel Card Programs across Federal agencies: (1) late identification of misuse and delinquency and failure to provide timely notification, (2) failure to monitor transactions for misuse, as well as delinquencies, (3) not keeping written records of referrals and follow-up, (4) lack of oversight by the Agencies' Organization Program Coordinators, (5) outdated employee information, (6) no written policies and procedures, (7) cardholders not understanding their responsibilities, (8) not disciplining employees who refuse to pay their bills or knowingly make inappropriate charges, (9) ineffective blocking of merchant category codes, (10) using advances to fund the travel of employees who have lost the use of their cards through delinquency or misuse, (11) excessive ATM use, and (12) a large number of inactive accounts.

Actions Taken: The Office of the Chief Financial Officer (OCFO) blocked merchant category codes, which effectively prevents employees from purchasing personal items using the travel charge card. OCFO cancelled more than 300 inactive travel card accounts during Fiscal Year 2003; conducted quarterly reviews to identify and cancel inactive accounts on a continuous basis; and lowered the maximum monthly purchase authority associated with the travel card and lowered the maximum amount of cash that can be withdrawn from automated teller machines.

OCFO developed and disseminated clear and concise procedural guidelines for Agency/Organization Program Coordinators (A/OPC) to instruct them how to identify and resolve employee travel card misuse and delinquency. The guidelines included a checklist that provides examples of patterns of transactions that indicate misuse; proce-

dures for notifying employees or agencies of misuse and/or delinquency; procedures for canceling cards due to repeated misuse and delinquency, and instructions for record keeping. OCFO developed a user-friendly booklet, which provides Department of Labor employees with information about the travel card program. The booklet includes a list of practical Do's and Don'ts, as well as a Frequently Asked Questions section. This information is accessible to employees via the Department's travel website.

In November, 2003, OCFO conducted a Travel Symposium for all employees, which included training session on the proper use of the travel charge card. In addition, OCFO is planning multiple training sessions for Agency Travel Card Program Coordinators during March and April of 2004. A memorandum was forwarded to Departmental managers advising them of their responsibilities in taking appropriate disciplinary actions in cases of employee misuse/abuse of the travel card. Guidelines were provided as to the appropriate actions to be taken.

Recommendations: (1) Agencies should adhere to the pertinent terms and conditions of the GSA Master Contract, (2) Agencies should follow the five GAO standards for internal control, and (3) Agencies should ensure that everyone involved understands his or her roles and responsibilities in the hierarchy of each agency's travel card program.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/21-03-022-13-001.pdf>

11. Occupational Safety and Health Administration: **Evaluation of OSHA's Handling of Immigrant Fatalities in the Workplace (21-03-023-10-001), September 2003**

Performance Goal(s) Affected: 3.1C – Reduce Fatalities.

Findings: Language barriers sometimes create problems in investigations of immigrant fatalities. OSHA's new procedures for collecting data during fatality investigations about workers' ethnicity and language capabilities will help determine whether there is a link between the language/cultural barriers and the fatalities and help to better target resources. OSHA was encouraged to do more training and outreach to Hispanics and evaluate these outreach efforts and to develop a comprehensive strategy for reaching all non-English speaking employees, including those who are undocumented.

Recommendations: The OIG recommended that OSHA work to ensure that its compliance staff has sufficient second-language capability to communicate with non-English speaking workers, that OSHA require employers to provide training in languages that employees understand, that outreach efforts to immigrants be evaluated, and that OSHA develop a strategy to reach all immigrants, including those who are undocumented. The OIG further recommended that OSHA continue to translate essential documents and determine which languages and literacy levels are needed. Finally, the OIG recommended that OSHA examine the deterrent effect of raising civil and criminal fines, increasing Federal charges under Section 17(e) to cover employers whose willful violations result in serious physical harm, and allowing prosecutors to seek restitution for victims.

Actions Taken: OSHA is actively recruiting Spanish-speaking employees and will continue to interpret the employer's requirement to provide training to mean "provide training in a manner that employees understand." OSHA will evaluate the effectiveness of its outreach efforts, including those directed to workers with limited English proficiency. OSHA has begun outreach and training programs for immigrant workers, including the formation of Strategic Partnerships and Alliances. Regarding the recommendation to

raise fines and change the criminal penalty provisions of the Occupational Safety and Health Act, OSHA agreed to consider this after discussing it with other Federal agencies and stakeholders.

Additional Information: <http://www.oig.dol.gov/public/reports/oa/2003/21-03-023-10-001.pdf>

Studies Conducted by the U.S. General Accounting Office (GAO)

12. Employment Standards Administration: **Postal Service Employee Workers' Compensation Claims Not Always Processed Timely, but Problems Hamper Complete Measurement (GAO-03-158R), December 2002**

Performance Goal(s) Affected: 2.2C – Minimize the human, social and economic impact of work-related injuries for workers and their families.

Findings: GAO found that Postal Service employee claims for compensation were not always processed timely. Several reasons were cited, including (1) incomplete initial evidence submissions that required Office of Workers' Compensation Programs (OWCP) claims examiners to solicit additional evidence to complete the record, (2) Postal Service supervisor submission delays, and (3) delays in OWCP claims processing. The report also cited data not required and not available, as well as traumatic injury short form closure cases (SFC) selection and processing problems, as impediments to data reliability. Comments were solicited and received from both the Postal Service and OWCP. OWCP disagreed with some of the findings and recommendations and noted that the auditors did not have the time available to follow the complexities of the FECA claims adjudication process and data systems. It was emphasized that customer service issues raised in the report had been addressed and customer service would remain a program focus.

Recommendations: (1) Reevaluate and modify, as needed, OWCP's regulations and performance standards to better ensure that measurements reflect the time associated with the various specific involved components and parties, up to the time eligibility is determined. (2) Reconsider whether performance standards are needed for schedule award claims and whether SFC cases should be combined with other traumatic injury claims when measuring eligibility determination timeliness. (3) Require dates that are needed to determine various processing times be recorded on applicable claim forms. (4) Periodically monitor compliance with SFC case selection and processing guidelines and determine whether the SFC case process is achieving OWCP's intended goals and maintaining a cost-effective error rate.

Actions Taken: OWCP is reviewing the SFC process to insure it has the intended impact. (1) Reevaluate and modify, as needed, OWCP's regulations and performance standards to better ensure that measurements reflect the amount of time associated with necessary tasks prior to the determination of eligibility. (2) Reconsider whether performance standards are needed for schedule award claims. (3) Evaluate whether SFC cases should be combined with other traumatic injury claims when measuring the timeliness of eligibility determination. (4) Require dates be recorded on applicable claim forms to indicate various processing times associated with completing a claim form. (5) Periodically monitor compliance with SFC case selection and processing guidelines. (6) Determine whether the SFC case process is maintaining a cost-effective error rate and achieving OWCP's intended goals.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>.

13. Employment and Training Administration: Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services (GAO-03-350), January 2003

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program.

Findings: About 12% of the 1.3 million older people who were not working and wanted a job were enrolled in Federal employment and training programs between July 2000 and June 2001. Some older workers received services without being enrolled in a program, but these people were not counted in program statistics. The majority of older people enrolled received subsidized jobs through the Senior Community Service Employment Program. About one-third participated in programs funded by WIA and TAA. Most received job search assistance and some also received job training. One finding of concern was that program providers reported that some performance measures were a barrier to enrolling older workers, because some possess employment characteristics that may negatively affect performance ratings.

Recommendations: In light of concerns that older workers have unique employment characteristics that could adversely affect certain program outcomes and that older workers who need in-depth job search assistance and job training to remain in, or re-enter, the workforce and may not receive such services, GAO recommended that the Secretary of Labor assess WIA performance measures and make adjustments as necessary to eliminate the disincentive to enrolling older workers in WIA.

Actions Taken: ETA is currently engaged in a broad examination of the participation of older persons in the American workforce. The changing demographics indicate that the future worker will often be an older worker. The challenge will be to engage these workers in the economy in a way that benefits the worker, business and the economy. To that end, we are presently reviewing policies to determine which policies need to be refined or abolished and what actions need to be taken to encourage participation of older persons in the labor force. The DOL FY 2003 – 2008 Strategic Plan includes a strategy to increase employment opportunities that tap the experience and life-style preferences of older workers. Additionally, as part of its assessment of WIA performance measures, the Department has initiated a study that examines methods and systems for adjusting the analysis for performance outcomes that take into account economic, demographic, and other factors.

Additional Information: The complete report can be found on the GAO website at [http:// www.gao.gov](http://www.gao.gov).

14. Employment and Training Administration: Workforce Investment Act: States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting (GAO-03-239), November 2002

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment. 2.3A – Increase the employment, retention, and earnings of individuals registered under the WIA dislocated worker program.

Findings: (1) States are spending their WIA funds much faster than required under the law. (2) Because of reporting inconsistencies, Labor's data do not accurately reflect funds that

have been obligated – meaning those commitments made by states and local areas on behalf of WIA customers. This leads to DOL overestimating funds that states have available. To better understand available funding, both expenditures and obligations need to be considered. (3) States and localities need more definitive guidance and opportunities to share promising strategies in money management.

Recommendations: GAO made several recommendations to enhance DOL's ability to manage its WIA grants and to improve the accuracy and consistency of its financial reporting.

1. Through collaboration with States, Labor should clarify the definition of unliquidated obligations to:

- include funds committed at the point of service delivery, in addition to those funds obligated at the State level for Statewide WIA activities, and not funds that merely allocate to their local areas
- specify what constitutes an obligation to address State and local area concerns regarding contracts
- specify the timeframe for recording an obligation, particularly when it covers time periods that are longer than a program year.

2. To provide a more complete picture of spending activity and to obtain accurate information for its recapture decision, Labor should:

- require States to collect and report information on obligations at the point of service delivery
- include such obligations in determining States' available funds.

3. To help States and local areas manage their spending more judiciously, DOL should:

- proactively provide States and local areas with guidance and technical assistance focused on reporting financial information
- communicate spending benchmarks that States should meet
- systematically share effective spending management strategies.

Actions Taken: (1) In November 2002, ETA issued Change 1 to TEGL 16-99 to provide clarifications or changes that arose due to concerns pertaining to data entry instructions for specific line items in WIA. In this directive, ETA noted that the greatest concerns in this area pertain to the required (and expected) data entry for obligations and accrued expenditures on both the State and local level reporting formats. (2) Through the WIA reauthorization process, the Department is working with Congress to reiterate the requirement that States make financial reports on the basis of expenditures. ETA's technical assistance to States includes further clarification in this area.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>.

15. Employment and Training Administration: Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers (GAO-03-353), February 2003

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program.

Findings: In a nationwide survey, two-thirds of the 470 local workforce boards indicated that they provided assistance to train employed workers. Almost 40% set aside funds for training these workers. State and local officials developed approaches to overcome challenges that hindered participation from low-income workers, though many note that the

process is continually improving. One finding of concern was that the WIA performance measure tracking *change in adult average earnings* after six months may limit training opportunities for employed workers; it becomes a disincentive to train an employed worker whose wage increase would likely be less after training than an unemployed worker whose wage increase would likely be relatively higher after training.

Recommendation: To improve the use of WIA funds for employed worker training, the Secretary of Labor should review the current WIA performance measure for *change in adult average earnings* to ensure that this measure does not provide disincentives for serving employed workers.

Actions Taken: In response to GAO's recommendation, ETA has commissioned a study entitled "Evaluation of WIA Performance Measurement System," undertaken by Social Policy Research Associates. One major task is to assess the intended and unintended consequences of the performance measurement system. Additionally, as part of the President's Management Agenda, the Department will implement a set of common measures for Federal job training programs, including entered employment rate, retention rate, and earnings increase. As a key consideration in the implementation the earnings measures, ETA will examine how these particular measures may impact services to employed or incumbent workers with pre-program earnings in relation to those with no pre-program earnings. Additionally, the Department has initiated a study that examines methods and systems for adjusting the analysis for performance outcomes that take into account economic, demographic, and other factors. Throughout the implementation of the common measures, ETA will strive to minimize any negative effects of the earnings measure on service to employed workers. Finally, WIA reauthorization proposals outline changes that will simplify the requirement for customized training, on-the-job training, and incumbent worker training.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>.

16. Employment and Training Administration: Transportation-Disadvantaged Populations: Some Coordination Efforts Among Programs Providing Transportation Services, but Obstacles Persist (GAO-03-697), June 2003

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. 2.3A – Increase the employment, retention, and earnings of individuals registered under the WIA dislocated worker program.

Findings: The full amount of transportation services for transportation-disadvantaged is unknown because transportation is not always tracked as a separate spending item. The Labor and Education Departments were not found to be part of the Coordinating Council on Access and Mobility. Within the Coordinating Council several obstacles exist that limit coordination.

Recommendations: GAO recommends that DOL and the Department of Education join the Coordinating Council on Access and Mobility. GAO also recommends that the Departments of Labor, Health and Human Services, Education, and Transportation (1) strengthen the Coordinating Council's strategic plan, (2) include long-term goals and measures for coordination in their agencies' strategic and annual performance plans, and (3) develop and distribute additional guidance and information to encourage coordination.

Actions Taken: The Department has contacted the Department of Health and Human

Services' staff coordinator of the Coordinating Council for Access and Mobility (CCAM) and looks forward to joining the Council. Once the Department joins the Council, we will coordinate with members to ensure that its strategic plan has clear links to the action plan and that actions are tied to measurable performance goals; and to coordinate web linkages and services. After reauthorization of the Workforce Investment Act (WIA), the Department will revisit our strategic and annual performance plans, including performance measures, to address coordination needs and other issues identified by the Council. In consultation with the Federal Transit Administration, the Department has developed and anticipates release of a field issuance that provides information on the allowable uses of WIA Title IB funds, how to develop cost-sharing arrangements with partners, and clarification of whether funds can be used to serve other than the program's target population. Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>.

17. Employment and Training Administration: Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information is Needed (GAO-03-725), June 2003

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment.

Findings: Of 14 one-stop centers indicated as exemplary by government officials and workforce development experts, all implemented a range of promising practices for streamlining services for job seekers and engaging the business community. Many of the one-stops found innovative ways to strengthen program partnerships and to raise funds in addition to those provided through WIA. Other findings were that (1) more needs to be done to understand impacts of one-stop services; (2) DOL's efforts to work with other Federal agencies to assess the effects of different strategies to integrate job seeker services have been limited; and (3) DOL has developed promising Web site practices to aid information sharing, but an assessment of its effectiveness needs to be conducted.

Recommendations: This study urges DOL to (1) collaborate with the Departments of Education, Health and Human Service, and Housing and Urban Development to develop a research agenda that examines the impact of various approaches to one-stop program integration on outcomes, such as job seeker and employer satisfaction, and (2) conduct a systematic evaluation of the promising practices Web site and ensure that it is effective.

Actions Taken: There are at least four ways in which ETA is addressing this recommendation. (1) ETA develops a five-year research plan in which all of these agencies are invited to participate and provide input. Input from these agencies has contributed significantly to many research projects undertaken by ETA that have involved these and other Departments, including Justice. (2) ETA is actively engaged in a number of efforts with these agencies to use the one-stop system to serve the needs of special populations. For example, ETA and the Social Security Administration are working together to establish Navigator positions in selected one-stop centers as part of a pilot to better serve the disabled. Social Security and ETA are working to use one-stop centers to support the Ticket to Work effort. DOL is working actively with HUD to use one-stop centers to serve the chronically homeless disabled population in six pilot sites. These are only illustrative of the efforts undertaken with these Departments. (3) After reauthorization of WIA, ETA

will initiate a major five to six year impact study of WIA adult programs that will include program integration, program impact and outcomes, and possibly customer satisfaction measures and issues. This study will begin in PY 2004. The study cannot begin until WIA is reauthorized since legislation may significantly change certain aspects of WIA. Similarly, an evaluation of youth programs is scheduled to begin in PY 2006 and it will examine crosscutting issues in serving youth, including collaboration among WIA partners. (4) As one of the six Federal agencies in the common measure initiative for Federal job training and employment programs, ETA is collaborating with the Departments of Education, Health and Human Services, Veteran Affairs, Interior, and Housing and Urban Development to implement a performance measurement system with the potential to reduce barriers and increase coordination across the 29 workforce investment programs subject to the common measures.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>

18. Occupational Safety and Health Administration: Workplace Safety and Health: OSHA Can Strengthen Enforcement through Improved Program Management (GAO-03-45), November 2002

Performance Goal(s) Affected: 3.1C – Reduce fatalities. 3.1D – Reduce workplace injuries and illnesses.

Findings: OSHA has taken important steps toward targeting its enforcement resources on hazardous worksites, measuring its accomplishments, and enhancing the professionalism of its staff. However, these systems could be strengthened by better information and mechanisms that would make targeting efforts more efficient, measurement more precise, and training efforts more effective.

Recommendations: Supplement inspections of large construction with locally planned efforts to inspect smaller worksites, strengthen the validity of the data used to identify worksites in the site-specific targeting program, and assess the site-specific targeting program's impact on workplace injuries and illnesses. GAO also recommended that OSHA work with BLS to obtain data to better understand injuries, illnesses, and fatalities occurring in areas covered by the strategic plan or under OSHA's authority, that OSHA update its training directive to reflect its current training strategy, and track and assess training and skills obtained by its inspection staff.

Actions Taken: DOL is evaluating the OSHA Site Specific Targeting Program, as well as the Local Emphasis Programs and National Emphasis Programs that OSHA developed, to address the industries and hazards in the Strategic Plan. OSHA has agreed to work with BLS to identify precise costs for producing data estimates for Federal jurisdiction States addressed in the Strategic Plan. OSHA has recently developed a functional training model for Compliance Safety and Health Officers which will help identify gaps in training and will produce a systematic approach to updating required training. The update of the training directive, which is expected to be completed within the next twelve months, will be revised after the gap analysis is completed. OSHA will also continue to work with the Department on its training efforts to meet the goals of the OSHA Strategic Management Plan and the President's Management Agenda.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>

19. Occupational Safety and Health Administration: U.S. Postal Service: Better Guidance Is Needed to Improve Communication Should Anthrax Contamination Occur in the Future (GAO-03-316), April 2003

Performance Goal(s) Affected: 3.1C – Reduce fatalities. 3.1D – Reduce workplace injuries and illnesses.

Findings: Anthrax was detected at the Postal Service's Wallingford facility in early December 2001. Contamination was found in samples collected from four mail-sorting machines in November. Although the Postal Service's decision not to inform workers about the number of anthrax colonies identified in December 2001 appeared consistent with its guidelines, its subsequent decision not to release the results after an employee union requested all the facility's test results was not consistent with OSHA's requirement for disclosing test results that are requested.

Recommendations: GAO recommended that the Postal Service, OSHA, GSA, and the National Response Team (NRT) work together to revise their guidelines or regulations to require prompt communication of available test results, including quantitative results, to workers and others, as applicable. GAO also recommended that OSHA consider whether its regulations should require – in emergency situations – full and immediate disclosure of test results to workers, regardless of whether the information is requested by an employee or his or her designated representative.

Actions Taken: OSHA pledged to work with the other NRT participants to revise the NRT guidelines to ensure timely and accurate disclosure of exposure information to workers. OSHA's Access to Employee Exposure and Medical Records regulation requires employers to provide this information when it is requested by employees or their representatives. During the NRT review process, OSHA will seek advice from other participants in that body regarding whether additional regulatory action is required, or whether guidance to employers, workers and regulatory staff is a more appropriate way to ensure prompt sharing of information. Also, OSHA intends to establish a policy that directs its Regional and Area Offices to initiate priority action at sites where the Agency becomes aware of the possible release of chemical, biological, or radiological agents. This policy will help to prevent the type of delay that occurred at Wallingford.

Additional Information: The complete report can be found on the GAO website at <http://www.gao.gov>

Study Conducted by a DOL Agency

20. Occupational Safety and Health Administration: Regulatory Review of OSHA's Grain Handling Facilities Standard, March 2003

Performance Goal(s) Affected: 3.1C – Reduce fatalities. 3.1D – Reduce workplace injuries and illnesses.

Findings: Since OSHA promulgated its Grain Handling Facilities Standard in 1987, working in the grain industry is safer. Since the standard was promulgated, there have been 70% fewer fatalities and 55% fewer injuries from grain explosions, and the number of grain suf-

focations went down 44%. The review also found that implementation of the standard has not had a negative effect on the industry generally or on small businesses within the industry.

Recommendations: OSHA conducted its regulatory review of the Grain Handling Facilities Standard, under Section 610 of the Regulatory Flexibility Act and Section 5 of Executive Order 12866, to determine if the standard is needed and if it should be amended. OSHA found that the standard has not had a negative impact on small business, and that the standard saves lives. The recommendations were that no major changes have occurred in technological, economic, or other factors that warrant a substantial revision of the standard.

Action Taken: OSHA will consider possible improvements to the Grain Handling Facilities Standard, including whether the confined space requirements of the Grain Handling Standard should apply to all areas of grain storage facilities currently covered by the general Confined Spaces Standard. OSHA may also consider updating references to the National Fire Protection Association requirements that are in the Standard.

Additional Information: A copy of the report can be obtained from the Occupational Safety and Health Administration, 200 Constitution Ave., NW, Washington, DC 20210 or by calling 202-693-2000.

Studies Conducted by Other Evaluators

21. Employment and Training Administration:

2003-05: The Quantum Opportunity Program (QOP) Demonstration: Implementation and Short-Term Impact Reports, August 2003

Conducted by: Mathematica Policy Research

Performance Goal(s) Affected: 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment. 1.2C – Increase retention of Youth Opportunity Grant participants in education, training, or employment.

Findings: The QOP demonstration is a youth mentoring program that operated in seven cities between 1995 and 2000. Highlights from the findings include: (1) QOP can be implemented through local community-based organizations, although the complete QOP model is difficult to replicate; (2) QOP enrolled a representative sample of the target group of disadvantaged youths; (3) fidelity to the program model varied widely; (4) the prescribed intensity from QOP was implemented at most sites; (5) all sites successfully implemented developmental activities, case management and monitoring; and (6) the QOP expenditure per enrollee averaged \$25,000 for the full five years of the demonstration.

Additional Information: http://wdr.doleta.gov/owsdrr/papers/QOP_implementation.pdf

22. Employment and Training Administration: **2003-04: Working with Disadvantaged Youth: Thirty Month Findings from the Evaluation of the Center for Employment Training Replication Sites, June 2003**

Conducted by: MDRC (Manpower Demonstration Research Corporation) and Berkley Policy Associates

Performance Goal Affected: 1.2A – Increase entrance and retention of youth registered under the WIA youth program in education or employment.

Findings: In the early 1990s, the DOL provided funds for the Center for Employment Training (CET) to provide technical assistance to other organizations interested in replicating the CET model. This study examines the experiences of youth in 12 CET sites: six in eastern states and the Midwest begun as part of the DOL-sponsored replication effort and six western programs operated as part of CET's service network. A summary of the findings include: (1) implementation of the CET approach is difficult, and the fidelity of program services varied across sites, affecting program impacts; (2) in the four sites implementing the CET model with high fidelity, impacts on service receipt, training certificates completed, and employment related outcomes for young women were higher as compared to those sites implementing CET at a lower fidelity.

Additional Information: http://wdr.doleta.gov/owsdrr/papers/cet_full_report.pdf

23. Employment and Training Administration: **2003-03: The Workforce Investment Act in Eight States: Overview of Findings from a Field Network Study, July 2003**

Conducted by: Richard Nathan, Rockefeller Institute of Government; Burt Barnow, Johns Hopkins University; and Christopher King, University of Texas

Performance Goal(s) Affected: 1.1A – Increase the employment, retention, and earnings of individuals registered under the WIA adult program. 2.3A – Increase the employment, retention, and earnings of individuals registered under the WIA dislocated worker program.

Findings: This interim evaluation of the Workforce Investment Act of 1998 examines the national goals, roles of Federal, State and local partners and implementation of the law in eight states - Florida, Indiana, Maryland, Michigan, Missouri, Oregon, Texas, and Utah. Its purpose is to provide well-timed information to the U.S. Department of Labor and other public agencies, organizations and experts on what is happening now in the administration and delivery of publicly-funded workforce development services. Implications of the study include: (1) many roads appear viable for implementing successful workforce development systems, suggesting that a devolved approach with enhanced State flexibility, rather than numerous mandates, makes for sensible national policy; (2) seamless service delivery for workforce development is attainable, though not without strong leadership, real costs, and considerable hard work; (3) one-stop infrastructure is unlikely to be adequately supported and financed in most States in the future without Federal action; and (4) it will take much more effort and system development before self-directed services can be accessed and delivered effectively for all employers and job seekers.

Additional Information: http://wdr.doleta.gov/owsdrr/papers/RIG_Interim_Report_7-8-03.pdf

24. Occupational Safety and Health Administration: **An Analysis of Fatal Events in Construction Industry in 2001, July 2003**

Conducted by: The Construction Industry Research and Policy Center, University of Tennessee, Knoxville

Performance Goal(s) Affected: 3.1C – Reduce fatalities.

Findings: In 2001, falls from heights resulted in the largest number of construction site fatalities of any cause. Falls from or through roofs or structures accounted for about 23% of the total number of deaths on construction sites that were investigated by Federal and State OSHA agencies. The third most common cause of death was being crushed or run over by operating construction equipment. The fourth was electric shock from equipment installation or tool use, and the fifth was being struck by falling objects.

Recommendations: OSHA should promote the greater use of fall protection.

Action Taken: OSHA will continue to devote extensive resources to the inspection of construction worksites, actively enforcing fall protection requirements.

Additional Information: A copy of the report can be obtained from the Occupational Safety and Health Administration, 200 Constitution Ave., NW, Washington, DC 20210 or by calling 202-693-2000.

25. Occupational Safety and Health Administration: **Evaluation of the Usability of the OSHA Public Website, July 2003**

Conducted by: Human Factors International

Performance Goal(s) Affected: 3.1C – Reduce fatalities. 3.1D – Reduce workplace injuries and illnesses.

Findings: Human Factors International found that navigating the OSHA website to conduct tasks that required searching or browsing presented a challenge and some terminology was unclear. High frequency tasks included looking for OSHA regulations and printing these, implementing safety and health programs, and finding help based on the users' type of work.

Recommendations: Human Factors International recommended that the website be redesigned to allow users to begin accomplishing tasks as early as possible, to always provide a "Sense of Place," and to group information in ways that match the tasks that users are trying to accomplish.

Actions taken: Recommendations to enhance the useability of the OSHA website are being implemented and will continue to be implemented in FY 2004.

Additional Information: A copy of the report can be obtained from the Occupational Safety and Health Administration, 200 Constitution Ave., NW, Washington, DC 20210 or by calling 202-693-2000.

Appendix 4 Performance Goal Details

Performance Goal 1.1A (ETA) – PY 2002

Increase the employment, retention, and earnings of individuals registered under the WIA Adult program.

PY 2000 – 2001: Same as PY 2002

Results

PY 2002: The goal was not achieved. 74% of those registered for the WIA Adult program were employed in the first quarter after program exit; 84% of those employed in the first quarter after program exit were still employed in the third quarter after program exit. The average earnings increase was \$2,900 for those employed in the third quarter after program exit.

PY 2001: The goal was achieved. Of those registered and employed in the first quarter after program exit, 79% were employed in the third quarter after program exit, with increased average earnings of \$3,555.

PY 2000: The goal was achieved. Of those registered under the WIA adult program and employed in the first quarter after exit, 78% were employed in the third quarter after program exit, with increased average earnings of \$3,684.

Indicator

PY 2002:

- 70% will be employed in the first quarter after program exit;
- 80% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and
- The average earnings change will be \$3,423 for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit.

PY 2001:

- 68% will be employed in the first quarter after program exit;
- 78% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and
- The average earnings change will be \$3,361 for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit.

PY 2000:

- 67% will be employed in the first quarter after program exit;
- 77% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and
- The average earnings change will be \$3,264 for those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit.

Data Source

Quarterly State WIA reports in the Enterprise Information Management System and Unemployment Insurance Wage Records.

Baseline

PY 2000, the first full year of WIA implementation, constitutes the baseline year at this time. Targets are derived from the agreed upon levels of performance for all States, and will be regularly reviewed for appropriateness and rigor as performance data using the new source of UI wage records becomes available.

Comment

Beginning in PY 2004, the Department will implement the common measures for Federal job training and employment programs. For adult programs, these measures are entered employment, retention, earnings increase, and efficiency. With WIA reauthorization, the common measures for the WIA adult program, the WIA dislocated worker program, and the labor exchange activity, will be applied on a consolidated basis, measuring in the aggregate the overall performance of the workforce system, rather than the performance of these three individual programs.

Performance Goal 1.1B (ETA) – PY 2002

Improve the outcomes for job seekers and employers who receive public labor exchange services.

PY 1999 – 2001: Same as PY 2002

Results

PY 2002: The goal was not achieved.

- Due to the transition to a new measurement and reporting system, ETA will not have a full set of nation-wide employment and retention data until next year. Beginning in FY 2004, States will begin reporting to DOL the entered employment data for registrants served in the first quarter of PY 2002. Outcome data for registrants served in the other quarters of PY 2002 will be reported in subsequent quarterly reports.
- 10.2 million openings were listed with the public labor exchange: 6.1 million job openings were listed with the State Workforce Agencies and 4.1 million job openings were posted directly on America's Job Bank.

PY 2001: The goal was not achieved.

- There is no prior Employment Service experience in the use of the employment retention indicator for the labor exchange. Beginning in PY 2002, States will use Unemployment wage record data to measure employment retention for the new performance measures.
- The number of job openings listed increased by eight percent as opposed to the target of 10%; 11.8 million openings were listed with the public employment service in Program Year 2001; 7.2 million job openings were listed with the State Workforce Agencies and 4.6 million job openings were posted directly on America's Job Bank.

PY 2000: The goal was achieved.

- 3.9 million (25%) of job seekers who received labor exchange services entered employment;
- The number of job openings listed increased by 26.5% over PY 1999, including 6.9 million with State Workforce Agencies and 5.4 million with America's Job Bank; and
- 66,563 new employers registered with America's Job Bank.

PY 1999: The goal was achieved (all targets reached).

Indicator

PY 2002:

- 55% of job seekers registered with the public labor exchange will enter employment with a new employer by the end of the second quarter following registration;
- 70% of job seekers will continue to be employed two quarters after initial entry into employment with a new employer; and
- The number of job openings listed with the public labor exchange (both SWAs and AJB) will be at least the number obtained in PY 2001.

PY 2001:

- 76% of job seekers will have unsubsidized jobs six months after initial entry into employment; and
- The total number of job openings listed with the public employment service, including both those listed with State Workforce Agencies and those listed directly with America's Job Bank via the Internet, will increase by 10 %.

PY 2000:

- Increase by one percentage point the share of applicants who receive labor exchange services that enter employment, resulting in more than 3.2 million Employment Service applicants entering employment;
- Increase by 15%, the total number of job openings listed with the public employment service, including both those listed with State Employment Security Agencies (SESAs) and those listed directly with America's Job Bank (AJB) via the Internet; and
- Increase the number of new employers registered with America's Job Bank from 51,000 to 60,000.

PY 1999:

- Increase by one percentage point the share of applicants who receive labor exchange services that enter employment; and
- Increase by 20%, the total number of job openings listed with the public employment service, including both those listed with State Employment Security Agencies (SESAs) and those listed directly with America's Job Bank (AJB) via the Internet.

Data Source

State reports, UI wage records, and AJB Center Reports.

Baseline

New labor exchange performance measures and revised reporting requirements were fully implemented effective July 1, 2002. As part of the transition to a new labor exchange performance measurement system, DOL set PY 2002 performance targets for the retention and entered employment indicators as estimates that were based on studies conducted by the Department using PY 1999 and PY 2000 data to simulate the new measures. The Department plans to establish baselines for the entered employment and retention rates for the labor exchange program using outcomes for participants served during PY 2002, but reported to DOL by States during PY 2003.

Comment

Beginning in PY 2004, the Department will implement the common measures for Federal job training and employment programs. For adult programs, these measures are entered employment, retention, earnings increase, and efficiency. With WIA reauthorization, the common measures for the WIA adult program, the WIA dislocated worker program, and the labor exchange activity, will be applied on a consolidated basis, measuring in the aggregate the overall performance of the workforce system, rather than the performance of these three individual programs.

Performance Goal 1.1C (ETA) – FY 2003

Strengthen the registered apprenticeship system to meet the training needs of business and workers in the 21st Century.

FY 2002: Same as FY 2003

Results

FY 2003: The goal was substantially achieved.

- Number of new apprentices: 130,615
- Number of new programs in new and emerging industries: 359

FY 2002: The goal was achieved.

- The number of new registered apprenticeship programs increased to 2,952, an increase of 75% over the established baseline.
- The number of new businesses involved in apprenticeship increased to 5,883, an increase of 99% over the established baseline.
- The number of new apprentices increased to 129,388, an increase of 64% over the baseline.
- The number of new programs in new and emerging industries – at a minimum Information Technology, Health Care and Social Services – increased to 326, an increase of 23% over the baseline.

Indicator

FY 2003:

- Increase the number of new apprentices over the established baseline from 78,770 to 133,909; and
- Increase the number of new programs in new and emerging industries – at minimum Information Technology, Health Care and Social Services – over the established baseline from 266 to 359.

FY 2002:

- Increase the number of new apprenticeship programs over the established baseline by 10%;
- Increase the number of new businesses involved in apprenticeship over the established baseline by 10%;
- Increase the number of new apprentices over the established baseline by 10%; and
- Increase the number of new programs in new and emerging industries – at minimum Information Technology, Health Care and Social Services – over the established baseline by 10%.

Data Source

Registered Apprenticeship Information System (RAIS) established in February 2002, and Apprenticeship Information Management System (AIMS)

Baseline

DOL established the baseline for each of the following indicators using the average of FYs 1999, 2000 and 2001 data:

- New apprenticeship programs: 1,685
- New businesses involved in apprenticeship: 2,953
- New apprentices: 78,770
- New programs in new and emerging industries: 266

Comment

Performance Goal 1.1D (ODEP) – FY 2003

FY 2003: Implement new demonstration programs, through grants, designed to develop and test strategies to address the special needs of persons with significant disabilities.

FY 2002: 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.

Results	<p>FY 2003: The goal was not achieved. A total of 42 pilot projects were initiated. Sixteen pilot projects focus on Olmstead populations, while 21 focus on Youth (seven of these are new technology skills projects) and five focus on Customized Employment.</p> <p>FY 2002: The goal was achieved. Sixteen demonstration programs for One-Stop Centers and WIA Youth programs were implemented. Additionally, 22 demonstration programs in other areas related to employment of adults and youth with disabilities were implemented.</p>
Indicator	<p>FY 2003: The number of pilot projects initiated and the program areas.</p> <ul style="list-style-type: none"> ● Implement 30 new Olmstead grant projects, targeted at persons with significant disabilities who are institutionalized. ● Implement 12 youth grant projects (six of which are new technology skills projects) to assist youth through the One-Stop Centers and the WIA youth programs. <p>FY 2002: The number of pilot projects initiated and the program areas.</p>
Data Source	ODEP Program Management Division.
Baseline	Available at the close of FY 2004.
Comment	ODEP expanded the focus of its 2003 performance goal beyond initiating projects focused on Olmstead populations and Youth.

Performance Goal 1.1E (VETS) – FY 2003

Increase the employment and retention rate of veteran job seekers registering for public labor exchange services.

FY 2002: 34% of veteran job seekers registering for public labor exchange services will be employed in the first or second quarter following registration.

FY 2001: 27% of those veterans and other eligible persons registering for public labor exchange services will enter employment each year through assistance provided by VETS' funded staff and the Wagner-Peyser funded systems.

FY 2000: 27% of veterans that register with the Public Employment Service will enter employment and for DVOP and LVER staff the ratio will be 30%.

Results	<p>FY 2003: The goal was not measured. A major transition was underway during FY 2003 to a new system of measuring and reporting the outcomes of labor exchange services for veterans. Performance in response to the FY 2003 goal will be treated in the FY 2004 Annual Performance and Accountability Report.</p> <p>FY 2002: The goal was achieved. The entered employment rate for veterans assisted by the public employment service system was 42.84%.</p> <p>FY 2001: The goal was achieved. The entered employment rate for veterans assisted by the public employment service system was 33%.</p> <p>FY 2000: The goal was achieved. For DVOP and LVER staff, the entered employment rate was 32%. The entered employment rate for veterans helped by the public employment service system was 32%.</p>
Indicator	<p>FY 2003:</p> <ul style="list-style-type: none"> ● 58% of veteran job seekers will be employed in the first or second quarter following registration. ● 72% of veteran job seekers will continue to be employed two quarters after initial entry into employment with a new employer. <p>FY 2000-2002: Percent of veterans and other eligible persons served by DVOP and LVER specialists who enter employment.</p>
Data Source	State Workforce Agency administrative data and State UI wage record information.
Baseline	PY 2003
Comment	<p>During FY 2003, a major transition was underway within the Department to a new system for measuring and reporting the outcomes of public labor exchange services. This new system is based on a revised version of the ETA 9002 information collection, designed to be consistent with the common measures. Due to this transition, the historic results reported previously no longer provide comparable data on outcomes. Accordingly, the data to be reported during FY 2004 will establish new baseline performance levels. In addition, those results will be collected, compiled, and reported on a program year basis, rather than the fiscal year basis applicable to historic results. Therefore, the results to be included in the FY 2004 Annual Performance and Accountability Report will reflect those outcomes reported during PY 2003 that respond to the performance goal cited above, which was established in the FY 2003 Annual Performance plan.</p> <p>Because of the lack of nationwide performance results for FY 2003, ETA and VETS jointly sponsored a pilot data collection initiative in seven states. This pilot applied the new method of measuring outcomes to a cohort of registrants served previously by the public labor exchange. The average rate of entry to employment in the sampled states among the veteran registrants 57.4% and their average rate of retention in employment was 75.4%. These sample results are not statistically representative of the nationwide outcomes experienced by veterans served by the public labor exchange. However, these results indicate that the goal levels established for FY 2003 and future fiscal years are attainable.</p>

Performance Goal 1.1F (VETS) – FY 2003

At least 54.5% of veterans enrolled in Homeless Veterans Reintegration Project (HVRP) grants enter employment.

FY 2002: At least 54% of veterans enrolled in Homeless Veterans Reintegration Project grants enter employment. A baseline retention rate will be established.

FY 2001: At least 50% of veterans enrolled in Homeless Veterans Reintegration Project grants enter employment.

Results

FY 2003: The goal was achieved. During FY 2003, 60.3% of the homeless veteran participants served by HVRP grantees successfully entered employment.

FY 2002: The goal was not achieved. The FY 2002 entered employment rate was 54.4%, exceeding the target of 54%. However, the baseline for retention was not established.

FY 2001: The goal was achieved. The entered employment rate was 54%

Indicator

Percentage of veterans enrolled in Homeless Veterans Reintegration Projects entering employment.

Data Source

Reports submitted by VETS grantees.

Baseline

FY 1999: 54%

Comment

During FY 2003, the Department implemented a policy of awarding HVRP grants on the basis of a twelve-month performance period that begins each year on July 1 and ends the following year on June 30. Performance achieved during this transition year (July 1, 2003 - June 30, 2004) will be included in the FY 2004 Annual Performance and Accountability Report.

Performance Goal 1.2A (ETA) – PY 2002

Increase entrance and retention of youth registered under the WIA youth program in education or employment.

PY 2000 – 2001: Same as PY 2002

Results

PY 2002: This goal was achieved. 55% of the 14-18 year-old youth who entered the program without a diploma or equivalent attained a secondary school diploma or equivalent by the first quarter after exit; 67% of the 19–21 year-old youth were employed in the first quarter after exit; and 80% of the 19–21 year-old youth employed in the first quarter after exit were employed in the third quarter after program exit.

PY 2001: The goal was achieved. Of the 14-18 year-old youth, 50.2% were either employed, in advanced training, post-secondary education, military service or apprenticeships in the third quarter after program exit. Of the 19-21 year-old youth, 75% were employed in the third quarter after program exit.

PY 2000: The goal was substantially achieved (according to preliminary data). Of the 14–18 year-old youth, 47.4% were either employed, in advanced training, post-secondary education, military service, or apprenticeships in the third quarter after program exit. Of the 19–21 year-old youth, 74.4% were employed in the third quarter after program exit.

Indicator

PY 2002:

- 51% of the 14-18 year-old youth who enter the program without a diploma or equivalent, will attain a secondary school diploma or equivalent by the first quarter after exit;
- 63% of the 19–21 year-old youth will be employed in the first quarter after exit; and
- 77% of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

PY 2001:

- 50% of the 14–18 year-old youth will be either employed, in advanced training, post-secondary education, military service, or apprenticeships in the third quarter after program exit; and
- 75% of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

PY 2000:

- 50% of the 14–18 year-old youth will be either employed, in advanced training, post-secondary education, military service, or apprenticeships in the third quarter after program exit; and
- 70% of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

Data Source

Quarterly State WIA reports included in the Enterprise Information System (EIMS) and Unemployment Insurance wage records.

Baseline

Annual report data from PY 2000 and PY 2001 were averaged in order to establish the baseline for each of these measures. Using this methodology the baselines are as follows:

- Younger youth diploma attainment rate: 47%
- Older youth employment rate: 66%
- Older youth retention rate: 78%

Comment

Beginning in PY 2004, the Department will implement the common measures for Federal job training and employment programs. For youth programs, these measures are placement in employment or education, attainment of a degree or certificate, and literacy and numeracy gains. Upon implementation of the common measures, proposed performance targets will be reviewed and may be revised for the WIA youth program.

Performance Goal 1.2B (ETA) – PY 2002

Increase participation, retention, and earnings of Job Corps graduates in employment and education.

PY 2000 – 2001: Same as PY 2002

PY 1999: Increase participation and earnings of Job Corps graduates in employment and education.

Results

PY 2002: This goal was not achieved, although two of the four targets were substantially reached. 87% of Job Corps graduates entered employment or enrolled in education; Graduates with jobs were employed at average hourly wages of \$8.03; 63% continued to be employed or enrolled in education six months after their initial placement date; and the number of students who attained high school diplomas while enrolled in Job Corps increased by 96% (6,381) from PY 2001.

PY 2001: The goal was substantially achieved. 90% of Job Corps graduates got jobs or were enrolled in education at an average hourly wage of \$7.96. 64% of graduates continued to be placed six months after their initial placement date.

PY 2000: The goal was substantially achieved. 91% of Job Corps graduates got jobs or pursued education at an average hourly wage of \$7.97. 67% still had a job or were pursuing education after 90 days.

PY 1999: The goal was achieved. 88.3% of Job Corps graduates entered employment or enrolled in education. For those placed in jobs, the average hourly wage was \$7.49. 71.3% of graduates continued to be employed or enrolled in education 90 days after their initial placement date.

Indicator

PY 2002:

- 90% of Job Corps graduates will enter employment or be enrolled in education;
- 65% will continue to be employed or enrolled in education six months after their initial placement date;
- Graduates with jobs will be employed at average hourly wages of \$8.20; and
- The number of students who attain high school diplomas while enrolled in Job Corps will increase by 20% from PY 2001.

PY 2001:

- 85% of Job Corps graduates will get jobs with entry average hourly wages of \$7.25 or be enrolled in education;
- 70% will continue to be employed or enrolled in education six months after their initial placement date.

PY 2000:

- Increase the percent of Job Corps graduates who get jobs or pursue education to 85%;
- Those who get jobs will have an average entry wage increase from the previous year and 70% will still have a job or will be pursuing education after 90 days.

PY 1999:

- 75% of Job Corps trainees will get jobs or pursue further education, with those obtaining jobs having an average starting wage of \$6.50 per hour.

Data Source

Job Corps Management Information System.

Baseline

Baseline data for the four Program Year 2000 indicators are derived from PY 2001 performance results; as follows:

- Graduate employment rate: 89%
- Graduate average hourly wage at entered employment: \$7.96
- Employment/education retention rate: 64%
- Number of high school diplomas: 3,260

Comment

Job Corps targets severely disadvantaged youth with a variety of barriers to self-sufficiency, including deficiencies in education and job skills. To achieve the enhanced quality of placement and job retention required by the Workforce Investment Act, in PY 2005, Job Corps will focus resources on program improvements that enhance the full Job Corps experience for students, from reinforced outreach and admission strategies and center program effectiveness to intensified center and post-center career development support.

Beginning in PY 2004, the Job Corps will implement the common measures for Federal job training and employment programs. For youth programs, these measures are placement in employment or education, attainment of a degree or certificate, and literacy and numeracy gains. Upon implementation of common measure, proposed performance targets will be reviewed and may be revised.

Performance Goal 1.2C (ETA) – PY 2002

Increase retention of Youth Opportunity Grant participants in education, training, or employment.

PY 2001: Same as PY 2002.

Results

PY 2002: This goal was not achieved.

- Younger Youth diploma attainment rate: 46%
- Older youth entered employment rate: 50%
- Older youth employment retention rate: 78%

PY 2001: Not measured.

Indicator

PY 2002:

- 51% of the 14-18 year-old youth who enter the program without a diploma or equivalent will attain a secondary school diploma or equivalent by the first quarter after exit;
- 63% of the 19–21 year-old youth will be employed in the first quarter after exit; and
- 77% of the 19–21 year-old youth employed in the first quarter after exit will be employed in the third quarter after program exit.

PY 2001:

- 50% of the 14–18 year-old participants placed in employment, the military, advanced training, post-secondary education, or apprenticeships will be retained at six months.
- 70% of the 19–21 year-old participants employed in the first quarter after exit will be employed in the third quarter after program exit.

Data Source

Youth Opportunity Grant program grantee reports and Unemployment Insurance wage records.

Baseline

PY 2002 is the first year in which DOL is reporting against the indicators for Youth Opportunity Grants. With DOL's limited experience serving a largely out-of-school youth population, the Department used baselines from the WIA youth formula-funded program to set performance targets for the Youth Opportunity Grant program.

Comment

The final year of funding for the Youth Opportunity Grant Program will be FY 2005.

Data for the younger youth diploma rate represents complete data from all youth opportunity grantees. However, data for the older youth entered employment rate and older youth employment retention rate does not include data from all youth opportunity grantees. Due to problems with local grantees obtaining access to State Unemployment Insurance (UI) wage records, many of the youth opportunity grantees are unable to report on the UI-based measures. Grantees continue to work with States to access the wage records, and as more data becomes available DOL will update the status of these two measures.

Performance Goal 1.3A (BLS) – FY 2003

Produce and disseminate timely, accurate, and relevant economic information.

FY 1999-2002: Same as FY 2003.

Results

FY 2003: The goal was achieved. See table below for detailed results.

FY 2001-FY 2002: The goal was achieved.

FY 2000: The goal was substantially achieved. BLS missed the timeliness target for the Employment Cost Index and the accuracy target for the Producer Price Index.

FY 1999: The goal was not achieved. BLS missed the timeliness targets for the National Labor Force; Employment, Hours, and Earnings; and Producer Price Index; and the accuracy target for the Producer Price Index.

Program Area	Dimension	Indicator	Target	Result
National Labor Force	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Number of months that a change of at least 0.25 percentage point in the monthly national unemployment rate was statistically significant at the 90% confidence level.	12	12
Employment, Hours, and Earnings	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Root mean square error of total nonfarm employment (a measure of the amount of revision).	< 70,000	47,000 ¹
Consumer Price Index	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Number of months that the standard error on the 12-month change in the U.S. City Average All Items CPI-U Index was 0.25 percentage point or less.	12	12
Producer Price Index	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Percent of domestic output, within the scope of the PPI, which the PPI covers: Goods Produced	85.1%	85.1%
		Services Produced	54.0%	54.0%
Total Production		63.3%	63.3%	
U.S. Import and Export Price Indexes	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Percent of months that the change in the one-month Import Price Index between the first-published and final release was in the range of plus or minus 0.4 percentage point.	100%	100%
		Percent of months that the change in the one-month Export Price Index between the first-published and final release was in the range of plus or minus 0.2 percentage point	100%	100%
Employment Cost Index	Timeliness	Percentage of releases that was prepared on time.	100%	100%
	Accuracy	Number of quarters the change in the civilian compensation less sales index was within plus or minus 0.5% at the 90% confidence level.	4	4
Internet Usage	Access	Improve the BLS Internet site, to include (1) providing access to interactive maps that improve user understanding of geographically-based data series, and (2) expanding access to National Labor Force statistics by building a new interactive query tool tailored to the program's wealth of demographic information.	N/A	Completed

Indicator

Percentage of releases of National Labor Force; Employment, Hours, and Earnings; Consumer Price Index; Producer Price Index; U.S. Import and Export Price Indexes; and Employment Cost Index that are prepared on time; measures of accuracy for each Principal Federal Economic Indicator; and BLS Internet site improvement initiative.

Data Source

Office of Publications and Special Studies report of release dates against release schedule of BLS Principal Federal Economic Indicators; News releases for each Principal Federal Economic Indicator; Announcement of new Internet functionality on BLS "What's New" page.

Baseline

Timeliness measures of 100% for each economic indicator. (Baseline is FY 1997 for National Labor Force statistics; Employment, Hours, and Earnings; Consumer Price Index; Producer Price Index; and Employment Cost Index. Baseline is FY 2001 for U.S. Import and Export Price Indexes.)

Quality measures:

National Labor Force: Number of months that a change of at least 0.25 percentage point in the monthly national unemployment rate was statistically significant at the 90% confidence level = 12. (Baseline is FY 1997.)

Employment, Hours, and Earnings: Root mean square error of total nonfarm employment (a measure of the amount of revision) is less than 70,000. (Baseline is FY 2000.)

Consumer Price Index: Number of months that the standard error on the 12-month change in the U.S. City Average All Items CPI-U Index was 0.25 percentage point or less = 12. (Baseline is FY 2000.)

Producer Price Index: Percent of domestic output, within the scope of the PPI, which the PPI covers: goods produced = 85.1%; services produced = 38.8%; total production = 52.6%. (Baseline is FY 1997.)

U.S. Import and Export Price Indexes: (1) Percent of months that the change in the one-month Import Price Index between the first-published and final release was in the range of plus or minus 0.4 percentage point. (2) Percent of months that the change in the one-month Export Price Index between the first-published and final release was in the range of plus or minus 0.2 percentage point. (Baseline will be FY 2003.)

Employment Cost Index: Number of quarters the change in the civilian compensation less sales index was within plus or minus 0.5% at the 90% confidence level = 4. (Baseline is FY 1997.)

Internet access: Improve the BLS Internet site, to include (1) providing access to interactive maps that improve user understanding of geographically-based data series, and (2) expanding access to National Labor Force statistics by building a new interactive query tool tailored to the program's wealth of demographic information.

Comment

In order to increase the relevance of BLS information, BLS consults with advisory councils and other researchers. The Federal Economic Statistics Advisory Committee (FESAC) was continued in FY 2003 as were the BLS Business and Labor Research Advisory Councils. BLS and the Employment and Training Administration also continued to meet on a quarterly basis with State Labor Market Information Directors from each of the ten DOL regions to explore ways to improve the relevancy of our products for State and local (or subnational) data users.

¹ Root mean square error (RMSE) calculated using the most recent revised information available, August 2003 data.

Performance Goal 1.3B (BLS) – FY 2003

Improve the accuracy, efficiency, and relevancy of economic measures.

FY 1999-2002: Same as FY 2003.

Results

FY 2003: The goal was achieved. See detailed results below. Since the performance indicators are the accomplishment of milestones that are specific to the fiscal year, there is no continuity in indicators from year to year, even though the performance goal remained the same.

FY 2002: The goal was achieved.

FY 2001: The goal was not achieved. Four of the six milestones were achieved. The milestones for the American Time Use Survey and the Producer Price Index warehouse construction industry project were not met.

FY 1999-FY 2000: The goal was achieved.

Milestones for Significant New or Enhanced Efforts in FY 2003

1. **NAICS Conversion:** Achieved. Conversion to the North American Industry Classification System (NAICS) for the National Labor Force data series was completed with the release of January data in February 2003. Conversion for Employment, Hours, and Earnings was completed. The new series was introduced in March 2003 for State and Metropolitan Area series; conversion of national series was completed in June 2003. Conversion for the Job Openings and Labor Turnover Survey was completed with the release of May 2003 data in August 2003. In addition, conversion for the industry labor productivity series was completed in September 2003.

2. **CPI, Item Sample Update:** Achieved. Selection of Consumer Price Index (CPI) item categories for resampling in 2003 was completed. A continuing evaluation of the new item samples relative to the old item samples will be conducted to determine if the objective of keeping samples more in line with current conditions is being achieved with the two-year item rotation process.

3. **CPI, Electronic Data Collection:** Achieved. A staged deployment began in September 2002, and was completed with all 87 CPI pricing areas in April 2003. Printing of paper pricing schedules ceased in August 2003.
4. **U.S. Import and Export Price Indexes:** Achieved. The system components of the modifications necessary to support the 2004 introduction of annually weighted U.S. Import and Export Price Indexes was completed. This project is on schedule for publishing annually weighted indexes in February 2004 with the release of January 2004 data.
5. **Industry Productivity:** Achieved. Labor productivity and unit labor cost measures for six new service-producing industries were published in January 2003. Multifactor productivity and related cost measures for the airline transportation industry were published in September 2003.
6. **BLS IDCF:** Achieved. The Internet Data Collection Facility (IDCF) is currently being used to collect respondent information for the Employment, Hours, and Earnings program and the Survey of Occupational Injuries and Illnesses.

Indicator**Milestones for Significant New or Enhanced Efforts in FY 2003**

1. Complete conversion of Employment, Hours, and Earnings; Job Openings and Labor Turnover Survey; and National Labor Force data series to the North American Industry Classification System.
2. Begin implementation of a two-year rotation process to update item samples within existing establishments for the Consumer Price Index.
3. Complete a staged implementation of electronic data collection for Consumer Price Index items other than rent.
4. Complete all the system components of the modifications necessary to support the 2004 introduction of annually weighted U.S. Import and Export Price Indexes.
5. Produce measures of labor productivity and unit labor costs for two additional service-producing industries and multifactor productivity and related cost measures for one additional service-producing industry.
6. Implement the use of the BLS Internet Data Collection Facility in at least two surveys.

Data Source

BLS Quarterly Review and Analysis System.

Baseline

Since the performance indicators are the accomplishment of milestones, baselines are not applicable.

Comment

Indicators for goal 1.3B reflect the BLS commitment to continuous improvement of its statistical processes and products. These indicators are significant milestones towards the accomplishment of this improvement goal.

Performance Goal 2.1A (ESA) – FY 2003

Covered American workplaces legally, fairly, and safely employ and compensate their workers.

FY 2002: Same as FY 2003.

Results

FY 2003: The goal was substantially achieved; 12 of 13 targets were reached.

1. The average number of days to conclude a complaint declined to 108 days – a 16% decline.
2. Both performance targets were reached.
 - a. 37% of reinvestigations were without violations – a three percentage point increase.
 - b. 17% of reinvestigations (prior violators) had identical violations – a two percentage point decrease.
- 3.a. All five targets were reached.
 - i. 91% of employees in Southern California were paid “on the payroll.”
 - ii. 715 manufacturers in Southern California monitor their contractor shops for compliance (including unannounced visits and payroll reviews) – a 2.1% increase.
 - iii. 73 new contractors in New York City participate in the “Compliance Assistance Program for New Contractors” – a 5.8% increase.
 - iv. 158 manufacturers in New York City monitor their contractor shops for compliance – a 5.3% increase.
 - v. 33% of employees in New York City are paid “on the payroll.”
- 3.b. One of two targets was reached.
 - i. 77% of employees in residential living establishments with overtime violations were themselves the subject of an overtime violation – a decline of six percentage points.
 - ii. 48% of nursing home complaint cases were concluded within 180 days – and increase of six percentage points.
- 3.c. All three targets were reached.
 - i. Measurement will take place in FY 2004.
 - ii. 256 agricultural housing providers corrected violations following an investigation – a 53% increase.
 - iii. 133 agricultural housing providers corrected violations following a first investigation – a 37% increase.

Indicator

FY 2002: The goal was substantially achieved.

1. All three targets were reached:
 - a. 34% of reinvestigations were without violations.
 - b. 25% of reinvestigations (prior violators) had any violation.
 - c. 19% of reinvestigations (prior violators) had identical violations.
- 2a. Three of five targets were reached:
 - i. 53% of manufacturers monitor their contractor shops for compliance in southern California – a 12 percentage point increase.
 - ii. The average number of monitoring components used by manufacturers in monitoring their contractors for compliance in southern California in FY 2002 is 6.37 – a 15% increase.
 - iii. 92% of contractors in southern California pay all employees on the payroll – a 29 percentage point increase.
 - iv. 43% of new contractors in New York City participating in the NYC Compliance Assistance Program were in compliance – a decline of eight percentage points.
 - v. 42% of contractors in New York City pay all employees on the payroll – a nine percentage point decline.
- 2b. All three targets were reached:
 - i. 16,426 additional employees of multi-establishment nursing home corporations impacted by corporate proactive steps such as training and self-audit.
 - ii. 7,681 employers (nursing homes) were provided compliance assistance information through seminars and other outreach efforts – and increase of 216%
 - iii. 77% of employers (residential living) were in compliance with the recordkeeping requirements of the Fair Labor Standards Act.
- 2c. All targets were reached:
 - i. 61% of employers were in compliance with the MSPA disclosure provisions.
 - ii. 91% of employers were in compliance with the MSPA wage provisions.
 - iii. 74% of employers were in compliance with the MSPA housing safety and health provision.
 - iv. 88% of employers were in compliance with the MSPA vehicle safety provisions (transportation).
 - v. 90% of employers were in compliance with the MSPA drivers license provisions (transportation).
 - vi. 85% of employers were in compliance with the MSPA vehicle insurance provisions (transportation).
 - vii. 98% of investigated employers were in compliance with child labor provisions.

FY 2003:

1. Reducing employer recidivism.
 - a. Decreasing the average number of days to conclude a complaint by two percent over the FY 2002 baseline.
 - b. Increase the percent of reinvestigations without any violations by two percentage points
 - c. Decrease the percent of reinvestigations with identical violations by two percentage points.
2. Increasing compliance in industries with chronic violations.
 - a. As indicated in the garment manufacturing industry by:
 - i. Establish a baseline of the percent of employees in southern California paid “on the payroll.”
 - ii. Increase by two percent the number of manufacturers that monitor their contractor shops for compliance in southern California (including conducting unannounced visits and payroll reviews).
 - iii. Increase by five percent the number of new contractors in New York City participating in the “Compliance Assistance Program for New Contractors.”
 - iv. Increase by two percent the number of manufacturers in New York City that monitor their shops for compliance.
 - v. Establish a baseline of the percent of employees in New York City paid “on the payroll.”
 - b. As indicated in the long-term health care industry by:
 - i. Increase by two percent the percent of employees in the residential living (group home) segment of health care industry paid in compliance with the overtime requirements of the Fair Labor Standards Act.
 - ii. Increase by one percent the percent of nursing home complaint cases concluded in 180 days.
 - c. As indicated in agricultural commodities by:
 - i. Increase compliance among agricultural employers subject to the DWHaT provisions of MSPA through targeted compliance assistance programs; to be measured in FY 2004.
 - ii. Increase by two percent the number of agricultural housing providers who corrected violations following an investigation.
 - iii. Increase by one percent the number of agricultural housing providers who corrected violations following a first investigation.

FY 2002:

1. Reducing employer violation recidivism. In FY 2002, establish baselines for:
 - a. Percentage of reinvestigations without violations.
 - b. Percentage of reinvestigations with any violation.
 - c. Percentage of reinvestigations with identical violations.

2. Increasing compliance in industries with chronic violations.
 - a. As indicated in the garment manufacturing industry by:
 - i. Increase by two percentage points the number of manufacturers that monitor their contractor shops for compliance in southern California.
 - ii. Increase by two percent the average number of monitoring components used by manufacturers in monitoring their contractors for compliance in southern California.
 - iii. Increase by two percentage points the number of contractors in southern California that pay all employees on the payroll.
 - iv. Increase by four percentage points the level of compliance of new contractors in New York City through compliance education.
 - v. Increase by two percentage points the percentage of contractors in New York City that pay all employees on the payroll.
 - b. As indicated in the long-term health care industry by:
 - i. Increase by 6,000 the number of employees of multi-establishment nursing home corporations impacted by corporate proactive steps, such as training and self-audit.
 - ii. Increase by five percent the number of employers (nursing homes) that were provided compliance assistance information through seminars and other outreach efforts.
 - iii. Establish a baseline of the number of employers in compliance with the recordkeeping requirements of the Fair Labor Standards Act.
 - c. As indicated in agricultural commodities by:

In FY 2002, establish baselines of compliance with the Migrant and Season Agricultural Worker Protection Act (MSPA) provisions of disclosure, wages, housing and transportation and with the child labor provisions of the Fair Labor Standards Act relative to selected agricultural commodities in various locations in the U.S.

Data Source

FY 2003:

Wage and Hour Investigator Support and Reporting Database (WHISARD); WHD significant activity reports; regional logs and reports on local initiatives; and statistically valid investigation-based surveys.

FY 2002:

1. Wage and Hour Investigator Support and Reporting Database (WHISARD).
2. Wage and Hour Investigator Support and Reporting Database (WHISARD) data for garment manufacturer investigations; WHD significant activity reports on health care activities; WHISARD data and regional logs on agricultural activities; statistically valid investigation-based compliance surveys in defined industries.

Baseline

FY 2003:

1. The average number of days to conclude a complaint is 129.
- 2.a. 34% of reinvestigations are without violations.
- 2.b. The percent of reinvestigations with identical violations is 19%.
- 3.a.i. TBD in FY 2003.
- 3.a.ii. Of the 1,700 manufacturers in southern California, 41% (700) monitor their contractor shops and 21.3% (362) conduct both unannounced visits and payroll reviews.
- 3.a.iii. 69 contractors participate in the "Compliance Assistance Program for New Contractors."
- 3.a.iv. Of the 1,358 manufacturers in NYC, 11% (150) monitor their contractor shops.
- 3.a.v. TBD, baseline being established in FY 2003.
- 3.b.i. 83% of residential living employees are paid in compliance with the FLSA overtime provisions.
- 3.b.ii. 42% of nursing homes complaint-based full investigations are concluded in 180 days.
- 3.c.i. TBD in FY 2003.
- 3.c.ii. 167 housing providers corrected housing violations following an investigation.
- 3.c.iii. 97 housing providers investigated for the first time corrected housing violations following an investigation.

FY 2002:

1. Baselines to be determined in FY 2002.
- 2a. i. 41%.
- 2a.ii. 5.5 (of a total of seven).
- 2a.iii. 63%.
- 2a.iv. 51%.
- 2a.v. 52%.
- 2b.i. 48,000 employees.
- 2b.ii. 2,437 employers.
- 2b.iii. Baselines to be determined in FY 2002.
- 2c. Baselines to be determined in FY 2002.

Comment

- 3.b.i. The decline in the percent of residential living employees paid in compliance with the overtime standards is in large part a reflection of the differences in the average size of residential living facilities with overtime violations between the two years. The data for this indicator are taken from the agency's database of directed investigations concluded during the fiscal year where overtime violations were found. While the percentages provide trend data on employees affected by overtime violations, they do not represent a statistically valid assessment of the percent of employees in this industry who were the subject of an overtime violation. Rather, the data provide an indication of the severity of overtime violations when an employer is not in compliance with the overtime standards. The measure is not adjusted to account for size differences among the employers in the database. Targeting criteria in fiscal year 2003 may have introduced some bias in the database universe. For example, in fiscal year 2002, residential living facilities with overtime violations on average had 77 employees as compared to 47 employees in 2003. In fiscal year 2003, the smaller establishments tended to have overtime violations. As a result, the percent of employees that were subject to an overtime violation in the smaller facilities tended to be higher. To account for a more accurate measurement of the number of employees paid in compliance with the overtime provisions, WHD will be conducting a statistically valid investigation-based survey of the health care industry in fiscal year 2004.
- 3.c.i. In fiscal year 2002, WHD entered into targeted compliance assistance programs with three employer associations. These associations represent over 300 agricultural employers. Next fiscal year, WHD will seek to increase compliance among agricultural employers through these targeted assistance programs.

Performance Goal 2.1B (ESA) – FY 2003

Advance safeguards for union financial integrity and democracy and the transparency of union operations.

FY 2002: Same as FY 2003

Results

- FY 2003: The goal was not achieved; two of three targets were reached.
- 1. a. The timely filing of union annual financial reports by unions with annual receipts over \$200,000 was 64%.
 - b. A baseline was established for the percentage of filed reports determined to be sufficient for public disclosure: 73%.
 - 2. The percentage of investigative resources applied to criminal investigation that result in convictions is increased to 63%.
- FY 2002: The goal was achieved.
- 1. DOL initiated the internet-based public disclosure system in June 2002. A baseline for the timely filing of union reports was established at 44%.
 - 2. A baseline of 50% was established for the percentage of investigative resources applied to criminal cases that result in conviction.

Indicator

- FY 2003:
- 1. Improving timely filing of union annual financial reports that contain information sufficient for public disclosure. In FY 2003:
 - a. The timely filing of union annual financial reports by unions with annual receipts over \$200,000 will increase to 85% .
 - b. A baseline for the percentage of filed reports determined to be sufficient for public disclosure will be established in FY 2003.
 - 2. Extending Labor-Management Reporting and Disclosure Act protections for union financial integrity to a greater number of labor organizations through a more effective use of investigative resources. In FY 2003 the percentage of investigative resources applied to criminal investigation that result in convictions is increased to 53%.
- FY 2002:
- 1. Improvement in the timely filing of union annual financial reports that contain information sufficient for public disclosure. In FY 2002, initiate a new electronic forms application and electronic submission process and establish a baseline for timely filing under the new process.
 - 2. Extending Labor-Management Reporting and Disclosure Act protections for union financial integrity to a greater number of labor organizations through the more effective use of investigative resources. In FY 2002, establish a baseline of the percentage of investigative resources applied to criminal investigations that result in convictions.

Data Source

- 1. Labor Organization Reporting System.
- 2. OLMS Case Data System.

Baseline

- 1. a. 44%;
 - b. 73%
- 2. 50%

Comment

Indicator 1a: Timely and accurate reporting by unions is critical to the LMRDA objectives for union transparency, financial integrity, and democracy. The timely filing rate of 63% falls significantly short of the 85% goal. In FY 2002, the 85% mark was achieved. However, in FY 2003 OLMS established more stringent guidelines for determining timeliness, allowing no more than three days beyond the statutory due date as a benchmark for timely filing. In FY 2002, a 14-day grace period had been allowed. OLMS imposed the stricter standard for timeliness to achieve better results and will continue to focus efforts to achieve that end.

2. Union financial integrity is also essential to a competitive workforce. To ensure effective use of resources applied to criminal investigations, OLMS established the indicator to increase the percentage of resources applied to criminal investigations that result in convictions. As that percentage increases, greater direct benefit is provided to the American workforce through enforcement of union financial integrity protections. The performance result in FY 2003 demonstrates an increase in this benefit.

Performance Goal 2.2A (ETA) – FY 2003

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.

FY 2002: Same as above.

FY 2000 – 2001: Unemployed workers receive fair Unemployment Insurance benefit eligibility determinations and timely benefit payments.

Results

FY 2003: This goal was substantially achieved.

- Percent of intrastate payments made timely: 89%
- Benefit payment accuracy rate: 56.1%
- Percent of employer tax liability determinations made timely: 83.7%
- Entered employment: This target was reached. DOL developed a measure and a method to obtain entered employment information on UI claimants. Six States are pilot testing the method, and their results will be used to establish a baseline in early FY 2004.

FY 2002: The goal was not achieved.

- Timely benefit payments: 88.7% of first payments were made within three weeks, versus a target of 91% and a baseline of 90.3%.
- Prompt set-up of tax accounts: 81.7% of new status determinations were made within 90 days of the end of the quarter the employers became liable for UI taxes and reports, versus a target of 80%.
- Accurate benefit payments. After consultation with the system on alternatives, a measure of integrity was selected, and a baseline and FY 2003 target were set.
- Alternative measures for the rate UI claimants have entered into employment were developed and have been presented to the Assistant Secretary. Discussion with States may follow. No data will probably be available to produce baseline estimates before early FY 2004.

FY 2001: The goal was not achieved.

- Twenty-five States met or exceeded the minimum performance criterion for benefit adjudication quality (nationwide, 71.1% of all non-monetary determinations were adequate) against the FY 2001 target of 26; and
- Forty-two states met or exceeded the Secretary's Standard for intrastate payment timeliness against a target of 48 states (nationally, 90.3% of all intrastate first payments were made within 14/21 days).

FY 2000: The goal was substantially achieved.

- 23 States met or exceeded the minimum performance criterion for benefit adjudication quality against the FY 2000 target of 24 states (nationally, 70.3% of all non-monetary determinations were adequate, the same as in FY 1999)
- 47 States met or exceeded the Secretary's Standard for intrastate payment timeliness against a target of 47 states (nationally, 89.9% of all intrastate first payments were made within 14/21 days, up from 89.6% in FY 2000).

Indicator

FY 2003:

- Payment Timeliness: 91% of all intrastate first payments will be made within 14/21 days;
- Payment Accuracy: Establish for recovery at least 59% of all estimated detectable overpayments.
- Facilitate Reemployment: A data source will be selected and baseline for the entered employment rate of Unemployment Insurance claimants will be established during early FY 2004 (earlier if data are available); and
- Establish Tax Accounts Promptly: 80% of new employer status determinations will be made within 90 days of the end of the first quarter in which liability occurred.

FY 2002:

- Payment Timeliness: 91% of all intrastate first payments will be made within 14/21 days;
- Payment Accuracy: In FY 2002, a measure of payment accuracy will be established after consultation with system partners and stakeholders, and a baseline set, to improve Unemployment Insurance Payment Accuracy nationwide. A target for FY 2003 will be set based on that baseline;
- Facilitate Reemployment: Define a measure of entered employment of Unemployment Insurance claimants and establish a baseline; and
- Establish Tax Accounts Promptly: 80% of new employers will receive a determination about their Unemployment Insurance tax liability within 90 days of the end of the first quarter they become liable for the tax.

	<p>FY 2001:</p> <ul style="list-style-type: none"> ● Eligibility Determinations Fairness: Increase to 26 the number of States meeting or exceeding the minimum performance criterion for benefit adjudication quality; and ● Payment Timeliness: Increase to 48 the number of States meeting or exceeding the Secretary's Standard (minimum performance criterion) for intrastate payment timeliness. <p>FY 2000:</p> <ul style="list-style-type: none"> ● Eligibility Determinations Fairness: Increase to 24 the number of States meeting or exceeding the minimum performance criterion for benefit adjudication quality ● Payment Timeliness: Increase to 47 States the number of States meeting or exceeding the Secretary's Standard (minimum performance criterion) for intrastate payment timeliness.
Data Source	<p>Eligibility Determinations Quality: ETA 9056 Payment Timeliness: 9050 Report Payment Accuracy: Benefit Accuracy Measurement program or ETA 227 report Entered Employment: UI wage records New Status Determinations Timeliness: ETA 581 report</p>
Baseline	<p>Payment Timeliness: 89.9% of all intrastate first payments were made within 14/21 days Payment Accuracy: 57.9% of estimated recoverable overpayments most readily detectable by State Benefit Payment Control operations were established for recovery Entered Employment: N/A Establish Tax Accounts Promptly: 79.1% of new employers received a determination about their UI tax liability within 90 days of the end of the first quarter they became liable for the tax</p>
Comment	<p>Continued development and evaluation performance goals and indicators may affect the targets and measures for FY 2005 to better reflect the level of customer service, program integrity, and the extent Unemployment Insurance claimants become reemployed.</p>

Performance Goal 2.2B (EBSA) – FY 2003

Enhance Pension and Health Benefits Security

Results	<p>FY 2003: This goal was achieved. 69 percent of closed civil cases resulted in corrected violations. 40 percent of criminal cases resulted in referral for prosecution. EBSA's Customer Satisfaction Index score was 59.</p>
Indicator	<p>Enforcement:</p> <ul style="list-style-type: none"> ● Achieve greater than a 50% ratio of closed civil cases with corrected violations to civil closed cases. ● Achieve greater than a 25% ratio of criminal cases referred for prosecution to total criminal cases. <p>Participant Assistance:</p> <ul style="list-style-type: none"> ● Achieve a Customer Satisfaction Index of 59, or comparable measurement, for Participants and Beneficiaries who have contacted EBSA for assistance.
Data Source	<ul style="list-style-type: none"> ● EBSA's Enforcement Management System ● The Gallup Organization
Baseline	<ul style="list-style-type: none"> ● 46.04% (FY 1999-FY 2001 Average) ● 23.45% (FY 1999-FY 2001 Average) ● 53 (FY 2001) [0-100 scale]
Comment	<p>Developing a quantifiable, pure outcome goal to measure EBSA's success is extremely challenging. 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. In addition, EBSA oversees benefit security for approximately 6 million plans, 150 million participants and beneficiaries, and approximately \$4.8 trillion in assets. Therefore, EBSA strives to ensure that stakeholders (plan professionals and participants) are empowered with knowledge to comply with the law and to make informed personal choices. In the absence of having a pure, outcome measure, describing success in enhancing the security of retirement benefits in this complex environment involves selecting key measures that provide an indication of or reasonable connection to our success. It is within this context that the Department will continue to utilize the performance indices we developed and implemented for the first time in FY 2003 to better communicate its performance. With respect to the customer satisfaction target, EBSA will work with Gallup to refine its long-term target consistent with other industry standards and experience. In developing these measurements, EBSA intends to: (1) maintain</p>

maximum flexibility for the Secretary to make policy judgments regarding enforcement, compliance assistance, outreach and education; (2) reflect effectiveness in achieving these policy choices; (3) avoid creating unintended incentives (i.e. selecting monetary measures that might lead the Department to select investigations based on potential recovery alone and thus ignore small plans or health plan violations); and (4) measure a multitude of diverse activities (e.g. education/outreach, technical assistance, enforcement). By measuring these indices, coupled with additional statistical and internal management information, the effectiveness of our program can be determined and more importantly, we can develop strategies to more effectively enhance benefit and retirement security.

Performance Goal 2.2C (ESA) – FY 2003

Minimize the human, social, and financial impact of work-related injuries for workers and their families.

FY 1999-2002: Same as above.

Results

FY 2003: The goal was substantially achieved. Of the ten performance indicators included under this goal, targets were reached for eight.

1. The goal of 129.7 lost production days for Postal Service cases was not achieved. LPD for USPS rose by nine percent to 143.3 days.
2. This goal was not achieved. LPD for All Other Government Agencies rose in FY 2003 by 2.6 percent over FY 2002 to 55.2 days.
3. This goal was achieved. Placements increased by 14% – 56 USPS employees were placed with new employers.
4. This goal was achieved. Periodic Roll Management (PRM) produced an additional \$24.6 million in first-year compensation benefit savings in FY 2003
5. This goal was achieved. In the last 12 months, FECA average medical treatment case costs remained stable with last year at approximately \$2,500 per case, while the Milliman Health Cost Index rose by 10 percent.
6. This goal was achieved. DOL established baselines using FY 2003 results for five communications performance indicators.
7. As of the end of August FY 2003, this goal had been achieved. The average number of days to resolve disputed issues for FY 2003 was 266 days, thirteen days below the goal of 279 days.
8. This goal has been achieved. 86.6 % of claims subject to the new regulations on which district director decisions were based had no pending requests for further action one year after receipt of the claim.
9. This goal was achieved. 79 percent of Initial Claims for benefits in the Energy Program were processed within standard timeframes.
10. This goal was achieved. The overall performance result was 76.9 percent within standard timeframes for Final Decisions.

FY 2002: The goal was not achieved. Of the seven performance indicators included under this goal the targets were reached for two, substantially reached for one, and not reached for four.

1. This target was not reached. While LPD for injury cases of the United States Postal Service rose by 11.6% to 131 days, LPD for the All Other Government Agencies was reduced by 4.6% to 53.8 days.
2. This target was not reached. Resolving disputed issues required an average of 285 days.
3. This target was reached. 89.9 % of claims subject to the new regulations on which district director decisions were based had no pending requests for further action one year after receipt of the claim.
 - The extraordinary results achieved were due mostly to cohorts of re-filed and marginal cases that were subsequently withdrawn during the initial processing period under the revised regulations.
 - These cohorts should decrease or disappear during FY 2003 and beyond.
 - The program expects the reduction or elimination of these cohorts to bring performance more into line with projected targets.
4. This target was not reached. Results from year-end totals showed that 48% of claims of Department of Energy (DOE) employees, or of contractors employed at DOE Facilities, were processed within 120 days, and that 48% of claims of employees of Atomic Weapons Employers and Beryllium Vendors were processed within 180 days.
5. This target was substantially achieved. Results from year-end totals showed that 76% of final decisions in approved claims or no-contest denials were issued within 75 days from issuance of the recommended decision, 74% of final decisions in reviews of the written record were issued within 75 days of the request for review of written record, and 100% of final decisions in formal hearings were issued within 250 days of the request for hearing.
6. This target was reached. Periodic Roll Management (PRM) produced an additional \$25.6 million in first-year compensation benefit savings in FY 2002, bringing cumulative total first-year savings to \$122 million.
7. This target was not reached. Average overall FECA medical cost per case in FY 2002 was \$2,604. After adjusting for inflation using the Consumer Price Index for Medical Care, this represents a 6.8% increase compared to the average of \$2,230 in FY 2000.

FY 2001: The goal was not achieved.

1. This target was reached. The FY 2000 baseline is 68.1, and the FY 2001 target was 66.7. The overall government-wide LPD was 76.9, a 15.3% increase.
2. N/A

3. N/A

4. N/A

5. N/A

6. This target was reached. PRM produced an additional \$31 million in first-year savings in FY 2001, bringing cumulative total first-year savings to \$103 million.

7. The target was not reached. Average cost per case for Psychiatric services was reduced by nearly three percent over FY 2000; for Physical Therapy services, however, average cost increased by 4.5% (adjusted for inflation).

- For Psychiatric cases, the decline in average case costs was due, in part, to application of stricter guidelines over approval of services in the FECA district offices;
- Despite an increase in average costs for Physical Therapy cases, Focus Reviews conducted in late FY 2001 demonstrated the potential for savings in this service category: 121 of 842 high-cost cases were identified for adjustment of service limits.

FY 2000: The goal was achieved.

1. This target was reached. Average lost production days (LPD) measured for Quality Case Management cases in FY 2000 was 164 days. This represented a shortening of the average time away from work of 25 days when compared to the FY 1997 baseline year. The reduction also equated to a \$17.7 million savings in compensation costs.

2. This target was substantially reached. System programming was completed and data collection started. However, goal refinement at mid-year required extending the data collection period to a full year to ensure an inclusive baseline. The target for establishing a baseline was extended to May 2001.

3. This target was substantially reached.

4. - 5. N/A.

6. This target was reached. Cumulative first-year savings for FY 1999-2000 were \$72 million. PRM productivity remained higher than expected. One-half of all reviews in FY 2000 resulted in either an adjustment to continuing benefit amounts or a termination of benefits.

7. This target was reached. The FECA program saved \$34.5 million (61% over target) using fee schedules for Inpatient and Pharmacy services. The result was due, in large part, to a 37% increase in charges for these services. This was consistent with the 32% overall increase in charges subject to fee schedules (including Outpatient Hospital and Physician charges) in FY 2000.

FY 1999: The goal was achieved.

1. This target was reached. Average lost production days 173 days against a target of 178 days. This was nearly a nine percent reduction compared to the FY 1997 baseline. The 16-day reduction compared to the FY 1997 baseline represented a savings in compensation benefits of \$9.6 million for the cases measured.

2. By September 30, a definition of "case resolution" was developed and distributed to program district directors and OWCP regional directors.

3. The program implemented part of its revised initial findings package in July 1999. The remainder of the findings package was awaiting finalization of the new regulations.

4. - 5. N/A

6. This target was reached. PRM case review actions produced an additional \$20.8 million in FECA compensation benefit savings.

7. This target was reached. The new fee exceeded the target by 54%, and produced \$16.5 million in savings. Implementation of medical bill review was delayed and the full complement of Medical Coding Specialists was not brought on board and trained until September 1999. No savings resulted from bill review.

Indicator

FY 2003:

1. For FECA cases of the United States Postal Service, reduce the lost production days rate (LPD per 100 employees) by one percent from the FY 2002 baseline.

2. For FECA cases of All Other Governmental Agencies, reduce the lost production days rate (LPD per 100 employees) by three percent from the FY 2001 baseline.

3. Increase FECA Vocational Rehabilitation placements with new employers for injured USPS employees by five percent over FY 2002.

4. Through use of Periodic Roll Management, produce \$20 million in first-year savings in the FECA program.

5. The trend in the indexed cost per case of FECA cases receiving medical treatment will remain below the comparable measure for nationwide health care costs.

6. Establish or complete baselines in key FECA customer service areas.

7. Reduce by two percent over the FY 2002 baseline the average time required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases.

8. Increase by four percent over the FY 2001 established baseline the percentage of Black Lung benefit claims filed under the revised regulations for which, following an eligibility decision by the district director, there are no requests for further action from any party pending one year after receipt of the claim.

9. 75 percent of Initial Claims for benefits in the Energy Program are processed within standard timeframes.

10. 75 percent of Final Decisions in the Energy Program are processed within standard timeframes

FY 2002:

1. Decrease by two percent from the FY 2001 baseline the average number of production days lost due to disability in the FECA program for

- United States Postal Service (USPS) cases
- All other Government cases.

2. Reduce by two percent over the baseline the average time required to resolve disputed issues in Longshore and Harbor Worker's Compensation Program contested cases.

3. Increase by two percent over the FY 2001 established baseline the percentage of Black Lung benefit claims for which, following an eligibility decision by the district director, there are no requests for further action from any party pending one year after receipt of the claim.

4. For Initial Processing of claims for benefits in the Energy Program:
 - 75% of claims of Department of Energy (DOE) employees, or of contractors employed at DOE facilities, are processed within 120 days.
 - 75% of claims of employees of Atomic Weapons Employers (AME) and Beryllium Vendors are processed within 180 days.
5. For processing of Requests for Hearings in the Energy Program:
 - 75% of Final Decisions in Approved Claims or No-Contest Denials are issued within 75 days from issuance of the Recommended Decision.
 - 75% of Final Decisions in Reviews of the Written Record are issued within 75 days of the Request for Review of Written Record.
 - 75% of Final Decisions in Formal Hearings are issued within 250 days of the Request for Hearing.
6. Through use of Periodic Roll Management, produce \$122 million in cumulative first-year savings (FY 1999 -2002) in the FECA program.
7. Reduce the overall average medical service costs per case (adjusted for inflation) in the FECA program by .5% versus the FY 2000 baseline.

FY 2001:

1. Two percent reduction from the FY 2000 baseline in the average number of production days lost due to disability.
2. Establish performance baseline and begin data collection for performance tracking.
3. Establish a baseline by the end of FY 2001.
4. - 5. N/A.
6. Produce \$95 million in cumulative first-year savings.
7. Reduction in the average annual cost for physical therapy and psychiatric services by one percent through focus reviews of services charged. (Note: This intermediate goal will assist the agency in developing strategies to reach the overall cost reduction goal. Reduction of overall average medical costs will be measured against a FY 2000 baseline.)

FY 2000:

1. Reduce to 173 days (OCM cases only); establish baseline for all cases.
2. Complete system programming for entering and generating goal-related data and establish a baseline against which to measure performance.
3. Finalize and implement new regulations. Develop materials to provide all parties with information about the revised claims development and adjudication process.
4. - 5. N/A
6. Produce \$66 million in cumulative first-year savings.
7. Save an additional \$5 million over FY 1999 compared to amounts charged through full-year implementation of fee schedules for inpatient hospital and pharmacy services.

FY 1999:

1. Reduce to 178 days (OCM cases only).
2. Complete the process of defining a case resolution.
3. Implement initial findings package designed to more effectively provide all parties with information about decisions made on individual claims.
4. -5. N/A
6. \$19 million in first-year savings.
7. Save 19% versus amounts billed for FECA medical service subject to fee schedules.

Data Source

1. Federal Employees' Compensation Act (FECA) data systems; Federal agency payroll offices; Office of Personnel Management employment statistics.
2. Federal Employees' Compensation Act (FECA) data systems; Federal agency payroll offices; Office of Personnel Management employment statistics.
3. Nurse/Rehabilitation Tracking System.
4. Periodic Roll Management System; FECA Automated Compensation Payment System.
5. FECA Medical Bill Pay System; 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. Energy Program Case Management System.
10. Energy Program Case Management System.

Baseline

1. The number of days lost due to workplace injuries in FY 2002 per 100 employed Federal civilian workers by the USPS.
2. The number of days lost due to workplace injuries in FY 2001 per 100 employed Federal civilian workers by All Other Government agencies.
3. The number of vocational rehabilitation placements with new employer in FY 2002.
4. The sum of periodic (28-day cycle) payments, on a case-by-case basis, made prior to reduction in benefits due to terminations or adjustments by PRM action in the fiscal year.
5. U.S. health care costs as measured by the Milliman Health Cost Index.
6. TBD, baselines for key service areas being established in FY 2003.
7. An average of 285 days elapsed nationwide between the dispute receipt date and the dispute resolution date.*

Comment

8. FY 2001: 66.5% of Black Lung benefit claims, following an eligibility decision by the district director, had no requests for further action from any party pending one year after receipt of the claim: developed using data collected over the past decade from claims subject to the old regulations.
9. 75 percent of Initial Claims processed are timely.
10. 75 percent of Final Decisions are timely.
- 1, 2. LPD is one of several goals within the joint, OSHA/ESA safety & health and return to work (SHARE) initiative to increase Federal workplace safety rates and speed recovery and return to work. In light of widespread public health incidents subsequent to the anthrax events involving postal workers, and because USPS is excluded from OSHA's Federal safety initiative since it is regulated as a private sector entity, we have created two LPD goals to measure LPD for USPS cases and for all other Federal agencies separately. Post September 11, 2001, impacts on the USPS, including overall reductions in mail volume, resulted in higher LPD during FY 2001 and 2002, and that trend is expected to be difficult to reverse. Accordingly, we believe FY 2002 is a more appropriate baseline against which to measure future performance for USPS.
4. Periodic Roll Management has proven highly successful in identifying potential for return to work and resolving cases leading to greater savings in benefit compensation (an additional \$317 million between 1992 and 1998). In FY 1999, Congress appropriated resources to fully staff all offices and integrate PRM into FECA program operations. This is accelerating savings in Federal workers' compensation costs, and increasing the potential for returning workers to employment after recovery from an injury. Note: decisions on cases under PRM review often result in adjustment or termination of benefits. On a case-by-case basis, and beginning with the first payment cycle after the benefit action, savings are scored for the remainder of the measurement (fiscal) year, producing the first-year savings for the case. First-year savings for all cases in the measurement year are then combined producing the total first-year savings. The cumulative sum of first-year savings is matched against the goal as stated for each measurement year.
4. 5. The objective of the FECA Medical Savings goal is to maintain control over costs at a level comparable to nationwide health care cost trends as measured by the Milliman Health Cost Index. This index measures the change in non-Medicare health care costs per capita for the overall national population. In the early 1990's FECA medical cost increases were typically lower than the Milliman Health Cost Index, but in 1998 and throughout 2000 the FECA rolling 12 month average exceeded the Milliman Index's rate of increase. The implementation of various cost containment strategies has had significant impact in moving FECA's cost curve well below the average Milliman Index since early 2001, and this new, long-term goal of maintaining that positive relationship to the Milliman Index over time is appropriate given the progress to date.
- FECA continues to use fee schedules to set payment levels for standard categories of billed medical services. A special automated bill review, the Corrective Coding Initiative (CCI) identifies medical providers' duplicate and abusive billing practices, and facilitates evaluation and resolution of questionable bills before payment is authorized. FECA has begun a medical services contract that centralizes and standardizes the processing of FECA medical bills. Focus reviews identify proper treatment or payments for selected medical services provided and matched to medical condition. Utilization review will focus on the appropriateness and duration of medical treatment.
6. Customer service improvements are focused on communications performance in five key areas: availability and access to electronic information services; telephone responsiveness; call handling accuracy and assistance effectiveness; and call handling quality.
7. Reducing the average time required to resolve disputed issues reflects increased cooperation among the parties and increased voluntary compliance with Longshore statutes and procedures. This performance target will capture the results of program efforts to reduce utilization of the extended hearings and appeals processes by raising the quality of medical evidence and clarity of decisions in the initial stages of the decision making process under the revised regulations.
8. The results achieved were again influenced by factors whose impact will be greatly diminished or no longer felt in FY 2004.
- Most significantly, cohorts of re-filed and marginal cases that were subsequently withdrawn during the initial processing period under the revised regulations should decrease or disappear during FY 2004 and beyond.
 - The program expects the reduction or elimination of these cohorts to bring performance into line with projected targets.
 - Results have trended downward since mid-year toward the performance target as expected.
 - Mid-year performance indicated that 88.7% of claims subject to the new regulations on which district director decisions were based had no pending requests for further action one year after receipt of the claim. By year's end, the result was reduced by over two full percentage points.
 - The program will continue to carefully monitor quarterly results. If performance continues to greatly exceed target levels, the targets will be reviewed and adjusted where appropriate.
9. OWCP refers non-Special Exposure Cohort (SEC) cancer claims to the National Institute for Occupational Safety and Health (NIOSH) to document radiation exposure histories and dosage levels. Upon completion of the dose reconstruction, OWCP continues adjudication of the claim. "Completion of initial processing" indicates a point common to all claim categories at which the Energy program has made a determination of covered employment and covered illness. For claims other than non-SEC cancers, this determination results in a decision to award or deny claims. Beyond completion of initial processing, additional decision points reside with the claimant or NIOSH prerequisite to issuance of a formal Recommended Decision.

9,10. These timeframes and target levels may be adjusted as the Energy program builds a more complete understanding of potential workload volumes and characteristics, better assesses work flow and resource requirements, tests work processes, and determines optimal performance standards. This analysis includes understanding uncontrollable factors, such as decision points dependent upon claimant action (e.g., "no contest denials" cannot be completed until the claimant's 60-day response period has passed).

Performance Goal 2.2D (PBGC) FY 2003

PBGC will provide accurate and timely payments to the beneficiaries and businesses it serves.

FY 1999 – 2002: Same as above.

Results

FY 2003: This goal was substantially achieved. While targets for indicators one and two were reached, the target for indicator three was substantially reached. PBGC refunded 82 % of pension fund overpayments within 90 days.

FY 2002: This goal was not achieved. The average processing time was 3.3 years

FY 2001: This goal was achieved.

FY 2000: This goal was achieved.

FY 1999: This goal was achieved.

Indicator

FY 2003:

1. Reduce to 3 years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC;
2. Minimize the number of erroneous benefit payments; and
3. Refund 85% of pension fund overpayments to businesses within 90 days of a request.

FY 2002: Reducing to three years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC

FY 2001: Reducing to three to four years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC

FY 2000: Reducing to four to five years the average timeframe to send benefit determinations to participants in defined benefit pension plans taken over by PBGC

FY 1999: Send final, accurate benefit determinations to participants within five to six years of plan trusteeship

Data Source

Participant Record Information System Manager
Premium Accounting System

Baseline

Comment

Performance Goal 2.3A (ETA) – PY 2002

Increase the employment, retention, and earnings replacement of individuals registered under the WIA dislocated worker program.

PY 2000 – 2001: Same as PY 2002.

Results

PY 2002: This goal was not achieved.

- Entered employment rate: 82%
- Employment retention rate: 90%
- Earnings replacement rate: 90%

PY 2001: The goal was achieved.

- Entered employment rate: 79.2%
- Employment retention rate: 87%
- Earnings replacement rate: 101.3%

PY 2000: The goal was achieved.

- Entered employment rate: 75%
- Employment retention rate: 83%
- Earnings replacement rate: 95%

Indicator	<p>PY 2002:</p> <ul style="list-style-type: none"> ● 78% will be employed in the first quarter after program exit. ● 88% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and ● Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will have 98% of their pre-dislocation earnings. <p>PY 2001:</p> <ul style="list-style-type: none"> ● 73% will be employed in the first quarter after program exit. ● 83% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and ● Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will have 91% of their pre-dislocation earnings. <p>PY 2000:</p> <ul style="list-style-type: none"> ● 71% will be employed in the first quarter after program exit. ● 82% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and ● Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will have 90% of their pre-dislocation earnings.
Data Source	Quarterly State WIA reports included in the Enterprise Information Management System (EIMS); UI Wage Records
Baseline	PY 2000, the first full year of WIA implementation, constitutes the baseline year for this measure. The performance measure is derived from the agreed upon levels of performance from all States. These measures will be regularly reviewed for appropriateness and rigor as performance data becomes available.
Comment	Beginning in PY 2004, the Department will implement the common measures for Federal job training and employment programs. For adult programs, these measures are entered employment, retention, earnings increase, and efficiency. With WIA reauthorization, the common measures for the WIA adult program, the WIA dislocated worker program, and the labor exchange activity, will be applied on a consolidated basis, measuring in the aggregate the overall performance of the workforce system, rather than these performance of these three individual programs.

Performance Goal 2.3B (ETA) – FY 2003

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

FY 2001 – 2002: Same as FY 2003.

Results	<p>FY 2003: The goal was not achieved.</p> <ul style="list-style-type: none"> ● 62% employed in the first quarter after exit; ● 84% of those still employed in the third quarter after exit; and ● 75% wage replacement for the second and third quarters after exit. <p>FY 2002: The goal was not achieved.</p> <ul style="list-style-type: none"> ● 66% employed in the first quarter after exit; ● 89% of those still employed in the third quarter after exit; and ● 80% wage replacement for the second and third quarters after exit. <p>FY 2001: The goal was substantially achieved.</p> <ul style="list-style-type: none"> ● 65% employed in the first quarter after exit; ● 90% of those still employed in the third quarter after exit; and ● 85% pre-dislocation wages.
Indicator	<p>FY 2003:</p> <ul style="list-style-type: none"> ● 78% will be employed in the first quarter after program exit; ● 90% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and ● Those who are employed in the third quarter after program exit will earn, on average, 90% of their pre-separation earnings.

FY 2002:

- 78% will be employed in the first quarter after program exit;
- 88% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and
- Those who are employed in the third quarter after program exit will earn, on average, 90% of their pre-separation earnings.

FY 2001:

- 73% will be employed in the first quarter after program exit;
- 80% of those employed in the first quarter after program exit will be employed in the third quarter after program exit; and
- Those who are employed in the first quarter after program exit and are still employed in the third quarter after program exit will earn, on average, 82% of their pre-separation earnings.

Data Source

TAPR (Trade Act Participant Report) included in the Enterprise Information Management System (EIMS)

Baseline

FY 2004 will constitute the new baseline year for this measure as a result of reforms under the new TAA program and implementation of the common measures. Because there are no comparable baselines, these measures will be regularly reviewed for appropriateness and rigor as performance data becomes available.

Comment

In 2004, the Department will implement the common measures for Federal job training and employment programs for employment, retention, earnings increase, and efficiency.

Performance Goal 3.1A (MSHA) – FY 2003

Reduce the mine industry fatal injury incidence by 15% annually, and reduce the all-injury incidence rate 50% below the FY 2000 baseline by the end of FY 2005. For FY 2003 this equates to a 17% reduction.

FY 2002: Reduce the number of mine fatalities by 15% and non-fatal injury incidence rate by 17% below the projected baseline.

FY 1999 – 2001: Reduce the number of mine fatalities and the non-fatal injury rate to below the average for the previous five years.

Results

FY 2003: The goal was not achieved.

- Fatalities: Baseline incidence rate is .024; Target incidence rate = .020; actual = .022 (9.6 percent reduction)
- All-injury: Baseline incidence rate (FY 2000) is 5.07; Target incidence rate = 3.79; actual = 4.27 (7.8 percent reduction)

FY 2002: The goal was not achieved.

- Fatalities: Baseline is 88 fatalities; Target = 64; Fatalities in FY 2002 = 71
- Nonfatal-days-lost incidence rate: Baseline is 3.46 NFDL incidence rate; Target = 2.87; NFDL incidence rate FY 2002 = 3.15

FY 2001: The goal was achieved.

- Fatalities: Average FY 1996-2000 = 89; FY 2001 = 71
- Nonfatal-days-lost incidence rate: Average FY 1996-2000 = 3.65; FY 2001 = 3.29

FY 2000: The goal was substantially achieved.

- Fatalities: Average FY 1995-1999 = 89; FY 2000 = 88
- Nonfatal-days-lost incidence rate: Average FY 1995 – 1999 = 3.83; FY 2000 = 3.46

FY 1999: The goal was achieved.

- Fatalities: FY 1994–1998: Average = 92; FY 1999 = 82
- Nonfatal-days-lost incidence rate: Average FY 1994 – 1998 = 4.07; FY 1999 = 3.51

Indicator

The mining industry fatal injury incidence rate and the all-injury incidence rate.

Data Source

Mine Accident, Injury, and Employment information mine operators and contractors report to MSHA under Title 30 Code of Federal Regulations Part 50.

Baseline

FY 2003 performance evaluation based on the fatal incidence rate in FY 2002 = 0.024; and the all-injury incidence rate in FY 2000 = 5.07.

Comment

Performance Goal 3.1B (MSHA) – FY 2003

Reduce the percentage of respirable coal dust samples exceeding the applicable standards by five percent for designated occupations in coal mines and reduce the percentage of silica dust samples in metal and nonmetal mines exceeding the applicable standards by five percent for designated high risk occupations; and reduce the percentage of noise exposures above the citation level in all mines by five percent.

FY 2002: Same as FY 2003

FY 1999 – 2001: Reduce by five percent the percentage of coal dust and silica dust samples that are out of compliance for coal mines and metal and nonmetal high risk mining occupations, respectively.

Results

FY 2003: The goal was achieved.

- Coal Dust – Baseline: percent of samples over the applicable standard = 15%; Target = 14.2%; Actual = 11.0% of samples were over the applicable standard
- Silica Dust – Baseline: percent of samples exceeding the applicable standards = 9.0%; Target = 8.6%; Actual = 6.4% samples were over the applicable standard
- Noise: 5.2 percent of samples exceeded the regulatory standard, compared against a baseline of 9.3 percent determined from samples collected in FY 2000-2001. The rate of improvement from the baseline is 44.09 percent – including the 10.34 improvement from FY 2002

FY 2002: The goal was not achieved.

- Coal Dust Goal – Baseline: percent of samples over the applicable standard = 15%; Target = 14.2%; Actual = 15.0% of samples were over the applicable standard
- Silica Dust Goal – Baseline: percent of samples exceeding the applicable standards = 9.3%; Target = 8.8%; Actual = 6.6% samples were over the applicable standard
- Noise Exposure Goal – Baseline: percent of samples above the citation level = 9.0%; Target = 8.6%; Actual = 5.8% of samples were over the citation level

FY 2001: The goal was achieved.

- Coal Dust goal: 5% reduction; Target: 11.1%; Actual: 10.2% reduction
- Silica Dust goal: < 80% index points; Actual 64% index points

FY 2000: The goal was achieved.

- Coal dust goal: 5% reduction; Target: 11.7%; Actual: 11.2% reduction
- Silica dust goal: < 85 index points; Actual: 65.3 index points

FY 1999: The goal was achieved.

- Coal dust goal: 5% reduction; actual: 11.6% reduction
- Silica dust goal < 90 index points; actual: 75.1 index points

Indicator

Percent samples out of compliance with the respirable coal mine dust standard for designated occupations and the percent of silica dust samples for high risk occupations that are out of compliance with the metal and nonmetal mines standard.

Data Source

Dust samples collected by MSHA inspectors. Coal Mine Safety and Health Management Information System and Metal and Nonmetal Mine Safety and Health Management Information System

Baseline

Coal and Silica: Samples collected in FY 2002. Noise: samples collected in FY 2000-2001

Comment

Performance Goal 3.1C (OSHA) – FY 2003

Reduce the rate of workplace fatalities by two percent from baseline.

Results

FY 2003: The goal was not achieved. The fatality rate declined to 1.61.*

Indicator

Percent change in the rate of fatalities per 100,000 workers*

Data Sources

OSHA Integrated Management Information System (IMIS)
Bureau of Labor Statistics (BLS) Current Employment Statistics (CES)

Baseline

FY 2000 – FY 2002: 1.62 fatalities per 100,000 workers.

Comment

* The strategic goal is to reduce the rate of OSHA-inspected fatalities by a total of 15 percent over the life of this plan. A three-year moving average is used to reduce fluctuations and highlight trends in the performance measures. Rate is calculated using the number of OSHA-inspected fatalities in private industry divided by non-farm private employment per 100,000 workers.

Performance Goal 3.1D (OSHA) – FY 2001

Reduce injuries/illnesses by 11% [from baseline] in five industries characterized by high-hazard workplaces.*

FY 2000: Reduce injuries/illnesses by 7% [from baseline] in five industries characterized by high-hazard workplaces.

FY 1999: Reduce injuries/illnesses by 3% [from baseline] in five industries characterized by high-hazard workplaces.

Results

FY 2001: The goal was achieved.

- Shipyard industry: Decreased by 44%
- Food processing industry: Decreased by 29%
- Nursing home industry: Decreased by 16%
- Logging industry: Decreased by 51%
- Construction industry: Decreased by 25%**

FY 2000: The goal was achieved.

- Shipyard industry: Decreased by 26 %
- Food processing industry: Decreased by 18%
- Nursing home industry: Decreased by 9%
- Logging industry: Decreased by 36%
- Construction industry: Decreased by 23%**

FY 1999: The goal was achieved.***

- Shipyard industry: Decreased by 28%
- Food processing industry: Decreased by 15%
- Nursing home industry: Decreased by 6%
- Logging industry: Decreased by 26%
- Construction industry: Decreased by 19%**

Indicator

Percent change in the lost workday case rate per 100 workers.

Data Source

Bureau of Labor Statistics (BLS) Annual Survey of Occupational Injuries and Illnesses (ASOII).

Baseline

- Shipyards: 13.4 average lost workday injury and illness rate per 100 full-time workers for CY 1993-1995
- Food processing: 8.9 average lost workday injury and illness rate per 100 full-time workers for CY 1993-1995
- Nursing homes: 8.7 average lost workday injury and illness rate per 100 full-time workers for CY 1993-1995
- Logging: 7.2 average lost workday injury and illness rate per 100 full-time workers for CY 1993-1995
- Construction: 5.2 average lost workday injury rate per 100 full-time workers for CY 1993-1995

Comment

*This is the goal as it appeared in the FY 2001 Annual Performance Plan. It was revised in FY 2002 and again in FY 2003. Results for CY 2002 and CY 2003 will be reported in the FY 2004 and FY 2005 reports, respectively. This goal will be subsumed into the overall injury and illness reduction goal.

**Construction industry rate is injuries only.

***CY 1997-1999 data.

Performance Goal 3.1F (OSHA) – FY 2002

Decrease fatalities in the construction industry by 15% [from baseline], by focusing on four leading causes of fatalities (falls, struck-by, crushed-by, and electrocutions and electrical injuries).

FY 2001: 11% [from baseline]

FY 2000: 7% [from baseline]

FY 1999: 3% [from baseline]

Results

FY 2002: The goal was achieved. The fatality rate declined by 17% from the baseline. (CY 2002).

FY 2001: The goal was substantially achieved. Fatalities decreased by 9.5% (CY 2001).

FY 2000: The goal was achieved. Fatalities decreased by 11% (CY 2000).

FY 1999: The goal was not achieved. Fatalities decreased by 2% (CY 1997–1999).

Indicator

Percent change in the rate of fatalities per 100,000 workers.

Data Source

Bureau of Labor Statistics Census of Fatal Occupational Injuries.

Baseline

FY 2001-2002: 14.7 deaths per 100,000 workers (CY 1995)

FY 1999-2000: 14.5 deaths per 100,000 workers (CY 1993-1995)

Comment

This goal will be subsumed into the overall fatality reduction goal.

Performance Goal 3.2A (ESA) – FY 2003

Federal contractors achieve equal opportunity workplaces.

FY 2002: Same as above

FY 2001: Identify those industries where data indicate the likelihood of equal employment opportunity problems is greatest and establish baselines; establish baselines for contractors and subcontractors that have had prior contact with DOL/OFCCP through evaluations, outreach, or technical assistance; and establish baselines for reducing compensation discrimination by Federal contractors and subcontractors.

Results

FY 2003: The goal was achieved. The incidence of discrimination among evaluated contractors fell 7.8 percentage points below the FY 2003 goal of nine percent. Evaluated contractors' compliance with all other equal opportunity workplace standards increased 13.4 percentage points above the FY 2003 goal to 72.4 percent.

FY 2002: The goal was achieved. The Department fully achieved all six indicators measuring improvements in the industries with the greatest likelihood of equal opportunity problems, and the three indicators measuring improvements by contractors and subcontractors previously contacted.

FY 2001: The goal was not achieved.

For the first indicator, two industries were identified where the data indicate the likelihood of equal employment opportunity problems is greatest, and baselines indicating the extent of problems previously found were established. With regard to the second indicator, OFCCP established a baseline for Federal contractors and subcontractors that had failed previous compliance evaluations, but not for those contacted only through outreach or technical assistance. OFCCP did not develop a separate baseline for compensation discrimination, but included this issue in the baselines created for the preceding two indicators.

Indicator

FY 2003:

- Reduce the incidence of discrimination among Federal contractors to nine percent.
- Increase compliance among Federal contractors in all other respects of equal opportunity workplace standards to 59 percent.

FY 2002:

1. Improve the equal employment opportunity performance of Federal contractors and subcontractors within industries where data indicate the likelihood of equal employment opportunity problems is greatest. In FY 2002, contractors in SIC Group 50 and SIC Group 87 that participate in specified DOL/OFCCP compliance assistance activities and are subsequently evaluated will have:

- a. Better EEO performance in selection system evaluations as indicated by less severe Case Management Systems (CMS) closure types than contractors in SIC Groups 50 and 87 that did not participate in specified DOL/OFCCP compliance assistance activities. In FY 2002, DOL/OFCCP will improve by one percent the rate of compliance findings over the baseline for SIC 50 and SIC 87.
 - b. Better EEO performance in selection system evaluations as indicated by less severe violations or deficiencies than contractors in SIC Groups 50 and 87 that did not participate in specified DOL/OFCCP compliance assistance activities. In FY 2002, DOL/OFCCP will reduce by one percent the rate of findings of severe violations from the baseline for SIC 50 and SIC 87.
 - c. Better EEO performance in selection system evaluations as indicated by evaluation type than contractors in SIC Groups 50 and 87 that did not participate in specified DOL/OFCCP compliance assistance activities. In FY 2002, DOL/OFCCP will increase by one percent the rate of focused and offsite compliance evaluation types over the baseline for SIC 50 and SIC 87.
2. Improving the equal employment opportunity performance of Federal contractors and subcontractors that have had prior contact with DOL/OFCCP through evaluations, outreach, or technical assistance. In FY 2002, contractors and subcontractors that are selected for evaluation, outreach, or compliance assistance activities will have:
- a. Better EEO performance in selection system evaluations as indicated by less severe CMS closure types than contractors that did not have prior contact with DOL/OFCCP. In FY 2002 DOL/OFCCP will improve by one percent the rate of compliance findings over the baseline for all supply and service closures.
 - b. Better EEO performance in selection system evaluations as indicated by less severe violations or deficiencies than contractors that did not have prior contact with DOL/OFCCP. In FY 2002 DOL/OFCCP will reduce by one percent the rate of findings of severe violations from the baseline.
 - c. Better EEO performance in selection system evaluations as indicated by evaluation type than contractors that did not have prior contact with DOL/OFCCP. In FY 2002 DOL/OFCCP will increase by one percent the rate of focused and offsite compliance evaluation types over the baseline.

Data Source

EEO-1 data file; Case Management System; Federal contractors' data; and compliance evaluations as scheduled.

Baseline

FY 2002:

1. In FY 2001, the incidence of serious violations indicating discrimination among evaluated contractors reported in CMS measured 12.5 percent.
2. In FY 2001, compliance among evaluated contractors in all other respects of equal opportunity workplace standards (i.e., performance under plan, EEO policies, recordkeeping and support data, and failure to develop AAP) reported in CMS measured 57 percent.

FY 2001:

1. a. SIC 50 - 50.9 percent rate of compliance findings; SIC 87 - 49.6 percent.
 - b. Violation severity - 7.69 percent for SIC 50 and 9.02 percent for SIC 87.
 - c. Focused and offsite evaluations - 36.5 percent for SIC 50 and 27.8 percent for SIC 87.
2. a. Compliance for all supply and service closures - 52.9 percent.
 - b. Violation severity - 9.8 percent.
 - c. Focused and offsite evaluation types - 34.1 percent.

Comment

Performance indicators were achieved because of the agency's emphasis on encouraging and educating Federal contractors to examine closely their employment processes and practices. Violations that were found during the evaluation process reflected a lack of knowledge on the part of contractors rather than intentional disregard of EEO laws. OFCCP recognizes that the current contractor selection methodology for targeting contractors for compliance reviews produces discrimination findings in less than two percent of case closures. As a result, in FY 2003, OFCCP commissioned external independent studies to improve selection procedures to more efficiently identify contractors that are engaging in systemic discrimination.

Performance Goal 3.2B (OASAM) – FY 2003

States that receive DOL financial assistance under the Workforce Investment Act provide benefits and services in a non-discriminatory manner, as evidenced by:

- Positive changes in access to benefits and services for persons with disabilities.
- Increased use of techniques for voluntary resolution of complaints to achieve prompt results.

FY 1999-2002: Same as above.

Results

FY 2003: The goal was achieved. All three targets were reached:

1. Starting in FY 2002 a Section 188 Disability Checklist was developed that served as the review guide during FY 2003 in conducting technical assistance reviews of the One-Stop Centers in New York, NY and Miami, FL. In New York, 100% or all three One-Stop Career Centers were reviewed. In Miami, 13 of the 23 (57%) One-Stop Career Centers were reviewed. The reviews in both cities identified areas of non-compliance and existence of barriers that limit service to persons with disabilities.

2. Discrimination complaint logs were submitted by all WIA, SESA, and Job Corps recipients, which enable the establishment of a baseline of complaints filed at the State-level nationwide. A substantial number of States were not compliant and submitted complaint logs that under reported complaints filed or were incomplete by not including the bases/protected grounds. Because of the under reporting of complaints the baseline will be moved from FY 2002 to FY 2003.
3. ADR training was provided in three separate sessions (Albany, Buffalo, and New York City) to all 112 New York State designated mediators. The mediators were familiarized with equal opportunity requirements under WIA to better equip them to carryout their responsibilities in mediating complaints of discrimination in the WIA One-Stop Career system.

FY 2002: The goal was achieved. The Department issued timely compliance determinations or entered into conciliation agreements within 180 days, and also strengthened working relationships with State agencies.

FY 2001: The goal was not achieved.

FY 2000: The goal was not achieved.

FY 1999: The goal was not achieved.

Indicator

FY 2003:

1. Conduct technical assistance reviews of a representative sample of One-Stop Centers in New York City and Miami. The focus of the technical assistance reviews will be to set a baseline of compliance with Federal programmatic and physical accessibility requirements for persons with disabilities for these two Local Workforce Investment Areas (LWIA) One-Stop systems.
2. Initiate a longitudinal study of the resolution of complaints filed under State administered Workforce Investment Act programs. Beginning with FY 2002, examine States' complaint logs to determine the number and proportion of complaints resolved through the customary investigation process versus alternative dispute resolution (ADR). The longitudinal study will span FY 2002 thru FY 2004.
3. Provide alternative dispute resolution training for the staff of New York City and Miami responsible for carrying out the ADR program for their LWIA.

FY 2002:

- The issuance, within 180 days of the initial* submission of a State's Methods of Administration (MOA), of a compliance determination or a conciliation** agreement which indicates that the MOA gives reasonable guarantee that benefits and services are provided in a nondiscriminatory manner.
- A strengthening of working relationships with State agencies, through their participation in a strategy of improving compliance assistance for One Stop Centers, and assessing the effectiveness of that strategy.

FY 2001:

- Timely submission as required by 29 CFR 37 of 30 Methods of Administration (MOA) or in the absence of timely submissions, the issuance of a "Show Cause Notice" within 15 days of a non-timely submission.
- Issuance of compliance determinations or conciliation agreements within 180 days for those States submitting timely MOAs.

FY 1999-2000:

Issue final regulations implementing the nondiscrimination provisions of Section 188 of WIA.

Data Source

- Review results from One-Stop Centers in New York City and Miami.
- FY 2002 State and Job Corps Center Complaint Resolution logs.

Baseline

- Level of accessibility for persons with disabilities in the One-Stop system in the cities of New York and Miami.
- The quantity and type of discrimination complaints filed nationwide in FY 2002.

Comment

Performance Goal 3.3A (ILAB) – FY 2003

Reduce exploitative child labor by promoting international efforts and targeting focused initiatives in selected countries.

FY 2001 - 2002: Same as FY 2003.

FY 2000: Progressively reduce exploitative child labor worldwide by increasing international support and funding the most promising programs and projects in targeted countries.

Results

FY 2003: The goal was achieved.

1. 83,682 children were 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.
2. 79,769 children have been prevented or removed from child labor, particularly its worst forms, through the provision of education or training opportunities in on-going DOL-funded programs.
3. 19 action plans, policies, or programs were established that combat child labor and/or promote access to education for child laborers or children at-risk.
4. Eight Child Labor Education Initiative projects have established a baseline for education targets (enrollment and retention rates).
5. Child Labor Education Initiative projects have begun in 10 new countries.

FY 2002: The goal was achieved.

1. 29 countries have ratified Convention No. 182 on the Worst Forms of Child Labor, of which 10 are participating in DOL funded IPEC projects.
2. 13 countries have adopted 15 action plans to combat child labor and/or promote access to basic education for child laborers or children at risk.
3. 103,772 children were targeted for prevention and removal of exploitative work through the funding on new DOL-IPEC programs.
4. 51,297 children have been prevented or removed from exploitative work through the provision of education or training opportunities in ongoing DOL-IPEC programs.
5. Education projects were funded in nine countries, through DOL's Child Labor Education Initiative.

FY 2001: The goal was not achieved. Of the four supporting indicators, two were exceeded, one was substantially achieved and one was not met.

1. 63 countries ratified ILO Convention 182 on the Worst Forms of Child Labor.
2. 13 countries established a total of 15 new national action plans to eliminate child labor.
3. Approximately 200,000 children were targeted for prevention or removal from exploitative work.
4. More than 25,800 children were actually prevented or removed from exploitative work through DOL-funded ILO/IPEC projects.

FY 2000: The goal was achieved as reflected in the following supporting indicators:

1. A total of 37 countries (36 in FY 2000) ratified ILO Convention 182 on the Worst Forms of Child Labor. This Convention was unanimously adopted by the delegates to the International Labor Conference in June 1999.
2. DOL funded two additional IPEC National Action Plans in FY2000.
3. DOL increased awareness of exploitative child labor:
 - ILAB published its sixth report on international child labor, *By the Sweat & Toil of Children: An Economic Consideration of Child Labor*.
 - ILAB's International Child Labor Program's website provides information on child labor issues.
 - ILAB funded a Global Campaign/Best Practices Conference to help raise awareness about child labor.
4. ILAB targeted over 100,000 children for prevention and/or removal from exploitative work.

Indicator

FY 2003:

1. 60,000 children prevented or removed from child labor, particularly its worst forms, through the provision of education or training opportunities in on-going DOL-funded programs.
2. 15 action plans, policies or programs established that combat child labor and/or promote access to education for child laborers or children at-risk.
3. Six Child Labor Education Initiative projects establish a baseline for education targets (enrollment and retention rates).
4. 40,000 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.
5. Child Labor Education Initiative projects begin in nine new countries.

FY 2002:

1. 15 countries will ratify International Labor Organization (ILO) Convention 182 on Worst Forms of Child Labor.
2. 10 countries will establish action plans to combat child labor and/or promote access to basic education for child laborers and children at risk.
3. 90,000 children in developing countries will be targeted for prevention and removal from exploitative work through the funding of new DOL-IPEC programs.
4. 50,000 children in developing countries will be actually prevented and removed from exploitative work.
5. Education projects for child laborers through the Education Initiative will begin in eight countries.

FY 2001:

1. 25 countries will ratify International Labor Organization (ILO) Convention 182 on Worst Forms of Child Labor.
2. 15 countries will establish new national plans to eliminate child labor.
3. 100,000 children in developing countries will be targeted for prevention and removal from exploitative work.
4. 50,000 children will be prevented from starting and removed from exploitative work.

Data Source

DOL/ILAB, ILO-IPEC and Child Labor Education Initiative Grantees.

Baseline

1. Between 2001-2002, 77,182 children were prevented or removed from child labor, particularly through the provision of education or training opportunities in on-going DOL-funded programs. Between 1995-2000 approximately 40,000 children benefited from DOL-funded programs.
2. Between 2001-2002, 26 action plans, policies or programs were established that combat child labor and/or promote access to education for child laborers or children at-risk.
3. Child Labor Education Initiative projects establish a baseline for education targets (enrollment and retention rates). This is a new indicator and, as such, the baseline for this was zero.
4. Between 2001-2002, more than 300,000 children were targeted for prevention or removal from child labor in new DOL-funded programs. In total, since 1995, DOL-funded programs have targeted more than 500,000 children as beneficiaries.
5. In FY 2002, Child Labor Education Initiative projects began in nine new countries.

Comment

Results reported for FY 2003 are for the period September 1, 2002 - August 31, 2003.

Performance Goal 3.3B (ILAB) – FY 2003

Improve living standards and conditions of work for workers in developing and transition countries.

FY 2002: Advance workers' protections and economic status in developing countries.

FY 2000-2001: Raise workers' protection and the safety of workplaces in selected countries by improving core labor standards and social safety net programs.

Results

FY 2003: The goal was achieved. The Department established baselines for all four indicators in areas that will help measure the impact of DOL-funded projects.

1. The FY2002 baseline, conducted by an independent contractor, surveyed seven projects for this indicator. The contractor chose three regional projects (Caribbean, Central America, and Eastern Africa) and four country level projects (East Timor, Indonesia, Nigeria, Ukraine) to survey a total of 14 countries. A total of 483 stakeholders participated in the survey. Results of this survey show that 63.3% of stakeholders, including government officials, officials of workers' and employers' organizations, and their members participating in the survey consider the project to have strengthened their capacity to improve conditions of work.
2. The FY 2002 baseline surveyed nine projects in one region and six different countries (Bulgaria, Caribbean, El Salvador, Nigeria, Romania, Tanzania, Ukraine) for this indicator. According to the data, ILAB successfully assisted 39% of project participants in obtaining employment or retaining a threatened job.
3. According to the FY 2002 baseline, 10 percent of workplaces exposed to DOL project assistance (in Bangladesh, Central America, Ukraine) implemented new measures to prevent workplace accidents and illnesses. The data strongly varied from region to region surveyed.
4. According to the FY 2002 baseline, ILAB assisted three governmental agencies (in Hungary and Poland) in providing 3,545,008 workers with private or voluntary pension funds.

FY 2002: The goal was achieved.

- Stakeholders in approximately 41 countries and territories made commitments to implement new projects designed to promote and implement core labor standards or to expand already-existing ones.
- Stakeholders in approximately 49 countries and territories made commitments to implement new projects designed to improve economic opportunities and income security for workers or to expand already-existing ones.

FY 2001: The goal was achieved.

- DOL launched 13 country-specific projects and two worldwide projects, reaching over 40 countries.
- 10 countries committed, with DOL assistance, to improving economic opportunities and income security for workers.

FY 2000: The goal was substantially achieved (three of four performance targets reached):

- The target was reached. A total of 12 projects in 35 countries to improve the protection of workers' basic rights were established.
- The target was reached. A total of 11 projects to economically empower workers were implemented in 34 countries.
- The target was not reached, because projects to improve social safety net programs that protect workers and develop markets were not funded until September 2000.
- The target was reached. In Mexico, core labor standards have been improved with these actions: The Mexican Department of Labor signed a Joint Declaration with the United States and Canada, committing to promote that workers be provided information pertaining to collective bargaining agreements existing in their place of employment and to promote the use of eligible voters lists and secret ballot elections in disputes over the right to administer the collective bargaining contract.

Indicator

FY 2003: Establish baselines for

1. Number and percent of relevant government officials and members and officials of workers' and employers' organizations who are influential in determining living standards and working conditions and participating in DOL project activities, who consider the project to have improved their conditions of work.

2. Number and percent of individuals whose economic situation has benefited from DOL project assistance.
3. Number and percent of workplaces exposed to DOL project assistance that have implemented new measures to prevent workplace accidents and illnesses.
4. Number of workers participating in pension funds that are government regulated by project partner agencies.

FY 2002:

- Seven countries commit to undertake improvements in assuring compliance and implementation of core labor standards.
- Six project countries will commit with DOL assistance to make substantive improvements in raising income levels of working families.

FY 2001:

- 15 countries receive US financial support and commit to core labor standards.
- Two initiatives to effect policy changes in other nations will yield judicial, legal, or significant policy decisions which improve core labor standards.
- Eight project countries commit with DOL assistance make substantive improvements in social safety programs that protect workers and develop labor markets.

Data Source

ILO Reports; reports by government, contractors, grantees, and nongovernmental organizations; surveys.

Baseline

Baseline data was set in FY 2003.

Comment

At the end of FY 2003, DOL initiated a second global survey to assess progress made against Indicator one and received sufficient data from PMPs to assess progress against the other three indicators. Analysis of these data will enable the Department to set realistic but challenging annual goals and indicators to measure improvement over the baseline.

Performance Goal HR1 (OASAM) – FY 2003

The right people are in the right place at the right time to carry out the mission of the Department.

FY 2002: Same as FY 2003

Results

FY 2003: The goal was achieved. Targets for all three indicators were reached.

A. The DOL workforce is a prepared and competent workforce. The competency inventory was completed.

B. The DOL workforce is a diverse workforce.

1. Representation rates improved in 38% of the 69 “pockets of under representation” in professional and mission critical administrative occupations where under representation existed.
2. Representation rates improved for Hispanics, Asian American/Pacific Islanders, persons with disabilities, and persons with targeted disabilities. The representation rate for Women and Native Americans was about unchanged.
 - Women: 50.3%
 - Hispanics: 7.0%
 - Asian/Pacific Islanders: 4.0%
 - Native Americans: 0.7%
 - Disabilities: 8.07%
 - Targeted disabilities: 1.3%

FY 2002: The goal was not achieved. Performance reached or exceeded targeted levels for four of six performance indicators, one target was substantially reached and one was not reached.

A. The DOL workforce is a prepared and competent workforce.

1. 94% of selecting officials indicated satisfaction with the quality of job applicants.
2. Baselines for key professional occupations identified in agency restructuring plans with retention problems were established.
3. Competency models were established for 10 of 27 mission critical occupations, and additional models are being developed for another eight occupations.

B. The DOL workforce is a diverse workforce.

1. In professional and technical occupations, representation improved in about 30% of the 34 under-represented occupational-ethnic groupings, and two achieve the goal of meeting their representation in the civilian labor force.
 2. Representation also improved overall for women and Asian and Pacific Islanders, while remaining steady for blacks and Hispanics.
- C. Human capital policies and plans promote a citizen-centered and results-oriented government consistent with the President’s Management Agenda.

1. Out of 10 program agencies rated in FY 2001, six (60%) showed improvement for FY 2002. Two agencies received green ratings, while the remaining eight all received yellow ratings.

Indicator	<p>FY 2003:</p> <p>A. The DOL workforce is a prepared and competent workforce. Employee competencies and skill sets for mission critical occupations are assessed and gaps identified.</p> <p>B. The DOL workforce is a diverse workforce.</p> <ol style="list-style-type: none"> 1. Improvement will be realized in 30% of diversity indicators for professional and administrative occupations exhibiting under-representation in FY 2001. 2. Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force. <p>FY 2002:</p> <p>A. The DOL workforce is a prepared and competent workforce.</p> <ol style="list-style-type: none"> 1. 90% of managers indicate satisfaction with the quality of applicants referred for their vacancies. 2. Baselines for key professional occupations identified in agency restructuring plans with retention problems are established. 3. Core competencies for DOL mission critical occupations are established. <p>B. The DOL workforce is a diverse workforce.</p> <ol style="list-style-type: none"> 1. Improvement will be realized in 30% of diversity indicators for professional occupations exhibiting under-representation in FY 2001. 2. Continued improvement is realized in the extent to which diversity in the DOL workforce reflects the civilian labor force. <p>C. Human capital policies and plans promote a citizen-centered and results-oriented government consistent with the President's Management Agenda.</p> <ol style="list-style-type: none"> 1. Improve Human Capital Standards scores for at least 20% of DOL agencies, above baseline established in FY 2001.
Data Source	<p>A. Agency strategic, workforce and recruitment plans; Employee performance and development plans.</p> <p>B. 1. DOL HR Information System and AEP reports.</p> <p>2. DOL HR Information System and/or CPDF Data aligned with Census Data to reflect overall DOL representation rates for the six protected groups.</p>
Baseline	<p>A. To be established in FY 2003.</p> <p>B. 1. Data from FY 2002 AEP Report.</p> <p>2. In FY 2000, 49.7% of workforce were women, 24.2% black, 6.9% Hispanic, 3.3% Asian/PI, and 0.7% Native American, 6.4% persons with disabilities, and 1.2% persons with targeted disabilities.</p>
Comment	

Performance Goal HR2 (OASAM) – FY 2003

Reduce the rate of lost production days by two percent (i.e., number of days employees spend away from work due to injuries and illnesses).

FY 2000-2002: Same as FY 2003

Results	<p>FY 2003: The goal was achieved. DOL improved safety with a rate of 46.9 lost days per 100 employees against a target of 52.6.</p> <p>FY 2002: This goal was achieved. The rate of lost production days due to work related accidents and injuries decreased by 22.7 percent.</p> <p>FY 2001: The goal was not achieved. The Department's rate of lost production days increased by 8.65 percent.</p> <p>FY 2000: This goal was not achieved. The rate of lost production days was reduced by .05% to 57.1 days per 100 employees.</p>
Indicator	Percent decrease in rate of lost production days (target is two percent).
Data Source	OWCP Table 2 Reports and personnel data from DOL's Office of Budget. OWCP Charge Back System data.
Baseline	Initial baseline for lost production days was officially set by OWCP at 56 days per 100 employees in FY 2001 (based on FY 2000 data).
Comment	Factors that will influence achieving the above goal: DOL resources for workers' compensation coordinators (number of and training); DOL agencies' commitment to using flexibilities available to return injured employees to work; OWCP caseload.

Performance Goal HR3 (OASAM) – FY 2003

Reduce the overall occurrence of injuries and illnesses for DOL employees by three percent, and improve the timeliness of filing injury/illness claims by five percent.

FY 2000-2002: Same as FY 2003

Results	<p>FY 2003: The goal was achieved. DOL achieved an injury/illness rate of 2.5 against the FY 2003 injury/illness rate reduction goal of 3.29 injuries/illnesses per 100 employees. The timeliness of filing workers' compensation claims was 83.6 % on time exceeding its timeliness goal of 78% for FY 2003.</p> <p>FY 2002: This goal was achieved. DOL targeted reducing injuries and illnesses to 3.38 cases per 100 employees while filing 62.4% of claims with OWCP in a timely manner. The Department met the injury/illness target with a rate of 2.98 per 100 employees, and filed 77.2% of claims on time, exceeding the target by 14.8 percentage points. This performance represents a significant turn-around for the Department in providing a safer, healthier work environment for employees (seven percent improvement over FY 2001) and securing medical and income replacement benefits in a timely manner (40% improvement compared to FY 2001 performance).</p> <p>FY 2001: This goal was not achieved. The injury/illness rate for DOL employees increased to 4.01 cases per 100 employees (preliminary data) while the timeliness of filing injury claim forms decreased by 2.1%.</p> <p>FY 2000: Results for this goal have changed. The Annual Report indicated that this goal (3.6 cases per 100 employees) had not been achieved. More current and accurate data indicates that this goal was achieved and the FY 2000 injury and illness rate was 3.5 cases per 100 employees, a reduction of 5.7%. The Department also significantly improved the timeliness of filing injury claims, improving to 57.3% from the previous baseline of 47.4%.</p>
Indicator	<p>Percent decrease in total case rate of illnesses and injuries reported to OWCP (target is three percent).</p> <p>Increase in timeliness of reporting new injuries/illnesses. Target has been changed from five percent to "achieve 78% of cases reported on time." This is a more stringent target than the original five percent.</p>
Data Source	<p>OWCP time-lag reports for federal agencies for submission of claims forms CA-1 and CA-2 within 10 working days or 14 calendar days.</p> <p>OWCP Table 2 Reports and personnel data from DOL's Office of Budget.</p>
Baseline	<p>Initial baseline injury and illness rate is 3.71 cases per 100 employees based on 1997 data.</p> <p>Initial baseline for timeliness of filing is 47.4% based on 1998 data.</p>
Comment	<p>Factors that will influence achieving the injury/illness rate goal: maintaining continued focus of DOL agency managers on actions to reduce injury/illness rates; DOL resources for training managers, supervisors, and employees how to identify, avoid, and correct/minimize hazards in the workplace. Factors that influenced exceeding the timeliness goal: instituting electronic workers' compensation claims filing.</p>

Performance Goal PR1 (OASAM) – FY 2003

Complete public-private or direct conversion competitions on not less than 10 percent of the FTE listed on the DOL's FY 2000 Federal Activities Inventory Reform Act (FAIR) inventory.

FY 2002: Complete public-private or direct conversion competitions on not less than five percent of the FTE listed on the DOL's Federal Activities Inventory Reform Act (FAIR) listings.

Results	<p>FY 2003: The goal was not achieved. DOL directly converted to contract, the commercial work performed by the equivalent 168 full-time employees (FTE), which included 12 FTE carry-overs from FY 2002, against a target of 280 FTE.</p> <p>FY 2002: The goal was achieved. DOL directly converted 152 FTE.</p>
Indicator	<ul style="list-style-type: none"> ● Percentage of commercial competitive or commercial exempt FTE on the Department's FAIR inventory included in completed competitions or direct conversions. ● Percentage of Direct Conversions. ● Percentage of Completed A-76 Competitions.
Data Source	<p>DOL Federal Activities Inventory Reform Act inventory.</p> <p>Completed A-76 competitions.</p> <p>Completed direct conversion competitions for DOL commercial exempt FTE.</p>

Baseline	2000 FAIR Act Inventory commercial FTE (2802) FTE
Comment	The Revised Circular A-76 eliminated direct conversions as an option for agencies to satisfy their competitive sourcing goals. Because DOL had used direct conversions as the exclusive means of meeting competitive sourcing goals in the past, DOL has had to redirect its focus towards public-private competitions. DOL plans to conduct several competitions in FY 2004.

Performance Goal PR2 (OASAM) – FY 2003

Award contracts over \$25,000 using Performance-Based Contracting Services (PBSC) techniques for not less than 30 percent of total eligible service contracting dollars.

FY 2002: Award contracts over \$25,000 using Performance-Based Contracting (PBC) techniques for not less than 20 percent of total eligible service contracting dollars.

Results	<p>FY 2003: The goal was achieved. As of the end of the third quarter FY 2003, DOL had used performance-based service contracting techniques for 42% of total eligible service contracting dollars. Obligations totalling \$788 million were performance-based.</p> <p>FY 2002: This goal was substantially achieved. DOL used performance-based service contracting techniques for 18% of total eligible service contracting dollars.</p>
Indicator	Dollar Value of Performance-Based Contracts awarded.
Data Source	Federal Procurement Data System.
Baseline	DOL Annual Acquisition Plan.
Comment	DOL exceeded the goal by 12%.

Performance Goal FM1 (OCFO) – FY 2003

Improve the accuracy and timeliness of financial information.

Results	FY 2003: The goal was achieved. DOL received an unqualified opinion on its FY 2003 Annual Financial Statements. All 17 DOL financial systems are found to be in substantial compliance with the FFMA.
Indicator	<p>FY 2003:</p> <ul style="list-style-type: none"> ● Maintain an unqualified (clean) audit opinion with no material internal control weaknesses. ● Meet new requirements and standards in accordance with the Federal Financial Management Improvement Act (FFMIA) and Federal Managers' Financial Integrity Act (FMFIA). ● Issue FY 2002 consolidated financial statements one month earlier than the FY 2001 statements - February 1, 2003. ● Increase financial statement reporting from semi-annually to quarterly, and deliver by 45 days after the close of the period instead of 60 days. ● Determine the nature and extent of erroneous payments within DOL and set baselines and priorities for their reduction.
Data Source	OIG audit opinion in Annual Report to be issued in December 2003; President's Management Agenda Scorecard.
Baseline	FY 1998: nine of 14 systems in substantial compliance; FY 1999: 17 of 22 systems in substantial compliance; FY 2000: 15 of 17 systems in substantial compliance; FY 2001: 17 of 17 systems in substantial compliance; FY 2002: 17 of 17 systems in substantial compliance; FY 2003: 17 of 17 systems in substantial compliance
Comment	None

Performance Goal FM2 (OCFO) – FY 2003

Integrate financial and performance information to support day-to-day operations across DOL.

Results	FY 2003: The goal was achieved. Major outputs were defined for the five largest DOL agencies. OCFO conducted managerial cost accounting training to approximately 130 individuals throughout the Department.
Indicator	<ul style="list-style-type: none"> ● Assess program agencies to determine the level of integration of financial and performance information. Prioritize areas for improvement. ● Complete documentation with and for agency managers in order for them to access and utilize cost accounting information. ● Survey program managers for actual use of cost accounting information in program management decision-making processes.
Data Source	Annual Performance Report and the Administration's Financial Management Scorecard.
Baseline	The standard has been met in each year since FY 1997.
Comment	None.

Performance Goal IT (OASAM) – FY 2003

Improve organizational performance and communication through effective information management and deployment of IT resources.

FY 2002: Improve automated access to administrative and program systems, services, and information.

FY 2000–2001: Increase integration of DOL IT systems and extend access to automated services.

Results	<p>FY 2003: The goal was not achieved. Only three of five targets were reached; a fourth was substantially achieved.</p> <ol style="list-style-type: none"> 1. Over 90% of designated electronic transactions are compliant with the Government Paperwork Elimination Act (GPEA). 2. The Department piloted a web-based electronic procurement solution that allows users to initiate a purchase request, electronically route for approvals, and submit for final processing. 3. Improved security measures have helped to facilitate a secure computing environment that provides confidentiality, integrity, and availability of DOL information and systems, resulting in 50% reduction of severe unauthorized instructions from FY 2002 baseline. Continued effective management of information technologies was accomplished by linking IT investments to Departmental missions, priorities, and strategies. 4. Progress monitored through quarterly reviews indicate that 94% of IT initiatives delivered intended benefits, and 5. 84% of major IT projects fit within 10% cost/schedule/performance objectives. <p>FY 2002: The goal was substantially achieved with five of six targets reached. DOL:</p> <ol style="list-style-type: none"> 1. Successfully implemented a common office automation suite of software DOL-wide. 2. Successfully replaced remote terminal network interfaces with integrated DOL-wide interfaces. 3. Successfully implemented 27 DOL Public Web Site topical and client-targeted web interfaces. 4. Increased the number of DOL Public Web Site users by 24.15%. 5. Did not reduce the number of page hits users traversed to obtain the information they sought by five percent. Page views per session decreased by 1.83%. 6. Improved user satisfaction results from the Internet Customer Satisfaction Survey from the previous year for an average score of three or better. <p>FY 2001: The goal was achieved. The first phase of the Department's common office automation software was completed, and additional electronic services were made available to employees and managers to enhance hiring, communications, and other services.</p> <p>FY 2000: The goal was achieved. Information Technology (IT) architecture for DOL was developed and the 96 percent of all documents relating to family friendly and lifelong learning programs were published on the DOL intranet.</p>
Indicator	<p>FY 2003:</p> <ol style="list-style-type: none"> a. Improve customer access to DOL information and services by automating 90% of the manual processes designated under GPEA by September 30, 2003. b. Streamline acquisition management and facilitate vendor and grantee access to DOL opportunities by completing 90% of the Department wide E-Procurement system. c. Reduce severe unauthorized intrusions by 50% from the baseline.

- d. 95% of IT initiatives completed during FY 2003 deliver intended benefits.
- e. 80% of in-process IT initiatives operate within 10% cost, schedule, and technical performance parameters.

FY 2002:

1. Common office automation suite of software DOL-wide (ITC).
2. The Remote Terminal Network (RTN) replaced (ITC).
3. Implement 15 DOL Public Web Site topical and client-targeted web interfaces. (ASP).
4. Increase the number of DOL Public Web Site users by five percent. (ASP)
5. Reduce the number of page hits users must traverse to obtain the information they seek by five percent. (ASP)
6. Improve the user satisfaction results from the Internet Customer Satisfaction Survey to average score of three or better. (ASP)

FY 2001: Implement the first phase of the common office automation suite DOL-wide crosscut initiative and increase electronic services provided via LaborNet and assess customer feedback (target includes QuickHire implementation; employee access to DOL Locator; and establishment of a baseline for customer feedback).

FY 2000: Develop an IT architecture for the Department of Labor and publish 95% of documents on the LaborNet related to family friendly and lifelong learning programs and services providing a one-stop shop for employee information.

Data Source

- a, b, d. GPEA Progress Reports and other internal reports.
- a, b, d, e. Internal tracking activities for progress on E-government initiatives, E-Procurement implementation, and E-Government Workforce efforts.
- c. Annual Security Report.
- c. OIG Audits and Incident Reports.
- a,b,c,d,e. Phase II Enterprise Architecture documentation.
- a,d,e Post implementation review reports/Quarterly IT Reviews.

Baseline

- 26% of GPEA transactions implemented as of October 30, 2002.
- Current paper-based procurement operations at each agency.
- FY2002, four significant incidents reported to FEDCIRC (based on FY 2002 Annual Security Report).
- FY 2002, 77% initiatives completed delivered intended benefits.
- FY 2002, 70% of initiatives reviewed through the Department's IT Capital Planning Process operated within 10% cost/schedule/performance objectives.

Comment

Appendix 5

Glossary of Acronyms

ACSI	American Customer Satisfaction Index	LPD	Lost Production Days
ADA	Americans with Disabilities Act	LVER	Local Veterans' Employment Representative
AJB	America's Job Bank	MIS	Management Information System
ASP	Office of the Assistant Secretary for Policy	MSHA	Mine Safety and Health Administration
BLS	Bureau of Labor Statistics	MSPA	Migrant and Seasonal Agricultural Worker Protection Act
CES	Current Employment Statistics	NAICS	North American Industry Classification System
CFR	Code of Federal Regulations	NASTAD	National Association of State and Territorial Apprenticeship Directors
CFO	Chief Financial Officer	NIMS	National Institute for Metal-Working Skills
CPI	Consumer Price Index	NGO	Non-Governmental Organization
CPS	Current Population Survey	OATELS	Office of Apprenticeship Training, Employer and Labor Services
CRC	Civil Rights Center	NIOSH	National Institute for Occupational Safety and Health
CY	Calendar Year	OASAM	Office of the Assistant Secretary for Administration and Management
DOL	U.S. Department of Labor	OCFO	Office of the Chief Financial Officer
DOLAR\$	Department of Labor Accounting and Related Systems	OCIA	Office of Congressional and Intergovernmental Relations
DVOP	Disabled Veterans' Outreach Program	OCIO	Office of the Chief Information Officer
EBSA	Employee Benefits Security Administration	ODEP	Office of Disability Employment Policy
EEO	Equal Employment Opportunity	OFCCP	Office of Federal Contract Compliance Programs
ERISA	Employee Retirement Income Security Act	OIG	Office of Inspector General
ESA	Employment Standards Administration	OLMS	Office of Labor-Management Standards
ETA	Employment and Training Administration	OMB	Office of Management and Budget
FAIR	Federal Activities Inventory Reform	OPA	Office of Public Affairs
FASAB	Federal Accounting Standards Advisory Board	OPM	Office of Personnel Management
FBI	Federal Bureau of Investigation	OSBP	Office of Small Business Programs
FECA	Federal Employees' Compensation Act	OSEC	Office of the Secretary
FFMIA	Federal Financial Management Improvement Act	OSHA	Occupational Safety and Health Administration
FMFIA	Federal Managers' Financial Integrity Act	OWCP	Office of Workers' Compensation Programs
FLSA	Fair Labor Standards Act	PART	Program Assessment Rating Tool
FTE	Full Time Employees	PBGC	Pension Benefit Guaranty Corporation
FY	Fiscal Year	PPI	Producer Price Index
GAO	U.S. General Accounting Office	PRM	Periodic Roll Management
GED	General Education Diploma	PBSC	Performance-Based Service Contracting Program Year
GPRA	Government Performance and Results Act	PY	Program Year
GSA	General Services Administration	QCM	Quality Case Management
HHS	U.S. Department of Health and Human Services	SACs	State Apprenticeship Councils
HUD	U.S. Department of Housing and Urban Development	SESA	State Employment Security Agency
HVRP	Homeless Veterans' Reintegration Project	SHARP	Safety and Health Achievement Recognition Program
ILAB	Bureau of International Labor Affairs	SIC	Standard Industrial Classification
ILO	International Labor Organization	SOL	Office of the Solicitor
IPEC	International Program for the Elimination of Child Labor	SSA	Social Security Administration
IRS	Internal Revenue Service	TAA	Trade Adjustment Assistance
IT	Information Technology		
JTPA	Job Training Partnership Act		
LMRDA	Labor-Management Reporting and Disclosure Act		

TAA	Trade Adjustment Assistance
TANF	Temporary Assistance for Needy Families
TAP	Transition Assistance Program
UI	Unemployment Insurance
USPS	U.S. Postal Service
UTF	Unemployment Trust Fund
VA	U.S. Department of Veterans Affairs
VETS	Veterans' Employment and Training Service
VPP	Voluntary Protection Program
WB	Women's Bureau
WHISARD	Wage and Hour Investigator Support and Reporting Database
WIA	Workforce Investment Act
WorkFORCE	Working for Freedom, Opportunity and Real Choice Through Community Employment
YOG	Youth Opportunity Grants

Appendix 6

Department of Labor Internet Links

The DOL home page is **www.dol.gov**. Some of the most interesting and frequently used sites are listed below:

Employment Information (For Workers and Employers)

America's Career InfoNet **<http://www.acinet.org/acinet/>**
 America's Job Bank **<http://www.ajb.org>**
 DisabilityInfo.gov **<http://www.disabilityinfo.gov/>**
 Employer Assistance Referral Network **<http://www.dol.gov/odep/programs/earn.htm>**
 Job Accommodation Network **<http://www.dol.gov/odep/programs/job.htm>**
 Job Corps **<http://jobcorps.doleta.gov/>**
 Join the Team that Keeps America Working **<http://www.dol.gov/oasam/doljobs/main.htm>**
 Occupational Outlook Handbook **<http://www.bls.gov/oco/>**
 Workforce Recruitment Program **<http://www.dol.gov/odep/programs/workforc.htm>**

Workplace Laws and Related Information

elaws Advisors (Employment Laws Assistance for Workers and Small businesses Advisors) **<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/>**
 Compliance Assistance **<http://www.dol.gov/compliance>**

Statistical Information

Consumer Price Indexes **<http://www.bls.gov/cpi/home.htm>**
 Bureau of Labor Statistics Most Requested Data **<http://www.bls.gov/data/home.htm>**
 Current Population Survey **<http://www.bls.gov/cps/home.htm>**
 Workplace Injury, Illness & Fatality Statistics **<http://www.osha.gov/oshstats/work.html>**

Safety and Health Information

OSHA's Partnership Page **<http://www.osha-slc.gov/fso/vpp/partnership/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**
 Health Hazard Information (MSHA) **<http://www.msha.gov/hhcm.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>**
 Office of Disability Employment Policy **<http://www.dol.gov/odep/>**
 Occupational Safety and Health Administration **<http://www.osha.gov/index.html>**
 Office of the Chief Information Officer **<http://www.dol.gov/cio>**
 Office of the Assistant Secretary for Administration and Management **<http://www.dol.gov/OASAM>**
 Veterans' and Employment Training Service **<http://www.dol.gov/vets/>**
 Women's Bureau - A Voice for Working Women **<http://www.dol.gov/wb/>**

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For the third consecutive year, the Association of Government Accountants (AGA) awarded the Department with its Certificate of Excellence in Accountability Reporting, recognizing the complete presentation of Labor's programmatic and financial affairs.

The Department welcomes all comments and suggestions on both the content and presentation of this report. Please forward them to the address above.

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